Castle Trust Bank

Pillar 3 Disclosures

Financial year end 30 September 2020

Contents

1. Introduction	3
2. Risk Management and Governance	6
3. Capital Resource and Adequacy	17
4. Credit Risk	22
5. Interest Rate Risk in the Banking Book	26
6. Liquidity and Operational Risk	29
7. Remuneration Policy	31
Appendix 1. Own Funds Disclosures	35
Appendix 2. Capital Instruments	37
Appendix 3. Omissions	40
Appendix 4. Bank Disclosures	42

Castle Trust Bank

1. Introduction

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Trust
Bank

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 2020. 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 capital adequacy and risk profile of the Bank, as prescribed by Capital Requirements Regulation (EU) No 575/2013 (''CRR''), Part 8 – Disclosure by institutions and the rules of the PRA.

The Group has not included comparatives (year on year) due to the legal entity changes and the consolidated reporting requirements that changed once Castle Trust Capital plc became a bank.

Castle Trust Capital plc received full authorisation as a bank on 15 June 2020 when all existing investments were converted into savings accounts.

Background

The European Union adopted a legislative package, the Capital Requirements Directive IV ("CRD IV") to strengthen the regulation of the banking sector and to implement the Basel III agreement in the EU legal framework. CRD IV is made up of the Capital Requirements Directive (2013/36/EU) ("CRD") which must be implemented through national law and the Capital Requirements Regulation (575/2013) ("CRR"), which is directly applicable to firms across the EU.

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 with credit decisions provided within seconds.

These business activities are currently funded by customers who are seeking a stable and attractive return over a medium to long term period offering Term Deposit accounts and Easy Access Savings 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 is based upon the Group's Financial Statements for the year ended 30 September 2020.These disclosures have been prepared for the Group with the exception of Appendix 4 which shows the required disclosures for the Bank as per Article 18 of the Capital Requirements Regulation EU 575/2013 ('CRR'). Both the Group and the Bank use the Standardised Approach for computing capital requirements for credit risk and the Basic Indicator Approach for operational risk. The disclosures in this document have been based on these approaches.

These disclosures were prepared in accordance with the requirements of the Capital Requirements Directive and Regulation ('CRD IV').

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 2020 which are also available on the Bank's website.

Frequency of Disclosure

The Group's policy is to publish the Pillar 3 disclosures annually in line with the requirements of Article 433 of the CRR.

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

Verification

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

Key Metrics for the Business

The key metrics for the Group as at 30 September 2020 under CRD IV are:

Key Metrics	£000s
Common Equity Tier 1 Capital (£000's)	81,994
Risk Weighted Assets (£000's)	477,452
Common Equity Tier 1 Ratio	17.17%
Leverage Ratio	10.99%
Liquidity Coverage Ratio	480.93%

Location of Document

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 2020 which are also available on the Bank's website.

2. Risk Management and Governance

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Purpose of Risk Management

The purpose of the Group's Risk Management Framework is to give stakeholders confidence that risk is understood, monitored and controlled, and that the level of risk that the Group takes is aligned to its objectives, including operational, conduct and financial risk. This ensures that the risks are commensurate to the returns and financial resources of the institution and that treating customers fairly is embedded into its culture and operational processes.

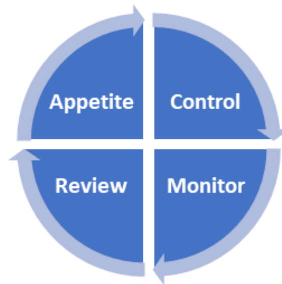
This means that:

- In the normal course of business, the Group's operations, customer outcomes and financial metrics are stable and in line with objectives.
- Under stress, the Group can continue to operate, to fulfil its obligations to customers and to meet its financial requirements.

The Risk Management Framework is owned by the Chief Risk Officer and overseen by the Board Risk Committee. The following sections of the report explain how the Risk Management Framework is applied in the Group.

Risk Management Process Lifecycle

The Group's Risk Management Framework is in conjunction with a comprehensive suite of risk-specific policies, manuals and procedures to specify the Risk Management Processes the Group follows in respect of each risk. The framework groups the Risk Management Processes into four phases which together form the Risk Management Process Lifecycle.



Please see the next page for the table detailing each of the Risk Management Process Lifecycle stages.

Castle Trust Bank

	Intended outcome	Description
Appetite	To identify the Group's objectives and set appetite having regard for the resilient and sustainable areas of customer need for which an attractive service can be provided and from which an appropriate risk adjusted return can be generated.	A combination of annual, regular and ad hoc processes which ensure that the Group has clear objectives and has the resources and processes in place to meet its objectives. Examples of this include setting of operational resilience standards, new product approval, regular risk appetite and limit calibration reviews and annual corporate plan, ICAAP and ILAAP.
Control	To operate robust controls that ensure that the objectives, including risk appetite, are met.	Regular processes which are designed to control risk and deliver the Group's objectives. Examples of this include business continuity and disaster recovery scenario test exercises, affordability and credit checks, vulnerable customer procedures, quality assurance and board limits
Monitor	To provide management with clear measures as to execution of the objectives, the risk incurred and the effectiveness of controls.	Regular information and governance processes that ensure each risk has appropriate monitoring information and that there is a regular forum which has responsibility for reviewing that information. The Group provides regular reporting against operational, customer and prudential objectives.
Review	To undertake periodic stock takes to ensure that the Risk Management Framework is delivering the objectives and risk appetite as intended.	A combination of annual, regular and ad hoc processes which ensure that the Group is meeting the objectives and appetite it has set during its planning processes. This includes risk based compliance monitoring or Internal Audit Reviews, annual product reviews and annual CRO reports.

Culture, Lines of Defence and Responsibilities

Responsibility for risk management lies with every colleague of the Group. All colleagues are expected to manage the risks of their own area in accordance with the Risk Management Framework and to escalate issues and emerging risks appropriately.

Primary ownership for risk management sits with the 1st line business areas that manage their own specific risks and controls. The 2nd line is responsible for providing independent challenge, specialist advice, risk monitoring and ensuring the Risk Management Framework is operating effectively. The 3rd line provides independent assurance that the Risk Management Framework is working as intended.

