Secure Trust Bank PLC

Pillar 3 disclosures for the period ended 30 June 2018

Contents

1. Overview

1.1 Background

The European Union ('EU') implemented the Basel III proposals published in December 2010 through the Capital Requirements Regulation ('CRR') and Capital Requirements Directive (together referred to as 'CRD IV') which came into force on 1 January 2014. This provides consistent capital adequacy standards governing the level of capital that banks must hold to protect their depositors and shareholders and an associated supervisory framework.

The Prudential Regulation Authority ('PRA') is responsible for the implementation of rules and guidance and enforcement within the UK. The rules include disclosure requirements known as 'Pillar 3' which apply to banks and other financial institutions. These are designed to promote market discipline through the disclosure of key information about risk exposures and risk management processes. CRD IV also made changes to rules on corporate governance, including remuneration, and introduced standardised regulatory reporting within the EU.

The Basel framework consists of three pillars:

- **Pillar 1**: Defines the minimum capital requirements that institutions are required to hold for credit, market and operational risks.
- **Pillar 2**: This builds on Pillar 1 and incorporates the Group's own assessment of additional capital resources needed in order to cover specific risks that are not covered by the minimum regulatory capital resources requirement set out under Pillar 1. The amount of any additional capital requirement is also assessed by the PRA during its Supervisory Review and Evaluation Process ('SREP') and is used to determine the overall capital resources required by the Group.
- **Pillar 3**: Aims to improve market discipline by requiring banks to publish information on their principal risks, capital structure and risk management.

1.2 Basis of disclosures

This document sets out the Pillar 3 disclosures for Secure Trust Bank PLC and its subsidiaries (the Group) as at 30 June 2018. These disclosures provide information on the capital requirements and on the management of key risks faced by the Group.

The Pillar 3 disclosure requirements have been updated by the Basel Committee on Banking Supervision with revised guidance issued in January 2015 and March 2017. This document reflects the disclosure requirements applicable at 30 June 2018.

1.3 Content of Report

The full 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.

1.6 Changes in disclosure requirements

Extensive changes were made to Pillar 3 disclosure at 2016 year end, when the Basel Committee January 2015 guidance was implemented. Further new requirements were implemented in the 2017 year-end report following the implementation of the Basel Committee March 2017 guidance. The following changes have been made to half yearly reporting in comparison to the June 2017 return:

- Overview of risk management key metrics & RWA (section 2): amended requirements including a new summary key metrics table
- Disclosure of the leverage ratio (section 2.1): new requirement
- Disclosure of the liquidity coverage ratio (section 2.1): new requirement
- Disclosure of the net stable funding ratio (NSFR) (section 2.1): new requirement
- Composition of capital (section 3): amended requirement
- Macro-prudential supervisory measures (section 4): new requirement

