Secure Trust Bank PLC

Pillar 3 Interim disclosures for 30 June 2022

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 June 2022.

The Group is regulated under UK Capital Requirements Regulation (CRR) and the associated binding technical standards that were created by the European Union (Withdrawal) Act 2018. The CRR has subsequently been amended by several statutory instruments and is split across the Prudential Regulatory Authority (PRA) rulebook and primary legislation.

The 2022 disclosures reflect the revised disclosure requirements applicable from 1 January 2022 following the UK implementation of the UK Capital Requirements Regulation II.

1.2 Basis of disclosures

The disclosures have been prepared for the Group and cover the applicable Pillar 3 qualitative and quantitative disclosure requirements.

Preparation is in accordance with the rules laid out in the Disclosure Part of the PRA Rulebook and the Group's approved policy, describing internal controls and processes around preparation of this document.

Regulatory capital ratios are calculated on both a Group and an Individual Consolidated (or 'solo') basis.

The PRA has granted the Group permission to include all Group entities within the Individual Consolidation except for AppToPay Limited, which was newly acquired in 2022 and has immaterial assets, liabilities and reserves. Permission to include this entity in the Individual Consolidation will be sought in due course.

The basis of consolidation for the Group is the same for accounting and prudential purposes.

The Group adopts the standardised approach to calculate the capital requirements for credit risk, operational risk and counterparty credit risk.

1.3 Content of Report and Frequency

The Pillar 3 disclosures are issued every six months at the same time as the Group's Interim/Annual Report and Accounts. Where there is a material change in any approach used for the calculation of capital, the business structure or regulatory requirements, the frequency of disclosure will be reviewed.

Where appropriate, cross references have been made to supporting disclosures that are included within the 2022 Interim Report and/or Group's 2021 Annual Report and Accounts. As such, these disclosures should be read in conjunction with these documents.

The Group does not disclose all quantitative metrics and figures relating to its risk appetite, as they are considered to be proprietary information; those that are disclosed can be viewed in the Strategic Report in the Group's 2021 Annual Report and Accounts.

Note the comparative figures are as published in the prior period where applicable and, where disclosures are new, the Group has not restated or provided prior period comparatives. Furthermore, where specific rows and columns in the tables prescribed by the PRA are not applicable, these are omitted and the same approach for comparative disclosures followed.

1.4 Media and location

Pillar 3 disclosures are published on the Secure Trust Bank PLC corporate website (www.securetrustbank.com/investors).

1.5 Verification

The disclosure guidance within the PRA Rulebook requires creation of a formal policy and the Board has put a policy in place. The Policy is reviewed and approved on an annual basis by the Risk Committee (a committee of the Board).

The 2022 Interim and Annual Pillar 3 disclosures are subject to review by the Risk Committee and approval by Board in conjunction with the Group's Interim Report or Annual Report and Accounts.

The Chief Financial Officer attests that the disclosures have been prepared in accordance with the Disclosure part of the PRA Rulebook, which includes revised disclosure requirements applicable from 1 January 2022 and are consistent with the approved Pillar 3 Disclosures Policy. The Group has operated a framework of disclosure controls, procedures and governance to ensure the completeness and accuracy of the Group's Pillar 3 disclosure.

Further information on the Group's internal controls can be found in the corporate governance report within the Group's 2021 Annual Report and Accounts.

The disclosures have not been, and are not required to be, subject to independent external audit and do not constitute any part of the Group's Interim Report or Annual Report and Accounts.

2. Table UK KM1 - Key Prudential Metrics and Risk Weighted Assets

		30 Jun 2022[1] £million	31 Dec 2021 £million
	Available own funds (amounts)		
1	Common Equity Tier 1 (CET 1) capital	**313.8**	**303.6**
2	Tier 1 capital	**313.8**	**303.6**
3	Total capital	**363.6**	**350.6**
4	**Risk weighted exposure amounts**		
	Total risk-weighted exposure amount	**2,237.1**	**2,087.4**
	Capital ratios (as a percentage of RWA)		
5	Common Equity Tier 1 ratio (%)	**14.0%**	**14.5%**
6	Tier 1 ratio (%)	**14.0%**	**14.5%**
7	Total capital ratio (%)	**16.3%**	**16.8%**
	Additional own funds requirements based on SREP (as a percentage of risk-weighted exposure amount)		
UK 7a	Additional CET1 SREP requirements (%)	**0.8%**	**0.8%**
UK 7c	Additional T2 SREP requirements (%)	**0.2%**	**0.2%**
UK 7d	Total SREP own funds requirements (%)	**9.0%**	**9.0%**
	Combined buffer requirement (as a percentage of risk-weighted exposure amount)		
8	Capital conservation buffer (%)	**2.5%**	**2.5%**
9	Institution specific countercyclical capital buffer (%)	**0.0%**	**0.0%**
UK 11a	Overall capital requirements (%)	**12.0%**	**12.0%**
12	CET1 available after meeting the total SREP own funds requirements (%)	**7.3%**	**7.8%**
	Leverage ratio		
13	Total exposure measure excluding claims on central banks	**2,949.8**	
14	Leverage ratio excluding claims on central banks (%)	**10.6%**	
	Liquidity Coverage Ratio[2]		
15	Total high-quality liquid assets (HQLA) (Weighted value -average)	**248.0**	
UK 16a	Cash outflows - Total weighted value	**244.5**	
UK 16b	Cash inflows - Total weighted value	**180.5**	
16	Total net cash outflows (adjusted value)	**71.4**	
17	Liquidity coverage ratio (%)	**363.0%**	

1 Ratios and figures quoted for the first time under new PS22/21 guidance from 1 January 2022 do not include comparatives.
2 Liquidity balances are calculated as the simple averages of month-end observations over the 12 months preceding the reporting date

The CET 1 balance has increased by £10.2 million compared to December 2021 primarily due to £19.1 million of interim profits after tax which have been partially offset by the £3.0 million 2022 foreseeable dividend and £5.4 million reduction in capital benefit associated with IFRS 9 transitional provisions. The reduction in IFRS 9 capital benefit is a result of a combination of factors, increased Group impairment provisions and a reduction in taper relief rates applicable under the transitional rules from 2022.

Further information on the financial performance can be found in the Financial Review section of the 2022 Interim Report.