Line of Defence	Owner	Oversight	Functional Areas	Responsibilities aligned to Risk Management Process Lifecycle
1st	CEO	Board	Business Units, HR, Technology and Finance	Appetite – to identify objectives and risk appetite Control – to operate controls prescribed in the Risk Management Framework Monitor – to identify and escalate emerging risks
2nd	CRO	Risk and Audit Committees[1]	Risk and Compliance	Appetite – to manage the risk appetite Control – to provide independent advice and challenge in respect of key decisions / judgements and specialist risk areas Monitor – to track performance, risk and control effectiveness Review – to provide periodic stocktakes as to effectiveness of the Risk Management Framework
3rd	Head of Internal Audit	Audit Committee	Internal Audit	Review – to provide assurance as to the effectiveness of the Risk Management Framework

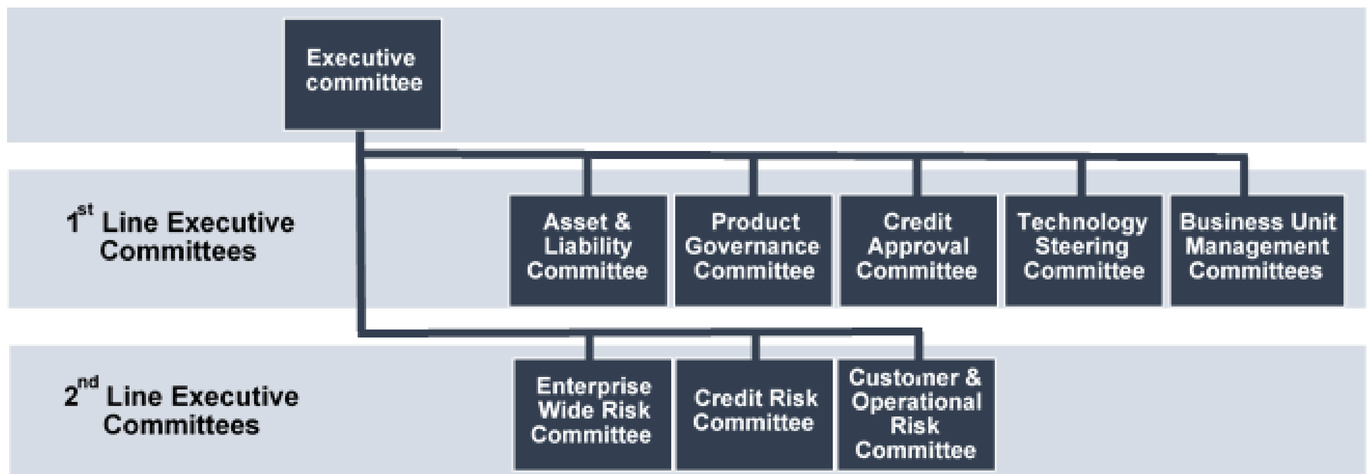
1. Audit Committee has oversight of Compliance Monitoring; otherwise Risk Committee has oversight.

The Board Risk Committee is responsible for agreeing Risk Appetite and providing oversight of the application of the Risk Management Framework.

Governance

The Group has a comprehensive suite of governance arrangements to ensure that each risk is effectively managed and has appropriate oversight.

In order to ensure that there is independent challenge, all Executive Committees require the CRO or Head of Compliance to attend in order to be quorate and the Credit Risk Committee and the Customer and Operational Risk Committee are chaired by the CRO and Head of Compliance respectively.



Below the Executive Committees there is a hierarchy of sub-committees and working groups managing specific risks.

Principal Risk Groups

The Group allocates every individual risk to a Risk Group.

Each Risk Group has an Executive Committee member responsible for its oversight and a tailored suite of processes aligned to the Risk Management Process Lifecyle described above. The appetite and exposure to each Risk is monitored at the executive risk committees and also at the Enterprise Wide Risk Committee where the risks are considered in aggregate.

Castle Trust Bank

Strategic Risk

The Group defines its strategic risk as being unable to achieve its long-term objectives due to changes in key markets or in the economic or regulatory context.

The Group manages this risk by utilising the following mitigation strategies:

- The Group undertakes a detailed planning process monitoring changes to the external environment.
- Detailed assessments of the adequacy of capital and liquidity.
- A range of recovery options available in case of stress.
- Regular and robust 2nd line challenge and review.

The risk is then monitored for performance with key risk indicators triggering management review and recovery options where necessary.

Credit Risk

The Group defines credit risk as when a borrower or counterparty fails to pay the interest or repay the principal on a loan arising from the inability to meet their obligations. Alternatively, with the Group's Treasury activities there is a risk that acquired securities or cash placed on deposit with other financial institutions are not repaid in full or in part.

The Group manages the risk of part of its overall framework, highlights of which include (but are not limited to):

- The Board Risk Committee sets Limits and Policies covering origination and portfolio.
- Origination is controlled by a risk-based mandate.
- Origination characteristics and performance are monitored daily, weekly and monthly as applicable.
- Annual and ad-hoc reviews are undertaken by the 2nd line and 3rd line.
- Origination is predominantly controlled by an automated decision set; intermediaries are controlled though a hierarchy of approval and review committees.

Market and Funding Risk

The Group defines market risk as the risk of losses occurring due to market movements, or the inability of a counterparty to meet its obligations. Funding risk is defined as the Group being unable to meet its obligations due to a shortfalls of capital or liquidity.

The Group uses the below mitigating strategies:

- Limits and policies covering origination and portfolio are set by the Board Risk Committee.
- .Daily monitoring of exposures to market movements and customer behaviour set against limits and risk indicators.
- Ensuring the ability to mitigate risks through controlled market transactions.

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Group Operational Risk

Group operational risk is defined as the risk of loss due to operational failings in Group operations and infrastructure. This could be as a result of the failure of processes, systems or human error.

The Group looks to mitigate these risks with:

- Defined policies, processes and procedures with control checks and 2nd Line Assurance to mitigate.
- Staff receive appropriate training with appropriate escalation process/procedures to identify, monitor, manage and report risks.
- Bespoke processes to control risk with internal and external audit of said processes and procedures.
- Ongoing breach review and root cause analysis – reviewed at all levels of the business.