2. Overview of Key Prudential Metrics and RWA

2.1 Key Metrics (at consolidated Group level)

		a	b	c	d	e
		30-Jun-18	31-Mar-18	31-Dec-17	30-Sep-17	30-Jun-17
		£'m	£'m	£'m	£'m	£'m
	Available capital (amounts)					
1	Common Equity Tier 1 (CET1)	226.7	237.7	238.9	214.9	218.5
1a	Fully loaded ECL accounting model CET1	202.2	213.5	-	-	-
2	Tier 1 capital	226.7	237.7	238.9	214.9	218.5
2a	Fully loaded ECL accounting model Tier 1	202.2	213.5	-	-	-
3	Total capital	226.7	237.7	243.3	220.2	223.8
3a	Fully loaded ECL accounting model total capital	202.2	213.5	-	-	-
	Risk weighted assets (amount)					
4	Total risk weighted assets (RWA)	1,729.2	1,666.2	1,446.1	1,423.5	1,426.6
	Risk based capital ratios as a percentage of RWA					
5	Common Equity Tier 1 (CET1) ratio (%)	13.1%	14.3%	16.5%	15.1%	15.3%
5a	Fully loaded ECL accounting model CET1 (%)	11.7%	12.8%	-	-	-
6	Tier 1 ratio (%)	13.1%	14.3%	16.5%	15.1%	15.3%
6a	Fully loaded ECL accounting model Tier 1 ratio (%)	11.7%	12.8%	-	-	-
7	Total capital ratio (%)	13.1%	14.3%	16.8%	15.5%	15.7%
7a	Fully loaded ECL accounting model total capital ratio (%)	11.7%	12.8%	-	-	-
	Additional CET1 buffer requirements as a percentage of RWA					
8	Capital conservation buffer requirement (2.5% from 2019) (%)	1.9%	1.9%	1.3%	1.3%	1.3%
9	Countercyclical buffer requirement (%)	0.5%	0.0%	0.0%	0.0%	0.0%
10	Bank G-SIB and/or D-SIB additional requirements (%)	0.0%	0.0%	0.0%	0.0%	0.0%
11	Total of bank CET1 specific buffer requirements (rows 8-10) (%)	2.4%	1.9%	1.3%	1.3%	1.3%
12	CET1 available after meeting the bank's specific buffer requirements (%)	10.7%	12.4%	15.3%	13.8%	14.1%
	Basel III leverage ratio					
13	Total Basel III leverage ratio exposure measure	2,267.7	2,084.4	1,942.7	1,911.8	1,724.9
14	Basel III leverage ratio (%) (row 2/row 13)	10.0%	11.4%	12.3%	11.2%	12.7%
14a	Fully loaded ECL accounting model Basel III leverage ratio (%) (row 2a/row 13)	8.9%	10.2%	-	-	-
	Liquidity Coverage Ratio					
15	Total HQLA	127.4	183.1	218.7	225.6	114.0
16	Total net cash outflow	33.0	36.5	29.7	26.7	25.4
17	LCR ratio (%)	385.8%	501.1%	736.4%	845.1%	448.7%
	Net Stable Funding Ratio					
18	Total available stable funding	2,041.2	-	-	-	-
19	Total required stable funding	1,364.2	-	-	-	-
20	NSFR ratio	149.6%	-	-	-	-

Total Risk Exposure (TRE), which represents risk weighted assets (RWA) plus the Operational Risk component, has been reported in row 4. Capital ratios are calculated based on TRE.

The CET 1 capital balance at 30 June 2018 has reduced compared to March 2018 as a result of payment of a dividend of £11.3m during the period. The profits earned by the business in H1 2018 are still to be certified through audit. Following the implementation of IFRS 9 from 1 January 2018, the Group is no longer able to treat collective bad debt provisions as Tier 2 capital.

The Group has elected to adopt the IFRS 9 transitional rules. For 2018 this allows 95% of the IFRS 9 impact to be added back to eligible capital. The 'fully loaded ECL accounting model' disclosure above shows what the capital position would be without the IFRS 9 transitional adjustment.

The significant increase in High Quality Liquid Assets (HQLA) and the Liquidity Coverage Ratio during the second half of 2017 principally relates to new borrowing from the Bank of England under the Term Funding Scheme. Initially these additional funds were held in the Group's Bank of England reserve account, which forms the principal component of HQLA. A significant portion of these funds were invested into customer lending during the year to date, resulting in the LCR ratio returning to historic levels.

High Quality Liquid Assets (row 15) principally represent the Group's Bank of England reserve account and treasury bills. The data points used in creating the average figures for the liquidity section of the table are the Group's monthly liquidity returns. In calculating the net cash outflow figure (row 16), the cap limiting the allowable cash inflow to 75% of the cash outflow has been applied.

The Net Stable Funding Ratio (NSFR) is required to be disclosed from 30 June 2018 onwards. The NSFR ratio at 30 June 2018 of 149.6% is comfortably in excess of the required minimum.

