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Castle Trust Bank Pillar 3 Disclosures

Financial Year ended
30 September 2022



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Scope

This document sets out the consolidated Pillar 3 disclosures of Castle Trust Holdings Limited ('the Group') which includes Castle Trust Capital plc ('the Bank') and its directly owned subsidiaries as at 30 September 2022. Castle Trust Capital plc is authorised by the Prudential Regulation Authority ('PRA') and regulated by the Financial Conduct Authority ('FCA') and the PRA (registered number 541910).

The purpose of this document is to provide relevant information on the key regulatory metrics of the Group and the Bank, as prescribed by Part Eight of the Capital Requirements Regulation ('CRR') as adopted within the PRA rulebook.

Background

The Group is subject to the UK versions of CRR II and CRD V rules which were implemented on the 31st December 2020 under policy statement 29/20 'Capital Requirements Directive V'. The UK implemented finalised Basel III rules under policy statement 22/21 'Implementation of Basel standards: Final rules' which came into effect from 1st January 2022.

Pillar 1 of the Basel III standards sets out the minimum capital requirements firms are required to meet for credit, market and operational risk. Under Pillar 2, firms and supervisors have to take a view on whether a firm should hold additional capital against risks not covered in Pillar 1, assess the suitability of Pillar 1 capital requirements and demonstrate their ability to manage their capital position through a severe stressed scenario. Pillar 3 aims to improve market discipline by requiring firms to publish key details of their risks, capital and risk management.

Business Overview

The Group is a speciality finance provider in the UK and competes in business segments that are experiencing sector specific growth and have the ability to deliver attractive shareholder returns relative to the risks that they represent.

The Group principally provides mortgage finance offering fixed rate mortgages or fixed rate development loans and point of sale finance allowing small to medium-sized retailers to offer finance to their customers in store or online.

These business activities are currently funded by customers who are seeking a stable and attractive return over a medium to long term period offering fixed term deposit accounts. Retail customers are protected by the Financial Services Compensation Scheme ('FSCS') up to a maximum of £85,000 per eligible investor.

Basis for this Requirement

These disclosures are based upon the Group's Financial Statements for the year ended 30 September 2022. The key metrics disclosures have been prepared for both the Group and the Bank as required per Article 18 of the CRR. Both the Group and the Bank use the Standardised Approach for computing capital requirements for credit risk. The disclosures in this document have been based on this approach.

These disclosures were prepared in accordance with the requirements of the CRD V.

As part of the changes implemented from 1st January 2022 for Basel III under PS22/21, both the Group and the Bank have been assessed as meeting the definition of a 'small and non-complex institution' as per Article 4 (145). Therefore, both institutions meet the criteria for Article 433b of the CRR which has a reduced scope of requirements for disclosure. This document has been prepared based on the reduced requirement when compared to the prior year publication.

This document has been published on the Bank's website and should be read in conjunction with the Financial Statements for the period ended 30 September 2022 which are also available on the Group's website.

Frequency of Disclosure

The Group's policy is to publish the Pillar 3 disclosures annually in line with the requirements of Article 433b of the CRR. The Group and the Bank both meet the definition of a small and non-complex institution.

The Group will look to update this disclosure should there be a material change in any approach that would have an impact on the calculations and information within.

Verification

This Pillar 3 disclosure has been approved by the Group Audit Committee on behalf of the Board. This disclosure has not been subjected to external audit.

Location of Document

This document has been published on the Group's website and should be read in conjunction with the Financial Statements for the period ended 30 September 2022 which are also available on the Group's website.

Key Metrics for the Group

The key metrics for the Group as at 30 September 2022 under CRD V are:

| | | September 2022 | September 2021 |
|---|--|-------------------|-------------------|
| Available own funds (amounts) | | | |
| 1 | Common Equity Tier 1 (CET1) capital (£000) | 92,572 | 85,310 |
| 2 | Tier 1 capital (£000) | 92,572 | 85,310 |
| 3 | Total capital (£000) | 92,572 | 85,310 |
| Risk-weighted exposure amounts | | | |
| 4 | Total risk-weighted exposure amount (£000) | 530,968 | 494,624 |
| Capital ratios (as a percentage of risk-weighted exposure amount) | | | |
| 5 | Common Equity Tier 1 ratio (%) | 17.43% | 17.25% |
| 6 | Tier 1 ratio (%) | 17.43% | 17.25% |
| 7 | Total capital ratio (%) | 17.43% | 17.25% |
| Additional own funds requirements based on SREP (as a percentage of risk-weighted exposure amount) | | | |
| UK 7a | Additional CET1 SREP requirements (%) | 1.18% | 2.27% |
| UK 7b | Additional AT1 SREP requirements (%) | N/A | N/A |
| UK 7c | Additional T2 SREP requirements (%) | N/A | N/A |
| UK 7d | Total SREP own funds requirements (%) | 9.18% | 10.27% |
| Combined buffer requirement (as a percentage of risk-weighted exposure amount) | | | |
| 8 | Capital conservation buffer (%) | 2.50% | 2.50% |
| 9 | Institution specific countercyclical capital buffer (%) | 0.00% | 0.00% |
| 11 | Combined buffer requirement (%) | 2.50% | 2.50% |
| UK 11a | Overall capital requirements (%) | 11.68% | 12.77% |
| 12 | CET1 available after meeting the total SREP own funds requirements (%) | 8.25% | 6.98% |
| Leverage ratio | | | |
| 13 | Total exposure measure excluding claims on central banks (£000) | 853,353 | 662,903 |
| 14 | Leverage ratio excluding claims on central banks (%) | 10.85% | 12.87% |
| Liquidity Coverage Ratio | | | |
| 15 | Total high-quality liquid assets (HQLA) (Weighted value -average) (£000) | 89,558 | 77,922 |
| UK 16a | Cash outflows - Total weighted value (£000) | 91,391 | 65,704 |
| UK 16b | Cash inflows - Total weighted value (£000) | 55,579 | 45,612 |
| 16 | Total net cash outflows (adjusted value) (£000) | 35,813 | 20,827 |
| 17 | Liquidity coverage ratio (%) | 250.08% | 374.14% |
| Net Stable Funding Ratio | | | |
| 18 | Total available stable funding (£000) | N/A | N/A |
| 19 | Total required stable funding (£000) | N/A | N/A |
| 20 | NSFR ratio (%) | N/A | N/A |