Conduct Risk

The Group defines this risk as the risk of customers not being treated fairly or losses occurring because of operational or conduct failings in the Group's dealings with customers or processes

The Group operates the following mitigation strategies:

- All Products are subject to a structured approval process controlled by Product Governance Committee ('PGC') and reviewed annually.
- A wide variety of controls are deployed including quality assurance, customer satisfaction surveys and complaints root cause analysis.
- Key risk indicators designed to identify unsuitability of the product or poor customer outcomes are monitored at least monthly.
- Regular, annual and ad-hoc reviews are undertaken by the 2nd line and 3rd line.

Emerging Risks

As well as the Risk Groups noted above, the following emerging risks have been noted for enhanced monitoring and the Risk Management Framework continues to evolve to manage these risks.

Environment and Climate Change Risk

The Group recognises the significant risk that is brought on by Climate Change and the major and far-reaching challenges for the world's economy.

Regarding the mitigation of these risks, the Group has set origination policy restrictions in respect of property collateral with specific exposure to climate change. In addition, the Group continues to monitor policy evolution to identify risks to its existing property collateral value or liquidity and to the viability of its intermediaries.

Covid-19 Pandemic Risk

The Group recognises the risk that Covid-19 and associated Government intervention could negatively affect the Bank's products and services inclusive of any external dealings.

To mitigate this risk the Group has deployed technology enabling the workforce to be location independent. The Group has implemented various customer support programmes in accordance with customer requirements and, for customers of unregulated products, has broadly replicated the statutory programmes on its own initiative.

The Group has reviewed its credit risk appetite and adjusted its origination approach in respect of certain segments that have the potential to be adversely impacted by Social Distancing requirements.

Brexit Transition Risk

The Group acknowledges that, due to the Brexit transition, there are heightened and continued economic and political risks facing a UK Bank. The Group continues to monitor the impact of Brexit on its business, including the potential for UK regulators to change regulations to ensure any EU driven policies are updated.

Economic Risk

The Group defines its economic risk as the risk of incurring losses or the risk that it could potentially not meet its objectives due to unforeseen changes in the levels of economic activity. However, in light of the adverse prevailing economic forecasts, the Group has reviewed its corporate plan more regularly than is typical and has adopted a plan predicated upon an adverse economic scenario. In addition the Group has reviewed its credit risk appetite and adjusted its origination approach in respect of certain segments likely to be adversely impacted by an adverse economic scenario.

Competitor Risk

The Group views competitor risk as the risk that it is unable to meet its objectives because of competitor action and in particular the underpricing of cost of risk.

As a Risk mitigation strategy the Group continues to monitor the impact of competitor risk appetite and pricing on its objectives and risks.

Cyber Threats

The Group defines this as the risk that it would be unable to operate, incur losses or have breaches to customer confidentiality due to the misuse or misappropriation of data.

To mitigate these risks the Technology team within the Group continually monitors existing customer data and systems for indicators of an external breach along with the use of specialised IT security software which is continually updated.

Operational software operates on a cycle of upgrades to ensure that the latest IT security controls are embedded.

Regulatory and Legal Risk

The risk that the Group is unable to meet its objectives, because of the costs or restrictions associated with regulatory requirements. To mitigate this risk the Group continues to work closely with its regulators, adopting an open and co-operative approach at all times.

During the year the Bank received a banking licence which represented a material simplification and streamlining of its regulatory and legal structure.

Corporate Governance

The Group's corporate governance is designed to give stakeholders confidence that the Group's objectives have been subject to thorough challenge and review and that performance against objectives is continually monitored, resulting in regular review and evolution of strategy.

The Group's strategy includes the following specific objectives:

Area	Objective
Customers	The Group identifies and meets its customer needs and provides a high quality service
Commercial	The Group has a suite of attractive products with appropriate pricing, and effective distribution
Technology	The Group has the right technology to deliver its objectives in a secure, resilient, cost efficient and customer friendly manner
People	The Group's Board, senior management team and wider workforce have the skills, experience and motivation to deliver its objectives
Financial Sustainability	The Group has the right financial resources to achieve its objectives, including capital and liquidity resources and generation of sustainable, attractive returns from its activities
Risk	The Group controls and monitors the risks that it takes in order to meet its objectives, including customer, conduct, operational and financial risks, and ensures that the risks are commensurate to the returns and financial resources of the institution

The Board

The Board of directors has the ultimate responsibility for all aspects of the Group. It has instituted four sub-committees which are shown in the next section. The Board holds formal meetings ten times per year and these are supplemented by ad hoc workshops, site visits, strategy reviews and private meetings of the Non-Executive Directors.

The most important decisions are reserved to the Board, with advice from sub-committees where appropriate. The Board delegates more routine decisions to the Executive Directors who in turn delegate decisions to individuals (as determined by specific mandates) or to committees (as determined by the relevant policy). Executive decisions are taken within the framework of a comprehensive range of Board approved policies and an annual plan setting Group and subsidiary budgets, and product and organisational strategies.

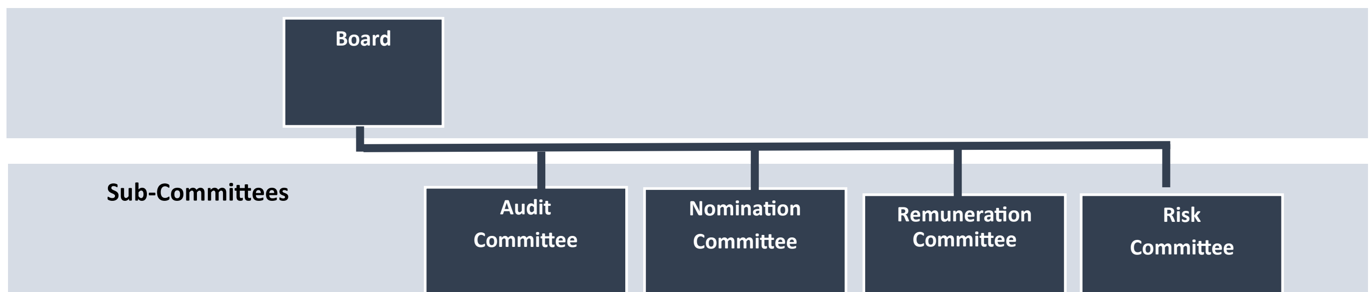
At least annually, and more frequently if required, the Board agrees a corporate plan which sets out the specific objectives of the business and forecasts the financial position based upon that plan and taking into account the prevailing economic outlook. The forecasts must demonstrate that the Group is able to meet its risk appetite.