2.2 Overview of Risk Weighted Assets

		a	b	c	d
		Risk Weighted Assets		Minimum Capital Requirement	
		30/06/18 £'m	31/12/17 £'m	**30/06/18 £'m**	31/12/17 £'m
1	Credit Risk (excluding counterparty credit risk) CCR	**1,541.6**	1,278.6	**123.3**	102.3
2	Of which standardised approach (SA)	**1,541.6**	1,278.6	**123.3**	102.3
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	**187.6**	167.5	**15.0**	13.4
20	Of which Basic Indicator Approach	-	167.5	-	13.4
21	Of which Standardised Approach	**187.6**	-	**15.0**	-
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)	**1,729.2**	1,446.1	**138.3**	115.7

The minimum capital requirement above represents the Group's Pillar 1 capital requirement and excludes any additional Pillar 2A capital add-ons. The total on line 25 represents the Total Risk Exposure (TRE) of the Group.

The credit risk capital requirement has increased by 21% in the period, from £102.3m to £123.4m. This is greater than the 16% increase in total assets, from £1,892m to £2,187m over the same period. Lending balances have increased by 15% in the period, the proportionately larger increase in risk weightings being attributable to changes in the business mix.

The operational risk capital requirement has fallen to £15.0m, from the £17.2m disclosed in the 31 March 2018 return. This is because during Q2, the Group has elected to amend its Operational Risk calculation methodology from the basic indicator approach (BIA) to the standardised approach (TSA).

3 Composition of Capital

3.1 Composition of regulatory capital

The table below summarises the composition of The Group's regulatory capital as at 30 June 2018:

		a
		Amounts £'m
	Common Equity Tier 1 capital: instruments and reserves	
1	Directly issued quaifying common share capital plus related stock surplus	88.6
2	Retained earnings	122.4
3	Accumulated other comprehensive income (and other reserves)	1.3
6	Common Equity Tier 1 capital before regulatory adjustments	**212.3**
	Common Equity Tier 1 capital: regulatory adjustments	
7	Prudent valuation adjustments	24.5
8	Goodwill (net of tax related liability)	(1.0)
9	Other intangibles other than mortgage servicing rights (net of tax related liability)	(9.1)
10	Deferred tax assets that rely on future profitability, excluding those arising from temporary differences (net of tax related liability)	-
12	Shortfall of provisions to expected loss	-
13	Securitisation gain on sale	-
14	Gains and losses due to changes in own credit risk on fair valued liabilities	-
28	Total regulatory adjustments to Common Equity Tier 1	**14.4**
29	Common Equity Tier 1 capital (CET1)	**226.7**
	Additional Tier 1 capital: instruments	
30	Directly issued additional tier 1 instruments plus related stock surplus	-
31	Of which: classified as equity under applicable accounting standards	-
32	Of which: classified as liabilities under applicable accounting standards	-
36	Additional Tier 1 capital before regulatory adjustments	-
	Additional Tier 1 capital: regulatory adjustments	
43	Total regulatory adjustments to additional Tier 1 capital	-
44	**Additional Tier 1 capital (AT1)**	**-**
45	**Tier 1 capital (T1=CET1+AT1)**	**226.7**
	Tier 2 capital: instruments and provisions	
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	-
50	Provisions	-
51	Tier 2 capital before regulatory adjustments	-
	Tier 2 capital: regulatory adjustments	
57	Total regulatory adjustments to Tier 2 capital	
58	**Tier 2 capital (T2)**	**-**
59	**Total regulatory capital(TC=T1+T2)**	**226.7**
60	**Total risk weighted assets**	**1,729.2**
61	**Common Equity Tier 1 (as a percentage of risk weighted assets)**	**13.1%**
62	**Tier 1 (as a percentage of risk weighted assets)**	**13.1%**
63	**Total capital (as a percentage of risk weighted assets)**	**13.1%**
64	**Institution specific buffer requirement (expressed as a percentage of risk weighted assets)**	**2.4%**
65	Of which: capital conservation buffer requirement	1.9%
66	Of which: bank-specific countercyclical buffer requirement	0.0%
68	**Common Equity Tier 1 (as a percentage of risk weighted assets) available after meeting the bank's minimum capital requirements**	**1.6%**

The prudent valuation adjustment to CET 1 capital (row 7) represents the permitted adjustment to capital under the IFRS 9 transitional rules. To be consistent with section 2.1, Total Risk Exposure (TRE) has been reported in row 60 rather than Risk Weighted Assets (RWA).

