



Castle Trust Holdings Limited

Annual report and financial statements for the year ended 30 September 2024

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For the year ended 30 September 2024



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Corporate Information

Registered No: 12161224

Directors

Mr Kenneth John Stannard

Mr Andrew Spencer Doman

Mr Timothy John Hanford

Ms Marian Macdonald Martin

Ms Melba Margaret Montague

Mr Eric Edward Anstee

Mr Tughan Alioglu

Mr Martin Paul Bischoff

Mr Paul Lloyd-Jones

Secretary

Mr Andrew Macdonald

Auditors

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Bankers

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Lawyers

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Principal place of business

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Report from the Chair of the Board

Castle Trust Bank (or “CTB”) has had a strong year of delivery in 2024, in tough market conditions for challenger banks.

Despite funding cost, property market and inflationary headwinds, Castle Trust Bank has maintained robust profits (Profit Before Tax (“PBT”) of £9.1m) and PBT return on equity (7.8%). We have grown our loan book by 13% overall and have ended the year at a total capital ratio of 16.8%. I am very much encouraged to see the business exiting 2024 well positioned for significant near-term profitability growth and a corresponding increase in RoE.

Net Interest Margin (“NIM”) reduced to 5.4% from 6.5% in 2023, due to the impact of the higher interest rate environment on funding costs and a lag effect in asset repricing. This pressure will ease in the next financial year as asset prices continue to rise and cost of funds flatten.

CTB has made encouraging progress in managing down non-core property assets, products not offered by the Bank in the market for more than six years. Closing out this tail in a slow property market does produce some impairment volatility, much absorbed this year, but ultimately results in limited loss.

Inflationary pressures have put our customers under increasing strain, but work done in product design, targeting and underwriting over the past few years has reduced our overall cost of risk considerably.

Customers and Colleagues

2024 has seen an impressive array of new customer facing technology and new products in property, point of sale finance and deposits. The team has worked with customers and brokers, listening and collaborating to design the best product and process solutions possible. The change capacity of this small bank continues to surpass expectations.

Our “Customer First” value is omnipresent, and is reflected in our performance across Customer Duty, Conduct and Compliance measures. Our customer Net Promoter Score (“NPS”) continues to be very impressive.

Culturally, CTB is a great place to work with a vibrant One Bank culture, that is apparent in all of the interactions that the members of our Board and I enjoy. Employee engagement scores are top decile, resulting in very high retention rates across our talented team. In line with our values, we continue to support important initiatives such as workplace diversity and our local community through the Destination Basingstoke programme.

Our Customer and Social Responsibility Committee (“CSRC”) which is chaired by Melba Montague oversees our Environmental, Social and Governance (“ESG”) programmes with the full commitment from the Board and myself. I would like to thank Melba and the team for their excellent work on this.

Risk Focus

As Castle Trust Bank grows in its journey as a Bank, the Board remains very aware of the importance of operational resilience and sound risk, governance and controls across the business. As a business we continue to invest in our control environment both in terms of colleagues and technology to support a growing business. The Board is also very closely involved in monitoring the Bank's progress around its Consumer Duty requirements ensuring that our products and services continue to provide customers fair value and good outcomes.

The Board and Executive Team

The Executive team has been established for several years and has a strong track record for delivering excellent business results and implementing complex change projects. As a well-capitalised bank, we are in a good position to take advantage of any attractive inorganic opportunities. Given the level of talent within the bank, I know that we would be able to successfully integrate the right target and leverage the growth potential that would come with it.

Looking Ahead

Whilst annual inflation may well have abated, prices remain high, and our customers remain challenged. Our approach to pricing and risk has adapted to this new environment and we remain highly focused on ensuring every lending decision we make delivers strong marginal returns on the equity required - across all of our product offers.

This approach underpinned by a strong capital and liquidity base means that we can look forward to delivering on our strategic plans for the Bank with our Customers at the heart of this. As the Chair I am very excited about what the next year would bring in our journey. I would like to thank the Board, our CEO, Martin Bischoff, and all colleagues for delivering another strong performance in 2024 and I look forward to an even more successful 2025.