The Board oversees the effectiveness of the corporate plan delivery through a combination of regular qualitative and quantitative reports summarised into key performance and risk indicators covering all of the key areas in the business, as well as periodic deep dives.

The Board has access to all Executives and any information it requires. The Executives responsible for the 2nd and 3rd lines of defence have direct access to the Board Chair and the Chairs of Risk and Audit.

Board Sub-Committees

The Board operates four standing sub-committees, which enable additional focus to be given to areas of complexity or detail, making recommendations to management and to the Board as appropriate.



Each sub-committee has its own Terms of Reference setting out its objectives.

Castle Trust Bank

Board and Sub-Committee Membership

Name	Position	Audit Committee	Nomination Committee	Remuneration Committee	Risk Committee
Richard Pym	Chair and Chair of Nomination Committee		☑	☑	☑
Eric Anstee	Chair of Audit Committee and Senior Independent Director	☑			☑
Marian Martin	Chair of Risk Committee	☑			☑
Andrew Doman	Chair of Remuneration Committee		☑	☑	☑
Melba Montague	Non Executive Director	☑			
Tim Hanford	Non Executive Director	☑	☑	☑	☑

Board Directorships Held

The number of external commercial directorships held by the Executive and Non-Executive Directors who serve on the Board, in addition to their roles within the Group, are:

Name	Position	Number of other directorships held
Richard Pym	Chair and Chair of Nomination Committee	1
Eric Anstee	Chair of Audit Committee and Senior Independent Director	2
Marian Martin	Chair of Risk Committee	3
Andrew Doman	Chair of Remuneration Committee	3
Melba Montague	Non-Executive Director	1
Tim Hanford	Non-Executive Director	3
Martin Bischoff	Chief Executive Officer	0
Paul Lloyd-Jones	Chief Financial Officer	0
Tughan Alioglu	Non-Executive Director	1

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3. Capital Resource and Adequacy

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Capital Management

The Group currently maintains a capital ratio significantly above the minimum regulatory requirements, which enables the Group to develop and expand the business whilst also meeting the Capital Requirements of Pillar 1 and 2 at all times. This is due to the Group's approach to capital management that is lead by the strategic requirements of the business whilst also being cognisant of the regulatory environment in which it operates.

The Group also annually undertakes an Individual Capital Adequacy Assessment Process ('ICAAP') which assesses the Group's capital position over a 4 year time horizon. Stress scenarios are applied to a base case financial plan, the outcomes of which determine the level of capital required to be maintained by the Group incorporating additional conservative buffer levels set by the Board.

Stress Testing

Covid-19 has been a significant driver during the current year for scenarios applied to the stress testing process. Following periods of lockdown and tiered restrictions throughout the UK, the severe impact on economic activity has required the directors to apply particular attention to the liquidity and capital needs of the Group during this unpredictable environment. The base case financial plan applied to the ICAAP and ILAAP has been constructed with full consideration of the current Covid-19 economic environment guided by independent external economic forecasts.

The results of the stress testing indicate that the Group would remain within both its capital and liquidity limits as prescribed by regulatory requirements as well as the additional buffer levels set by the Board.

Capital Resources

The table below summarises the composition of the Group's regulatory capital as at 30 September 2020.

Regulatory Capital Breakdown	£000's
Share capital	81,497
Other reserves	57,916
Retained earnings	(60,370)
Value adjustments for prudent valuation	(7)
Deductions for Intangible assets	(5,454)
Adjustments due to IFRS 9 transitional arrangements	8,412
Total Common Equity Tier 1 (CET1) capital / Total capital	**81,994**

Castle Trust Bank

Capital Adequacy

The table below summarises the composition of the Group's risk weighted assets and capital ratios as at 30 September 2020.

Breakdown of Risk Weighted Assets	£000's
Credit Risk	413,800
Market Risk	0
Operational Risk	63,652
Total Risk Weighted Assets	**477,452**
Revised Common Equity Tier 1 capital ratio for audited financial accounts	**17.17%**
Reported Common Equity Tier 1 capital ratio	**17.52%**

The difference between the revised and reported CET1 ratios is driven by the inclusion of the audited September 2020 financial results. This incorporates the audited profit from the year ended September 2020 and updated Operational Risk Weighted Assets following the conclusion of the audit.

The Group's total capital requirement, which is the amount of capital the Group has to hold in order to comply with both its Pillar 1 and Pillar 2a requirements, was 11.27% of Risk Weighted Assets ('RWA').

In addition to this the Group must hold enough capital in order to meet the countercyclical capital buffer ('CCyB') and the capital conservation buffer ('CCB') along with any PRA buffer specifically applied to the Group by the regulator. As at the reporting date CCyB for the UK was 0% and the CCB was 2.5% of RWAs.

Minimum Capital Requirement for Pillar 1

As the Group currently has no requirements for market risk or credit valuation adjustment ('CVA') the Group's capital requirements are based on capital resource requirements for credit risk and operational risk. For the Group, total capital requirement at the reporting date is 11.27% of risk weighted assets which includes a Pillar 1 capital requirement of 8% of risk weighted assets.

The figures in the below table are as at 30 September 2020.

Capital Resource Requirements and surplus	£000's
Credit Risk	33,104
Market Risk	0
Operational Risk	5,092
Total Capital Resource Requirement for Pillar 1	**38,196**
Total Capital Resources	**81,994**
Capital Resources surplus over Pillar 1	**43,798**
Pillar 2a requirement	15,613
Capital Resources surplus to Total Capital Requirement	**28,185**

Leverage Ratio

As part of CRD IV firms are required to calculate and disclose a leverage ratio that is unaffected by risk weightings which make it comparable across banks. It is calculated by dividing total Tier 1 capital by total on and off-balance sheet (after application of credit conversion factors) assets.