3.2 Total loss absorbing capacity

The Group's total loss absorbing capacity at 30 June 2018 is equal to its minimum capital requirement (Pillar 1+2A capital). The Group is not required by the PRA to hold a MREL recapitalisation reserve.

3.3 Reconciliation of regulatory capital to balance sheet

	a	b
	Balance sheet as in published financial statements (as at period end) £'m	Under regulatory scope of consolidation (as at period end) £'m
Assets		
Cash and balances at central banks	126.7	126.7
Loans and advances to banks	34.2	34.2
Loans and advances to customers	1,839.1	1,839.1
Debt securities held to maturity	150.0	150.0
Property, plant and equipment	11.6	11.6
Intangible assets	10.3	10.3
Deferred tax assets	7.4	7.4
Other assets	7.8	7.8
Total assets	**2,187.1**	**2,187.1**
Liabilities		
Due to banks	263.0	263.0
Deposits from customers	1,645.4	1,645.4
Current tax liabilities	2.8	2.8
Deferred tax liabilities	-	-
Other liabilities	49.3	49.3
Provisions for liabilities and charges	1.6	1.6
Total liabilities	**1,962.1**	**1,962.1**

Explanation of differences between accounting and regulatory exposure amounts
There are no differences between the reported carrying values within the financial statements and the regulatory balances as reported in the Group's financial regulatory returns.

3.4 Capital Requirement

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 mitigation):

Pillar 1 Requirement	30/06/18	31/12/17
Credit Risk requirements arising from exposures to:	£'m	£'m
Institutions	0.6	0.6
Corporates	17.6	14.0
Retail	48.1	44.8
Secured on immoveable property	51.6	39.5
Exposures in default	2.5	1.9
Other	3.0	1.5
Market risk capital requirement	-	-
Operational risk capital requirement	15.0	13.4
Total Pillar 1 Capital Requirement	**138.4**	**115.7**

The retail capital requirement has increased by 7% in the year, driven by continued strong growth in the Group's consumer finance lending portfolio.

The capital requirement for property lending increased by 31% , due to the growth of the real estate finance lending portfolio of 21% and an increase in the proportion of development lending, which attracts a 150% risk weighting. The Group's consumer mortgage business launched in late 2017 with lending of £37m at 30 June 2018, which was generally risk weighted at 35%.

Operational risk is the risk of direct or indirect loss as a result of inadequate or failed internal processes, people and systems or from external factors. These can relate to breaches of law and regulations, error or omission, unauthorised activities and fraud, system failure or external events.

CRD IV requires that the Group holds Pillar 1 capital against operational risk. The amount of capital the Group is required to hold is determined by the Standardised Approach (TSA). This is calculated as 12% of the average of the last three years' eligible retail income and 15% of averaged eligible commercial income.

The table below sets out the Group's operational risk capital TSA indicator calculation for the 2018 year:

	Eligible income for year ending			
	2015 £'000	2016 £'000	2017 £'000	3 year average income £'000
Retail (@12%)	64,487	71,662	86,325	74,158
Commercial (@ 15%)	26,481	45,325	50,303	40,703
TSA Capital Charge				**15,004**

2018 is the first year that the TSA approach has been adopted, the Group previously using the Basic Indicator Approach (BIA). A waiver was granted by the PRA effective from 16 July 2018 to exclude the operational risk associated with a division of the business that has now been sold. This will reduce the TSA capital charge by a further £1.3m and will be reflected in subsequent returns.

4. Macro-Prudential Supervisory Measures

4.1 Geographical distribution of the credit exposures used in the countercyclical capital buffer

The countercyclical capital buffer (CCyB) rate applicable in the United Kingdom at 30 June 2018 was 0.5%. The underlying credit exposures arise solely in the United Kingdom.