Kenneth Stannard
Chair



Chief Executive Officer's Report

As I reflect on the performance of the past year, I am proud of our robust response as a Bank in the face of market conditions that have been tough across the sector. The Property balance sheet grew by 18% and Customer Deposit balances grew by 16% with the net loan book of the Bank having grown by 13% to £878m and our total assets now at £1.1bn. Omni originations were held flat despite subdued consumer demand and Property originations grew in a difficult market. As a Bank, we have maintained good discipline in credit and pricing and remain focused on managing our resources prudently to maintain robust levels of profitability. All of this has been achieved whilst maintaining our core values and continuing to make substantial investments in our products, technology, people and our brand. This is reflected in the continued strong NPS and Trustpilot scores from our customers across our business lines.

As a result, we delivered a total Statutory Profit Before Tax (PBT) of £9.1m (2023: £11.4m) and a total PBT Return on Equity ("ROE") of 7.8% putting us on a path to our medium-term goal of delivering sustainable, double-digit ROEs.

This outcome, though lower than last year, represents a solid performance against the headwinds we faced as a business. The continued pressure of the high-interest rate environment on our funding costs and a lagged effect on our asset pricing, have resulted in our Net Interest Margin ("NIM") reducing to 5.4% (30 Sep 2023: 6.5%). However, the easing of the Bank base rate starting in August 2024 gives us confidence that NIM pressure will ease as we go forward into our next financial year.

Property impairments have been elevated in the year. Although this has been primarily concentrated in historical cohorts, particularly those originated pre 2020 and on 2nd charge loans that are no longer offered. We believe that by managing the risk on the legacy loans and being proactive on recovery we will protect our long-term financial health and demonstrate that these are isolated events.

The cost-of-living crisis and higher interest rates have put pressure on customer affordability. As a responsible lender, we have continued to support our customers during these difficult times. In Property we enabled customers to fix in rates earlier in the lending process to give peace of mind and in Omni we continued to provide the majority of our loans via interest free credit and where we provide interest-bearing loans continued to complete rigorous affordability checks on all customers. In Savings, where possible, we passed on higher interest rate rises to our customers and this has shone through in our latest strong NPS scores.

In short, we were able to look after our customers and deliver a strong business performance. Our continued investment in digital capabilities mean that we are now well placed to benefit from enhanced products, pricing and scalable capabilities across our product ranges.

The place to do business

Castle Trust Bank operates across three established business lines:

- **Property** we provide financing for homeowners and landlords with specialist solutions to match their individual financial needs. Property delivered a strong lending performance in 2024 delivering £226m of new lending and growing its assets by 18% to £648m. Our new Property front-end system PULSE went live during FY 2024 and delivers an exceptional customer experience both to the brokers we work with and to our borrowers. Over the next few months, we will launch further advancements to our lending platform that

will fully integrate valuations, ID checks, electronic signatures and payments to give a seamless end to end journey all the way from application to redemption. As the first of our bridge customers reached maturity, we offered retention products into our term portfolio with around 10% of customers already taking this up. This is the first step in helping us to maximise the lifetime value of our existing customer relationships. With the launch of the new platform, we are now considering broadening our product proposition to help even more customers get access to Property finance that is designed to meet their individual needs.