Key Metrics for the Bank

The key metrics for the Bank as at 30 September 2022 under CRD V are:

| | | September 2022 | September 2021 |
|---|--|-------------------|-------------------|
| Available own funds (amounts) | | | |
| 1 | Common Equity Tier 1 (CET1) capital (£000) | 75,267 | 71,644 |
| 2 | Tier 1 capital (£000) | 75,267 | 71,644 |
| 3 | Total capital (£000) | 75,267 | 71,644 |
| Risk-weighted exposure amounts | | | |
| 4 | Total risk-weighted exposure amount (£000) | 357,870 | 359,249 |
| Capital ratios (as a percentage of risk-weighted exposure amount) | | | |
| 5 | Common Equity Tier 1 ratio (%) | 21.03% | 19.94% |
| 6 | Tier 1 ratio (%) | 21.03% | 19.94% |
| 7 | Total capital ratio (%) | 21.03% | 19.94% |
| Additional own funds requirements based on SREP (as a percentage of risk-weighted exposure amount) | | | |
| UK 7a | Additional CET1 SREP requirements (%) | 1.18% | 2.27% |
| UK 7b | Additional AT1 SREP requirements (%) | N/A | N/A |
| UK 7c | Additional T2 SREP requirements (%) | N/A | N/A |
| UK 7d | Total SREP own funds requirements (%) | 9.18% | 10.27% |
| Combined buffer requirement (as a percentage of risk-weighted exposure amount) | | | |
| 8 | Capital conservation buffer (%) | 2.50% | 2.50% |
| 9 | Institution specific countercyclical capital buffer (%) | 0.00% | 0.00% |
| 11 | Combined buffer requirement (%) | 2.50% | 2.50% |
| UK 11a | Overall capital requirements (%) | 11.68% | 12.77% |
| 12 | CET1 available after meeting the total SREP own funds requirements (%) | 11.85% | 9.67% |
| Leverage ratio | | | |
| 13 | Total exposure measure excluding claims on central banks (£000) | 821,174 | 647,358 |
| 14 | Leverage ratio excluding claims on central banks (%) | 9.17% | 11.07% |
| Liquidity Coverage Ratio | | | |
| 15 | Total high-quality liquid assets (HQLA) (Weighted value -average) (£000) | 89,542 | 77,922 |
| UK 16a | Cash outflows - Total weighted value (£000) | 71,131 | 50,766 |
| UK 16b | Cash inflows - Total weighted value (£000) | 53,158 | 44,223 |
| 16 | Total net cash outflows (adjusted value) (£000) | 22,292 | 13,535 |
| 17 | Liquidity coverage ratio (%) | 401.68% | 575.71% |
| Net Stable Funding Ratio | | | |
| 18 | Total available stable funding (£000) | 715,551 | N/A |
| 19 | Total required stable funding (£000) | 421,346 | N/A |
| 20 | NSFR ratio (%) | 169.82% | N/A |

Additional Information

The templates in this document are based on the PRA disclosure templates KM1 which became effective from 1st January 2022. These have been completed based on the audited financial statements of the Group and Bank.

Where 'N/A' is shown, this indicates that this metric was not relevant for the Group and Bank or that the calculation methodology has been amended in the current year and therefore comparators are not available.

The SREP requirements referred to in the key metrics tables are from the Supervisory Review and Evaluation Process undertaken by the PRA. This process, taking into account the nature, scale and complexity of a firm's activities, reviews and evaluates the:

- arrangements, strategies, processes and mechanisms implemented by a firm to comply with its regulatory requirements laid down in PRA rules and the CRR;
- risks to which the firm is or might be exposed;
- risks that the firm poses to the financial system; and
- further risks revealed by stress testing.

In the Group Financial Statements for the period ended 30 September 2022, the Group CET1 ratio is disclosed as 15.8%. In the key metrics on page 4, this is shown as 17.4%. The difference relates to inclusion of audited profits for the year ended 30 September 2022 within capital resources in this document, increasing the CET1 ratio accordingly. This also applies to the Bank's CET1 ratio (19.7% vs 21.0%).



Castle Trust Bank means Castle Trust Capital plc, a company incorporated in England and Wales with company number 07454474 and registered office at 10 Norwich Street, London, EC4A 1BD. Castle Trust Capital plc is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority, under reference number 541910.