5. Credit Risk

5.1 CR1 Credit quality of assets

		a	b	c	d
		Gross carrying values of:		Allowances/ Impairments £'m	Net values (a+b+c) £'m
		Defaulted exposures £'m	Non-defaulted exposures £'m		
1	Loans	53.9	1,853.2	(68.0)	1,839.1
2	Debt Securities	-	-	-	-
3	Off-balance sheet exposures	-	263.3	-	263.3
4	**Total**	**53.9**	**2,116.5**	**(68.0)**	**2,102.4**

5.2 CR2 Changes in stock of defaulted loans and debt securities

		2018 £m
1	**Defaulted loans and debt securities at end of the previous period (restated)**	**44.4**
2	Loans and debt securities which have defaulted since the last reporting period	28.8
3	Returned to non-defaulted status	(4.7)
4	Amounts written off	(14.0)
5	Other changes	(0.6)
6	**Defaulted loans and debt securities at end of the reporting period (1+2+3+4+5)**	**53.9**

5.3 CR3 Credit risk mitigation techniques -overview

		a	b	c	d	e	f	g
		Exposures unsecured: carrying amount	Exposures secured by collateral	Exposures secured by collateral, of which: secured amount	Exposures secured by financial guarantees	Exposures secured by financial guarantees, of which: secured amount	Exposures secured by credit derivatives	Exposures secured by credit derivatives, of which: secured amount
		£'m	£'m	£'m	£'m	£'m	£'m	£'m
1	Loans	696.5	1,303.5	1,087.5	15.0	15.0	-	-
2	Debt Securities	-	-	-	-	-	-	-
3	**Total**	**696.5**	**1,303.5**	**1,087.5**	**15.0**	**15.0**	**-**	**-**
4	Of which defaulted	30.0	23.9	20.5	-	-	-	-

The loans figures in the above tables represent loans and advances to customers, balances at the Bank of England and loans to other banking institutions. Loans and advances to customers comprises two portfolios: a Business Finance portfolio comprising secured lending to businesses for Real Estate, Asset Finance and Invoice Finance; and a Consumer Finance portfolio including unsecured retail lending as well as secured lending for Motor Finance. The Group has recently commenced secured residential Mortgage lending.

5.4 CR4 Standardised approach- credit risk exposure and CRM effects

		a	b	c	d	e	f
		Exposures before CCF and CRM		**Exposures post CCF and CRM**		**RWA and RWA density**	
		On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
		£'m	£'m	£'m	£'m	£'m	£'m
	Asset Classes:						
1	Sovereigns and their central banks	**276.6**	**-**	**276.6**	**-**	**-**	**0%**
2	Non central government public sector entities	-	-	-	-	-	-
3	Multilateral development banks	-	-	-	-	-	-
4	Banks	**34.2**	**-**	**34.2**	**-**	**6.9**	**20%**
5	Securities firms	-	-	-	-	-	-
6	Corporates	**250.8**	**-**	**250.8**	**-**	**233.3**	**93%**
7	Regulatory retail portfolios	**815.2**	**80.7**	**801.1**	**5.4**	**605.0**	**75%**
8	Secured by residential property	37.7	13.5	37.7	13.5	15.9	31%
9	Secured by commercial real estate	**703.5**	**169.1**	**703.5**	**77.8**	**629.3**	**81%**
10	Equity	-	-	-	-	-	-
11	Past due loans	**31.9**	**-**	**31.9**	**-**	**31.9**	100%
12	Higher risk categories	-	-	-	-	-	-
13	Other Assets	25.9	-	25.9	-	37.2	144%
14	**Total**	**2,175.8**	**263.3**	**2,161.7**	**96.7**	**1,559.5**	**69%**