- **Omni** works with retailers and their customers to provide finance that enables both businesses to thrive and people to access valued goods and services. Put simply, “we power purchases to improve lives’ in conjunction with more than 2,000 retailers. The credit quality of our lending remains high with an average monthly gauge score of nearly 650 throughout the year. Our robust affordability checks on all our lending have helped ensure 94.1% of balances were up to date at year end (2023: 92.2%). Around 70% of our lending is interest free and average APRs on new, interest-bearing loans remained at 15.5% in line with largely stable interest rates seen across the year. We are proud of the level of service our customers receive and this is reflected in our “Great” Trustpilot score which stood at 4.2 at the end of September. We continue to invest in digital technologies that drive customer satisfaction by delivering a significant upgrade to our e-Commerce integration layer, including new plugins for Shopify and WooCommerce, and new features for our digital Customer portal. Although our originations remained flat year on year, our dependence on intermediated relationships has reduced and we have entered into partnerships with some significant household names through our Tier 1 strategy. We have a strong pipeline of prospective retailers as we position Omni for growth over the coming years. Given the size of the addressable market and the proven, scalable infrastructure we have in place, I am very excited about Omni’s future.
- **Savings** raises funding through a broad proposition underpinned by a sophisticated digital customer offering and a modern banking platform. The business performed very well over the last year growing the number of customers who save with us by around 19% to just under 26,500 with balances rising by 16% to £958m. We continue to service both ISA and non-ISA markets and see a particular opportunity to help customers looking for tax free interest, as many of our competitors are unable to operate in the ISA market. Our focus on building our ISA market presence is reflected in us achieving a 50% increase in both customers and balances during the year. Our Green initiative where we plant a tree for every online savings account that is opened, resulted in over 24,000 trees being planted by the end of the financial year and won a Highly Commended Award for Green Savings Product in the Year at the Moneyfacts Consumer Awards. During year ended 30 September 2024 we also broadened our product proposition with the introduction of Notice accounts. These products were also complemented with new features for our digital Customer portal. I am proud of our latest Net Promoter Score of +33 for our Savings business and look forward to helping more customers to save in the future.

The place to work

At Castle Trust Bank we have a clear set of values and a One Bank culture where everyone works together to deliver great things for our customers our colleagues and our business. I’m really pleased with how we continue to build and evolve our culture. Our Environmental, Social and Governance (“ESG”) team have been at the heart of a range of great initiatives and benefit from having Melba Montague as our dedicated Board champion. I feel that our support for ESG initiatives is a key part of delivering on my promise of making Castle Trust Bank the place to work.

This year, we continued to reduce our environmental footprint by working closely with our partners to adopt green technologies aimed at lowering our carbon emissions, optimising energy usage, and promoting sustainable sourcing. Our teams continued their focus on how we can help our customers improve the energy efficiency of their homes through partnerships with our home improvement retailers, and providing landlords with the funding to carry out refurbishment of their properties. We continue to reduce the printed correspondence we send, favouring electronic options where we can. Our ESG team also hosted a very successful environmentally focused summer barbecue, where all colleagues came together to take part in some fun Olympic themed games.

Our dedication to social responsibility also remains strong. We have worked hard to foster a diverse, inclusive, and equitable environment within the Bank. We have launched our own PROUD network to support LGBTQ+ initiatives and a number of colleagues attended the inaugural Basingstoke PRIDE event in August this year. We have expanded our management development and colleague training programmes, increased support for mental health initiatives, and further advanced our community engagement efforts with our continued sponsorship of a not-for-profit organisation, Destination Basingstoke. Furthermore we formed a new relationship with Enham Trust - a charity that supports disabled people to live, work and enjoy life and we are now a Level 2 Disability Confident employer.

Strong governance practices are foundational to the Bank's integrity and operational success. Our commitment to ethical conduct, risk management, and transparency ensures that we are positioned to create long-term value for our stakeholders. In 2024, we have fully embraced the Consumer Duty, a regulatory framework that redefines the standards of consumer protection in financial services, ensuring that our products and services consistently work in the best interests of our customers. I believe we have maintained our robust Governance across the year as Consumer Duty is now embedded in our day-to-day activities and our colleagues are continually looking for opportunities to deliver good outcomes for our customers.

Perhaps the clearest evidence of how Castle Trust Bank is becoming the place to work is through our independent colleague engagement surveys where we achieved an overall engagement score of 8.5 / 10, a huge improvement from the first survey in 2021 and a step forward from the previous survey result of 8.2. I would like to take this opportunity to thank my Executive & Leadership team as well as all our colleagues for their outstanding contributions and for making our Bank the place to Work.