Under CRR2 the leverage ratio requirement will be set at a binding 3% minimum upon implementation, which is currently expected to be January 2022. The Group monitors its leverage ratio and is regularly assessed on this basis. Separate to this the PRA have proposed a separate UK leverage ratio regime of a minimum 3.25% minimum but the Group is currently not in scope to comply with this due to this applying only to banks with deposit levels greater than £50 billion.

The below three tables are as at 30 September 2020.

Summary reconciliation of accounting assets and leverage ratio exposures	£000's
Total assets as per published financial statements	742,109
Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	9,454
Other adjustments	(5,534)
Leverage ratio total exposure measure	**746,029**

Leverage ratio common disclosure	£000's
On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	742,109
(Asset amounts deducted in determining Tier 1 capital)	(5,461)
Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets)	**736,648**
Off-balance sheet exposures at gross notional amount	27,178
(Adjustments for conversion to credit equivalent amounts)	(17,724)
Other off-balance sheet exposures	**9,454**
Tier 1 capital	**81,994**
Leverage ratio total exposure measure	**746,102**
Leverage ratio	**10.99%**

Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)	£000's
Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	742,109
Banking book exposures, of which:	*742,109*
Exposures treated as sovereigns	*106,911*
Institutions	*46,867*
Secured by mortgages of immovable properties	*341,983*
Retail exposures	*116,247*
Corporate	*11,654*
Exposures in default	*60,904*
Other exposures (eg equity, securitisations, and other non-credit obligation assets)	*54,793*

Castle Trust Bank

4. Credit Risk

Credit risk is the possibility that a counterparty defaults on their contractual obligations or fails to repay a loan to the Group, which can lead to financial losses and increased costs. The Group uses the Standardised Approach to calculating its credit risk and is exposed to this risk from its loans to customers, cash and cash equivalents and its loans and advances to credit institutions.

This risk is managed in the loan origination and servicing processes. In addition, mortgage credit risk is monitored via performance monitoring, including past due, maturity and concentration risk assessment. Residential Development Finance loans are individually reviewed and monitored by the Credit Risk Committee or the Board Risk Committee if larger in size.

Consumer point of sale lending and wholesale lending is managed by monitoring of non-performing loans, monitoring of actual bad debt rates against predicted bad debt rates and write off levels. The Group has modelled the scenarios which might lead to a change in these risks and these are measured and monitored on a quarterly basis by the Board Risk Committee.

The Group manages its credit risk in accordance with policies set by the Board to ensure that the credit risk assumed is commensurate with the return required.

The figures in the below table are as at 30 September 2020.

Exposure class composition of exposures subject to standardised credit risk	Exposures (£000's)	RWA (£000's)	Minimum Capital Requirement (£000's)
Central governments or central banks	106,911	0	0
Institutions	46,867	9,373	750
Corporates	11,654	11,654	932
Retail (Consumer point of sale lending)	123,519	92,640	7,411
Secured by mortgages on immovable property	343,960	135,774	10,862
Exposures in default	60,904	88,913	7,113
Items associated with particular high risk	46,860	70,289	5,623
Other items	5,156	5,156	413
Total	**745,832**	**413,800**	**33,104**

Property Lending Credit Concentration

Credit concentration risk arises when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. The Group manages its exposure to credit concentration risk by monitoring the level of concentration on each of its portfolios through several dimensions and in some cases limiting the exposure.

The risk committee reviews concentrations and agreed strategies to reduce where appropriate.

The below table shows the carrying value of the property lending book split by geographic location as at 30 September 2020.

Concentration of property lending by location	£000's
East Anglia	42,055
East Midlands	4,765
Greater London	230,971
North	6,501
North West	1,444
South East	97,666
South West	21,287
Wales	29,123
West Midlands	1,131
Yorkshire & Humberside	22,815
Total	**457,758**

The below table shows the carrying value of the property lending book split by loan-to-value bandings as at 30 September 2020. Where a property has more than one individual loan, the loans have been aggregated to create an LTV on a combined basis.

Loan to Value % of property lending	£000's	% of total
0% - 20%	3,392	0.74%
21% - 50%	45,892	10.03%
51% - 70%	242,851	53.05%
71% - 85%	152,269	33.26%
86% - 90%	8,034	1.76%
91% - 100%	4,126	0.90%
Negative Equity	1,195	0.26%
Total	**457,758**	

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Carrying value of the lending exposures by days past due

The below table represents our lending exposures split by days past due and is an indicator of non-performing loans in the Group portfolio. All exposures not past due are included in the less than 30 days category. **All figures are in £000s and are as at 30 September 2020.**

Lending Type	Total	< 30 days	30 - 60 days	61 - 90 days	91 - 120 days	> 120 days
Consumer Loans	**135,164**	115,264	1,451	729	505	17,215
Wholesale Loans	**11,654**	11,654	-	-	-	-
Property Loans	**457,758**	377,702	595	17,470	41,738	20,253
Total	**604,576**	**504,620**	**2,046**	**18,199**	**42,243**	**37,468**

Lending exposures by residual maturity

The below table represents our lending exposures split by residual maturity. **All figures are in £000s and are as at 30 September 2020**

Lending Type	Less than 3 months	3 months to 1 year	1 to 5 years	Greater than 5 years	Total
Consumer Loans	3,032	32,251	86,773	13,108	**135,164**
Wholesale Loans	2,475	7,297	1,881	-	**11,654**
Property Loans	56,663	122,892	208,457	69,746	**457,758**
Total	**62,170**	**162,441**	**297,111**	**82,854**	**604,576**

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5. Interest Rate Risk in the Banking Book

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The Group's interest rate risk arises from its lending and deposit-taking, treasury investments and funding activities. The risk of loss may result from timing differences in the interest rate re-pricing and duration profile of the assets and liabilities originated and from the potential for mismatch arising from differences between contractual or behavioural maturity profiles. In determining the duration profile of the assets and liabilities, allowance is made for expected customer behaviour.

Typically, the Group has an expectation for the behaviour of the liability customer, to hold the investment until maturity.

Areas which could give rise to interest rate risk (both positive and negative) are:

- Interest rate movements
- Changes in customer behaviour compared to that which is apparent from historic data and customer research.