5.5 CR5 Standardised approach- exposures by asset class and risk weights

		a	b	c	d	e	f	g	h	i	j
	Asset Classes / Risk Weight	0%	10%	20%	35%	50%	75%	100%	150%	Other	Total credit exposures amount post CCF and post CRM
		£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m
1	Sovereigns and their central banks	276.6	-	-	-	-	-	-	-	-	276.6
2	Non central government public sector entities	-	-	-	-	-	-	-	-	-	-
3	Multilateral development banks	-	-	-	-	-	-	-	-	-	-
4	Banks	-	-	34.2	-	-	-	-	-	-	34.2
5	Securities firms	-	-	-	-	-	-	-	-	-	-
6	Corporates	-	-	-	-	-	70.0	180.8	-	-	250.8
7	Regulatory retail portfolios	-	-	-	-	-	806.5	-	-	-	806.5
8	Secured by residential property	-	-	-	50.7	-	0.5	-	-	-	51.2
9	Secured by commercial real estate	-	-	-	431.6	-	-	97.1	252.7	-	781.4
10	Equity	-	-	-	-	-	-	-	-	-	-
11	Past due loans	-	-	-	-	-	-	31.9	-	-	31.9
12	Higher risk categories	-	-	-	-	-	-	-	-	-	-
13	Other Assets	-	-	-	-	-	-	18.3	-	7.5	25.8
14	**Total**	**276.6**	**-**	**34.2**	**482.3**	**-**	**877.0**	**328.1**	**252.7**	**7.5**	**2,258.4**

In tables CR4 and CR5 above, the asset class “Secured by commercial real estate” represents the Group’s Real Estate Finance portfolio. Although the regulatory definition requires disclosure within this asset class, this portfolio is primarily secured on residential property. Only £97.1m of the exposures reported within this class are secured on commercial property.

6. Counterparty Credit Risk

6.1 CCR1 Analysis of counterparty credit risk (CCR) exposure by approach

The bank has not entered into any derivatives or securities financing transactions (SFTs) during the period. Accordingly table CCR1 has not been provided.

6.2 CCR2 Credit valuation adjustment (CVA) capital charge

The bank has not entered into any derivatives or securities financing transactions (SFTs) during the period. Accordingly no CVA capital charge is required and therefore table CCR2 has not been provided.

6.3 CCR3 Standardised approach –Counterparty Credit Risk by regulatory portfolio and risk weights

	a	b	c	d	e	f	g	h	i	j
Regulatory Portfolio / Risk Weight	0% £'m	10% £'m	20% £'m	35% £'m	50% £'m	75% £'m	100% £'m	150% £'m	Others £'m	Total credit exposures £'m
Sovereigns and their central banks	276.6	-	-	-	-	-	-	-	-	276.6
Non central government public sector entities (PSEs)	-	-	-	-	-	-	-	-	-	-
Multilateral development banks (MDBs)	-	-	-	-	-	-	-	-	-	-
Banks	-	-	34.2	-	-	-	-	-	-	34.2
Securities firms	-	-	-	-	-	-	-	-	-	-
Corporates	-	-	-	491.6	-	70.6	305.4	306.7	-	1,174.3
Regulatory retail portfolios	0.4	-	-	0.3	-	828.3	85.1		-	914.1
Other assets	-	-	-	-	-	-	18.3	-	7.5	**25.8**
Total	**277.0**	**-**	**34.2**	**491.9**	**-**	**898.9**	**408.8**	**306.7**	**7.5**	**2,425.0**

6.4 CCR5 Composition of collateral for CCR exposure

The bank has not entered into any derivatives or securities financing transactions (SFTs) during the period. Accordingly table CCR5 has not been provided.

6.5 CCR6 Credit derivatives exposure

The bank has not entered into any derivatives or swaps during the period. Accordingly table CCR6 has not been provided.

6.6 CCR8 Exposure to central counterparties

The bank has not entered into any derivatives or SFTs during the period. Accordingly table CCR8 has not been provided.

7. Securitisation

The bank has not entered into any securitisation transactions during the period, nor does it have any securitisation exposure at 30 June 2018. Accordingly table SEC1 has not been provided.

8. Market Risk

The Group does not hold any capital in respect of market risk at 30 June 2018, apart from that related to Interest Rate Risk in the Banking Book (IRRBB).

No entity within the STB Group trades in securities, there is no appetite for foreign exchange risk and the Group does not take significant unmatched positions.