The place to invest

I would like to thank our principal shareholder, J. C. Flowers & Co., for their long-term support, which has enabled Castle Trust Bank to focus on growing the business to help more customers. In November 2023, we raised additional Tier 2 capital from our shareholders through a £7m subordinated bond and we remain well capitalised with an unaudited Total Capital Ratio of 16.8% (2023: 16.8%).

Strong shareholder support lets us make long-term decisions and long-term investments in the bank. The attractive returns we continue to generate have been re-invested back into the business both to support balance sheet growth and to enhance our digital and data platforms. I've already spoken about the investment in both Property and Omni's core platforms, but we've also seen upgrades and investment elsewhere such as our Customer Relationship Management capability with the implementation of a new marketing platform which will give us even greater insight into our customer base and business performance.

Generative AI is also being used to enhance a range of colleague experiences. During FY 2024 we have introduced AI Champions across the business and built a number of colleague co-pilots, including a HR customer chatbot that enables colleagues to quickly and easily receive answers relating to HR queries and policies and a Code-pilot that enhances our software engineering productivity. Looking ahead we are planning to launch AI agents for customers and Analytical AI decisioning for our underwriting.

Regulations & Outlook

In September 2024, The Prudential Regulation Authority (PRA) released consultation papers on the near-final Basel 3.1 rules, and the simplified capital regime for Small Domestic Deposit Takers. Overall, we welcome the additional clarity and greater risk sensitivity that is being introduced and note the PRA's constructive approach to the engagement we had through the consultation. Management has undertaken an initial assessment of the impact of these rules, and we expect to see both increases and reductions to individual components of the overall capital requirement and capital buffers applied to Castle Trust Bank. Where there is specific, and material increases in capital requirement (particularly the revised treatment of residential and commercial real estate credit exposures) we expect to adjust our pricing strategy and to evolve specific elements of our proposition to manage increases in requirements and to seek out additional opportunities. However, we expect to continue

to support our current customers, to continue growing our Property and Omni business lines and to be able to manage any net increase in capital requirements from internally generated resources.

Looking ahead, I believe we can continue to scale our bank by leveraging our technology and supporting our colleagues and customers to make the most of the powerful tools we are equipping them with. Together with our focus on our core specialist markets and continued efficiency improvements, I am confident we can continue to grow and maximise value creation. In 2024, Castle Trust Bank has proven its resilience through economic cycles and market fluctuations, and we are confident that our strategic initiatives will position us for continued success as we enter into 2025.



Martin Bischoff
Chief Executive Officer



Key Highlights

Financial Performance

- Profit Before Tax of £9.1m (2023: £11.4m).
- Strong origination performance saw Property Finance assets grow to £648m (2023: £547m). Subdued retail consumer credit market saw Omni Point of Sale business assets fall to £210m (2023: £224m).
- Unaudited Total Capital Ratio of 16.8% (2023: 16.8%), comfortably above our regulatory requirements.
- Increases in UK interest rates have been passed onto our savings customers with an increase in our deposit funding costs to 4.3% (2023: 2.6%).
- Stabilising economic position saw cost of living pressures abate with the Cost of Risk falling to 81 basis points (2023: 107 basis points).

Customers & Products

- We helped around 170,000 customers across our Property, Omni and Savings business lines.
- Strong customer Net Promoter Scores (NPS) of +33 for Savings and +62 for Omni customers.
- Excellent progress on innovating and digitalising our product offering:
 - › Property - established a trusted panel of solicitors for introducing title insurance, whilst at the same time enhancing our underwriting process.
 - › Omni – enhanced integration for partners across ecommerce platforms.
 - › Savings - raised £682m principally through our e-Saver proposition. New Notice product launched.
- Continued presence on comparison websites, showcasing our savings accounts and attracting new customers with minimal marketing spend. Continued partnership with Flagstone to diversify our funding options.
- Complaints have fallen once again year on year and have decreased 65% in the last three years, demonstrating the benefits from the continual process improvements we make across all business lines.