The Group has set out its interest rate risk policy in its Group Financial Risk Management Policy. This document defines the risk limits, risk monitoring and Risk controls of the Group. The risk limits are reviewed at least annually as part of the ICAAP process and can only be changed with Board approval.

Measuring and Monitoring of IRRBB

The Group looks to measure and monitor its interest rate risk by utilising the following:

- At a minimum monthly and ad hoc intra-month reporting by the Treasury function with additional oversight depending on the level of activity within the Group.
- Highlighting which assets and liabilities are sensitive to interest rates, with monitoring being performed on the basis of the expected duration of the assets and liabilities, which is calculated consistently with the audited financial models.
- Monitoring of both the existing and pipeline assets and liabilities and use of noncoupon bearing equity as an economic hedging instrument.

In addition the Group use the following Key Risk Indicators ('KRIs') which are monitored as triggers for implementing a more sophisticated / extensive Limit structure:

- Maximum DV100 0-5 Year time bucket or 5 Year+ time bucket - The economic impact on the rate sensitive assets and liabilities of a 100bp parallel shift in the yield curve in either the 5 Year plus term buckets or the less than 5 Year plus time buckets or the less than 5 Year time buckets.
- Aggregate DV100 for the Equity Allocation - The economic impact on the rate sensitive assets and liabilities of a 100bp parallel shift in the yield curve upon the Allocation of Equity used to calculate DV100.
- DV100 FV Instruments - The economic impact on the rate sensitive assets and liabilities of a 100bp parallel shift in the yield curve upon instruments measured at Fair Value (excluding Liquid Asset Buffer ('LAB') assets <1 Year time bucket)
- Net Basis Risk Mismatch - Total Non-Discretionary Rate Contracts a % of Assets
- Forward Net Interest Margin ('NIM') Sensitivity - Year 2 NIM Sensitivity as a % of Assets (+100bps shift)

Risk Management

Management of interest rate risk is a key part of the Group’s business model.

The Group’s management of interest rate risk has the following key components:

- Management of the asset and liability re-pricing and maturity to control the differences in the duration profile of the assets and liabilities
- Management of the LAB within the LAB Tenor Limit to reduce interest rate risk exposure
- Designing products which mitigate interest rate risk, for example by inclusion of early repayment charges in the products
- Consideration for hedging of the balance sheet using interest rate swaps to reduce the exposure to interest rate risk where own bank natural offsets are not available;

6. Liquidity and Operational Risk

Liquidity

Liquidity within the Group is actively monitored by the Group's Treasury function using a range of indicators and reported to the Asset and Liability Committee and the Board on a monthly basis. Additionally, a range of daily and intra-day reports are used to monitor liquidity.

As part of this monitoring the key metric used is the Liquidity Coverage Ratio ('LCR'). The LCR shows the proportion of high -quality liquid assets held by the Group which are available to meet the required outflows of the organisation over a stressed 30-day period. The Group has remained well in excess of the regulatory required LCR of 100% throughout the past financial year.

This table shows the Group LCR as at 30 September 2020.

Liquidity Coverage Ratio	£000's
Liquidity buffer	106,901
Net liquidity outflow	22,228
LCR%	**480.93%**

Operational Risk Capital Charge

The operational risk capital charge for the Group under Pillar 1 is calculated using the Basic Indicator Approach as per Chapter 2 of Title III of the CRR, whereby a 15 per cent multiplier is applied to the 3-year historical average net interest and fee income to calculate the own funds requirement.

The below table shows the Operational Risk exposure and own funds for the Group as at the reporting date as at 30 September 2020.

Operational Risk under the BIA	£000's
Own funds requirement	5,092
Total operational risk exposure amount	63,652

7. Remuneration Policy

Castle
Trust
Bank

The Group follows the PRA and FCA rules and guidance on pay and reward, as set out in the BIPRU Remuneration Code (the Code). The Code is applied to regulated firms based upon three proportionality categories defined by the PRA: the Group is categorised as Tier 3.

Remuneration Committee

The Remuneration Committee ('RemCo') aims to meet at least quarterly each year, more frequently if the need arises. It reviews, amends (if appropriate) and approves the Group Remuneration and Reward Policy annually, taking into account general economic conditions, business performance, the regulatory environment and conduct considerations and other relevant considerations. The approach that the Group has taken in relation to remuneration reinforces its core values by ensuring that its employees are incentivised and rewarded for focusing on customer satisfaction and engaging in behaviours that are aligned with the long-term success of the business whilst delivering value for shareholders and avoiding unnecessary risk-taking. RemCo is comprised of three non-executive members of the management body, two of whom are independent.

On commencement of directorship / employment (as appropriate) and at the beginning of each financial year, each member of the management body and senior management will have their base salary and variable remuneration reviewed by the CEO, who presents a recommendation to RemCo. RemCo then ultimately approves individual remuneration for the financial year.

Remuneration for members of the management body is approved by RemCo on recommendation of the Chairman. Material changes in remuneration for members of the senior management is approved by RemCo on the recommendation of the CEO.

RemCo terms of reference provide the criteria for determining the appropriateness of individual remuneration. No director or manager can be involved in any decisions regarding the approval of their own remuneration.

Recruitment and Selection

The Group are committed to our Equal Opportunity Policy at every selection stage.

The purpose of this policy is to provide a sound framework for the recruitment and selection of staff based upon key principles, which also meet the requirements of the Equality Act 2010 and all other relevant employment legislation.

The Group aims to avoid discrimination in relation to recruitment and selection, including selection for promotion, development, training and redundancy. Recruitment and selection will be based on merit using objective selection criteria. When vacancies are advertised, the Group will ensure that the placement and content of such advertising is compatible with equal opportunities aims and principles.

Placement of advertisements should ensure that a diverse section of the labour market is covered, and the content of the advertisement should ensure that no applicants with protected characteristics are unnecessarily excluded or discouraged.

Pay and Performance

The overall aim of the Group Remuneration and Reward Policy is to attract, motivate and retain individuals of high calibre who can deliver sustained performance consistent with strategic goals, appropriate risk management and to reward them for enhancing value.

The following key principles underpin these themes:

- Attract and retain high calibre individuals;
- Remuneration will not be excessive;
- Remuneration is aligned to the long-term success of the business;
- Proportion of variable pay is appropriate and balanced and has due regard to any impact of risk;
- No reward for poor performance;
- No conflict of interest in decision making processes; and
- It is fair and equitable, reflecting the Group's commitment to diversity and equality of opportunity.