Environment, Social and Governance (ESG)

- Castle Trust Bank recognises it plays an important role in helping to protect the environment and support social initiatives whilst making sure our business is well governed. We remain committed to the goals set out in the Board approved ESG plan.
- Continued success of our award-winning Savings Green initiative - with a tree planted for every new e-Account opened – with over 24,000 trees planted by the end of September 2024.
- We have continued to be a core sponsor of a not-for-profit organisation, Destination Basingstoke, which organises community and business events in the local area. We sponsored an award in their community-based 'Place To Be Proud Of' awards.



Colleagues

- With a 97% participation rate, our overall colleague engagement score was 8.5 (0.6 points above the external financial services benchmark score), as measured by our independent partner, Peakon (part of Workday).
- Transparent launch of job grading and pay range structure with all colleagues brought to within their pay range.
- Invested in our Senior Leadership team through an externally facilitated formal leadership qualification from the prestigious City & Guilds, with 13 current participants, following the successful graduation of 10 managers in FY24.
- Launch of the Skills & Competency Framework and Job Matrix to support development and career pathways for colleagues.
- Implementation of the Learning Hub - new platform (Kallidus) to host mandatory / regulatory elearning training and broader learning / development opportunities.
- Implementation of an internally created Training Hub – central space for all training procedures, frameworks, internal and external training solutions.
- Implementation of the HR Hub – new HRIS (Cezanne) manager and colleague self-service platform for employee data and payroll system.
- Re-launch of 'PROUD Network' as part of the ESG working group in support of our LGBTQ+ community.
- Development of EDI Strategy that includes our commitment to Women in Finance, Neurodiversity in the Workplace, Menopause Pledge, Disability Confident Employer.
- Further development of the Health & Wellbeing Plan, supporting national / international events and raising the awareness and use of the Mental Health First Aiders.



Technology

- Continued to build on the success of 2023, with further delivery of new product capability across each of our business lines.
- In our property business, we have completed a significant upgrade of our Servicing and Reporting capabilities followed by the launch of our new Broker and Origination portal ("PULSE").
- We delivered continued enhancements in our Consumer Finance platform with a significant upgrade to our e-Commerce integration layer, including new plugins for Shopify and WooCommerce, and new features for our digital Customer portal.
- For Savings we have delivered a new Notice Account product together with feature enhancements to our App.
- New generative AI tools developed to enhance a range of customer and colleague experiences.
- As part of our Consumer Duty plans, we conducted a comprehensive review of all in scope products and delivered targeted changes to customers journeys and communications.
- The Technology team have built on the "One Bank" platform established in 2022 with the introduction of cross bank CRM capability, most notably a new Marketing platform.
- Further progress was also made in upgrading our Information Security process, tooling and infrastructure.



Strategic Report

Strategic Report

The directors present their strategic report of the consolidated financial statements of Castle Trust Holdings Limited (the “Group”, “Castle Trust Bank” or the “Bank”) incorporating the individual financial statements for Castle Trust Holdings Limited (the “Company”) for the year ended 30 September 2024.

Throughout these financial statements, “Castle Trust Bank” is used as a term that captures all operational activity of the Group. This is principally the property lending and deposit taking activities of Castle Trust Capital plc (“CTC”) and the point of sale consumer lending activities of Omni Capital Retail Finance Limited (“Omni”).

Our Purpose

Castle Trust Bank is a specialist bank with a simple purpose: to help customers achieve their financial goals. Our purpose is particularly significant because many of our customers are not well served by mainstream financial services.

We are here to help customers by:

- providing homeowners and landlords with specialist solutions to match their individual financial needs,
- working with retailers and their customers to provide finance that enables both businesses to thrive and people to access valued goods and services; and
- providing a secure home for people’s savings.

Did you know?