The Group currently does not operate a formal job grade structure with salary bands. Regarding changes in the remuneration of senior management, any recommendation for a change in remuneration to RemCo by the CEO will take account of individual performance among other important considerations, such as general economic conditions, market rates for similar jobs, business performance, conduct considerations, the competitiveness of total remuneration and the appropriateness of the blend of fixed, variable and/or deferred remuneration. RemCo will review the CEO's recommendations. RemCo has ultimate responsibility for the approval of remuneration.

Remuneration for non-executive members of the management body is reviewed on an individual case by case basis by RemCo following consultation with the shareholders. RemCo is guided but not bound by the policy rules, limits and principles as they apply to senior management. RemCo will in turn make recommendations to the Board for its ultimate approval.

Design Characteristics of the Remuneration System

All remuneration will contain a fixed salary element. Dependent on the role and level of experience, each member of the senior management may receive one or more additional optional benefits, the availability of which is determined from time to time by RemCo. Where an optional benefit is offered and taken up, it will become an element of fixed remuneration. Variable remuneration is not guaranteed and is dependent upon organisational performance in terms of corporate goals, targets and risk triggers, as well as individual performance against individual objectives, which include conduct considerations.

In the absence of traded or new equity, variable remuneration may take the form of cash bonuses.

Deferred remuneration is provided through the Long Term Incentive Plan ('LTIP'), which is entirely share based. Members of management are awarded B Shares (held by a nominee) which provides them with a beneficial interest in the Group's holding company, CTC Holdings (Cayman) Limited. The scheme is equity settled and vests over a period of four years.

Total Remuneration

The total remuneration of Castle Trust staff in the year ending 30 September 2020 was £14,604k (£12,987k in 2019), this agrees to the Statutory Accounts and includes wages and salaries, social security costs, company contributions to defined pension plans, termination costs and other personnel costs. The Group does not operate disclosable business units.

Code Staff Remuneration

Number of code staff during the financial year ended 30 September 2020 is 22 (2 from investor and not remunerated by the Group).

Remuneration Type (as at 30 September 2020)	Aggregate Remuneration (£000's)
Fixed Remuneration (including BIK and Pension contributions)	2,657
Variable Remuneration (cash)	614*
Total	**3,271**

* this includes an element of deferred bonus £167,892, to be paid in later years

Code staff also participate in the LTIP. In the financial year to 30 September 2020, no code staff were remunerated €1m or more per financial year for services to the Group.

Castle Trust Bank

Appendix 1. Own Funds Disclosures

Castle
Trust
Bank

The figures in the below table are as at 30 September 2020.

Common Equity Tier 1 capital: instruments and reserves	£000's
Directly issued qualifying common share (and equivalent for non-joint stock companies) capital plus related stock surplus	139,413
of which: Ordinary Shares	81,497
Retained earnings	(60,370)
Common Equity Tier 1 capital before regulatory adjustments	79,043
Common Equity Tier 1 (CET1) capital: regulatory adjustments	
Additional value adjustments	8,405
Intangible assets (net of related tax liability)	(5,454)
Total regulatory adjustments to Common Equity Tier 1 (CET1)	2,951
Common Equity Tier 1 (CET1) capital	**81,994**
Tier 1 capital (T1 = CET1 + AT1)	**81,994**
Total capital (TC = T1 + T2)	81,994
Total risk weighted assets	477,452
Capital ratios and buffers	
Common Equity Tier 1 (as a percentage of total risk exposure amount)	**17.17%**
Tier 1 (as a percentage of total risk exposure amount)	17.17%
Total capital (as a percentage of total risk exposure amount)	17.17%
Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus systemically important institution buffer expressed as a percentage of risk exposure amount)	2.50%
of which: capital conservation buffer requirement	2.50%
of which: countercyclical buffer requirement	0.00%
Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	5.90%

Castle Trust Bank

Appendix 2. Capital Instruments

Castle
Trust
Bank

The figures in the below table are as at 30 September 2020.

Capital instruments' main features template	
Issuer	Castle Trust Holdings Limited
Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	N/A
Governing law(s) of the instrument	English
Regulatory treatment	
Transitional CRR rules	Common Equity Tier 1
Post-transitional CRR rules	Common Equity Tier 1
Eligible at solo/ (sub-)consolidated/ solo & (sub-)consolidated	Solo and Consolidated
Instrument type (types to be specified by each jurisdiction)	Ordinary Shares
Amount recognised in regulatory capital (currency in million, as of most recent reporting date)	81.497
Nominal amount of instrument	0.001
Issue price	Various
Redemption price	N/A
Accounting classification	Shareholder' Equity
Original date of issuance	Various
Perpeptual or dated	Perpetual
Original maturity date	N/A
Issuer call subject to prior supervisory approval	N/A
Optional call date, contingent call dates, and redemption amount	N/A
Subsequent call dates, if applicable	N/A
Coupons / dividends	
Fixed or floating dividend/coupon	N/A
Coupon rate and any related index	N/A
Existence of a dividend stopper	N/A
Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary
Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary
Existence of step up or other incentive to redeem	N/A

The figures in the below table are as at 30 September 2020.

Regulatory treatment (continued)	
Noncumulative or cumulative	Non cumulative
Convertible or non-convertible	Non-convertible
If convertible, conversion trigger(s)	N/A
If convertible, fully or partially	N/A
If convertible, conversion rate	N/A
If convertible, mandatory or optional conversion	N/A
If convertible, specify instrument type convertible into	N/A
If convertible, specify issuer of instrument it converts into	N/A
Write-down features	N/A
If write-down, write-down trigger(s)	N/A
If write-down, full or partial	N/A
If write-down, permanent or temporary	N/A
If temporary write-down, description of write-up mechanism	N/A
Position in subordination hierarchy in liquidation (specify instrument type immediately	N/A
Non-compliant transitioned features	N/A
If yes, specify non-compliant features	N/A

Appendix 3. Omissions

Castle
Trust
Bank

The Group has omitted a number of disclosures on the basis of relevance which are summarised in the below table. The CRR article references are taken from the Capital Requirements Regulation (EU) number 575/2013.

CRR Article	Summary	Reasoning for Omission
439	Exposure to counterparty credit risk	The Group does not have any exposures to counterparty credit risk.
441	Indicators of global systemic importance	The Bank is not identified as a G-SII in accordance with Article 131 of the CRR.
442	Credit Risk adjustments	Disclosures for credit risk exposures by industry or counterparty type are excluded on the basis of materiality.
443	Unencumbered assets	The Group does not currently have any encumbered assets
444	Use of ECAIs	The Group does not currently use any ECAIs as assess any external counterparties.
445	Exposure to market risk	As at the reporting date, the Group did not currently have a trading book nor meet specific thresholds for market risk.
447	Exposures to equities not included in the trading book	As at the reporting date, the Group did not currently have a trading book.
449	Exposures to securitisation positions	As at the reporting date, the Group did not have an exposure to any securitisation positions.
452	Use of IRB Approach to credit risk	Currently the Group performs its Credit Risk under the Standardised Approach.
454	Use of the Advanced Measurement Approaches to operational risk	Currently the Group performs its Operational Risk under the Basic Indicator Approach.
455	Use of Internal Market Risk Models	As at the reporting date, the Group did not currently have a trading book.

Appendix 4. Bank Disclosures

For capital reporting purposes, Castle Trust Capital plc's ('the Bank') disclosures also incorporate the financial performance and balances of Castle Trust Capital Management Limited and Castle Trust Direct plc.

Capital Resources

The table below summarises the composition of the Bank's regulatory capital as at 30 September 2020.

Regulatory Capital Breakdown	£000's
Share capital	15,217
Share Premium	124,195
Retained earnings	(54,596)
Value adjustments for prudent valuation	(7)
Deductions for Intangible assets	(4,343)
Deductions due to significant investments	(9,478)
Adjustments due to IFRS 9 transitional arrangements	1,053
Total Common Equity Tier 1 (CET1) capital / Total capital	**72,042**

Capital Adequacy

The table below summarises the composition of the Bank's risk weighted assets and capital ratios as at 30 September 2020.

Breakdown of Risk Weighted Assets	£000's
Credit Risk	323,744
Market Risk	0
Operational Risk	48,562
Total Risk Weighted Assets	**372,306**
Common Equity Tier 1 capital ratio	**19.35%**

Castle Trust Bank

Minimum Capital Requirement for Pillar 1

As the Bank currently has no requirements for market risk or credit valuation adjustment (CVA) the Bank's capital requirements are based on capital resource requirements for credit risk and operational risk. The figures in the below table are as at 30 September 2020.

Capital Resource Requirements and surplus	£000's
Credit Risk	25,900
Market Risk	0
Operational Risk	3,885
Total Capital Resource Requirement for Pillar 1	**29,784**
Total Capital Resources	**72,042**
Capital Resources surplus over Pillar 1	**42,258**
Pillar 2a requirement	12,174
Capital Resources surplus to Total Capital Requirement	**30,083**

Leverage Ratio

The three tables below summarises the composition of the Bank's Leverage Ratio as at 30 September 2020.

Summary reconciliation of accounting assets and leverage ratio exposures	£000's
Total assets as per published financial statements	742,278
Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	2,182
Other adjustments	(13,827)
Leverage ratio total exposure measure	**730,632**

Leverage ratio common disclosure	£000's
On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	742,278
(Asset amounts deducted in determining Tier 1 capital)	(13,827)
Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets)	**728,451**
Off-balance sheet exposures at gross notional amount	11,933
(Adjustments for conversion to credit equivalent amounts)	(9,751)
Other off-balance sheet exposures	**2,182**
Tier 1 capital	**72,042**
Leverage ratio total exposure measure	**730,632**
Leverage ratio	**9.86%**

Castle Trust Bank

Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted	£000's
Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of	742,278
Banking book exposures, of which:	*742,278*
Exposures treated as sovereigns	*106,911*
Institutions	*168,203*
Secured by mortgages of immovable properties	*341,983*
Retail exposures	*72*
Corporate	*0*
Exposures in default	*58,956*
Other exposures (eg equity, securitisations, and other non-credit obligation assets)	*66,152*

Credit Risk

The table below summarises the exposure class composition of the Bank's risk weighted assets as at 30 September 2020.

Exposure class composition of exposures subject to standardised credit risk	Exposures (£000's)	RWA (£000's)	Minimum Capital Requirement (£000's)
Central governments or central banks	106,911	0	0
Institutions	168,203	25,190	2,015
Corporates	0	0	0
Retail	72	54	4
Secured by mortgages on immovable property	343,960	135,774	10,862
Exposures in default	58,956	86,965	6,957
Items associated with particular high risk	46,860	70,289	5,623
Other items	5,472	5,472	438
Total	**730,434**	**323,744**	**25,900**

Own Funds Disclosure

The figures in the below table are as at 30 September 2020.

Common Equity Tier 1 capital: instruments and reserves	**£000's**
Directly issued qualifying common share (and equivalent for non-joint stock companies) capital plus related stock surplus	139,413
of which: Ordinary Shares	15,217
Retained earnings	(54,596)
Common Equity Tier 1 capital before regulatory adjustments	84,816
Common Equity Tier 1 (CET1) capital: regulatory adjustments	
Additional value adjustments	(8,431)
Intangible assets (net of related tax liability)	(4,343)
Total regulatory adjustments to Common Equity Tier 1 (CET1)	(12,774)
Common Equity Tier 1 (CET1) capital	**72,042**
Tier 1 capital (T1 = CET1 + AT1)	**72,042**
Total capital (TC = T1 + T2)	72,042
Total risk weighted assets	372,306
Capital ratios and buffers	
Common Equity Tier 1 (as a percentage of total risk exposure amount)	**19.35%**
Tier 1 (as a percentage of total risk exposure amount)	19.35%
Total capital (as a percentage of total risk exposure amount)	19.35%
Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus systemically important institution buffer expressed as a percentage of risk exposure amount)	2.50%
of which: capital conservation buffer requirement	2.50%
of which: countercyclical buffer requirement	0.00%
Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	8.08%

Castle Trust Bank