Castle Trust Bank:



Assisted more than 1,100 homeowners and landlords in 2024



Supported more than 2,000 small and medium sized businesses to help them grow over the last year



Helped more than 140,000 customers finance the goods and services they needed ranging from musical instruments to dentistry work in 2024



Provided a safe and secure home for the savings of over 26,200 savers in the last year

Everyone who works for Castle Trust Bank contributes to our purpose, creating a unique One Bank culture which is critical to the business's success. Castle Trust Bank's culture is underpinned by its values, which are celebrated and promoted whether it is the little things we do on a daily basis or recognising colleagues who have gone above and beyond in our monthly and annual awards. Castle Trust Bank aims to be The Place To Work, a place where all colleagues can thrive and grow as they contribute to our purpose. Our home is in Basingstoke, and we continue to be core sponsor of Destination Basingstoke, a not-for-profit organisation that creates community events. We plan to grow our contribution to the community whilst becoming the financial services employer of choice in the district of Basingstoke and Deane.

Our Values

We are passionate about living our values which are:

**We put
customers
first**

Customers at the heart
of everything we do

**We are
forward
thinking**

Investing in our
people, our business
and our future

**We take
professional
pride**

We treat people the way
we want to be treated
and we take pride in
everything we do

**We
achieve
together**

One team,
making a difference

**We are
open &
transparent**

We're approachable,
authentic and
open-minded

Business Model and Strategy

Castle Trust Bank is a specialist lender in the UK. It has the expertise and the ability to deliver products that are valuable for customers but not offered by the traditional banking industry. The Bank competes in business segments that can deliver attractive shareholder returns relative to the risks that they represent. This is supplemented by strong distribution networks, the strength of Castle Trust Bank's underwriting and superior market insight. This has enabled the Bank to deliver competitive pricing in both lending and deposit taking products relative to its peers.

Castle Trust Bank principally provides point of sale consumer finance and mortgage finance (which includes residential development finance ("RDF")). These flexible lending solutions are currently funded using savings from retail customers.

The way we do business is underpinned by our values. We place the highest importance on treating our customers, and colleagues fairly, not just because it's the right thing to do but because we know that the trust of our customers and colleagues is crucial to the Group's future success.

Property – one of the leading specialist UK property lenders

We are one of the leading specialist UK property lenders. We are doing our bit to help alleviate the UK's housing crisis by financing the provision of new homes and providing homeowners and landlords with specialist solutions to match their individual financial needs. Our property business is based on innovative products with attractive returns, high repeat business and an established position in growing segments. We are competitively priced across the specialist mortgage sector and look to dominate in chosen niches. The return we earn more than compensates for the risk we take, and we have the confidence to amend volumes as opportunities arise. We serve the full spectrum of the lending cycle from bridging through to development, bridge to let exit and buy-to-let.

We source our business from intermediaries, networks and mortgage club panels. Our property team have a clear USP based on the strength of the relationships we have with our brokers. Brokers know we are flexible, solution-focused and reliable. We work with a trusted panel of solicitors for introducing title insurance and offer exclusive products to our key introducers. We are recognised for our high service levels (speed and certainty of lending) enabled by technology, with a pragmatic approach to underwriting utilising digital technology. This is exemplified by our broker portal, which enables online submission and management of cases. We are investing heavily in our Property Transformation Programme to deliver an exceptional customer experience both to the brokers we work with and to our borrowers. Over the next few months, we will launch an advanced lending platform that has valuations, ID checks, electronic signatures and payments fully integrated to give a seamless end to end journey all the way from application to redemption. Customers will have even greater flexibility in how they manage their loans including selecting their preferred Direct Debit date. The new platform will capture processing efficiencies, enhancing the colleague experience and it will be integrated with our general ledger. Once launched it will provide the capability for us to launch new products.

In Property Finance, the product range encompasses both first and second charge lending secured against a range of residential property including specialist assets such as houses in multiple occupation, buy-to-let portfolios, holiday lets and apartment blocks. Target customers include portfolio investors and high net worth individuals. Castle Trust Bank has a flexible and innovative approach to structuring including the ability for interest to be rolled up on some, or all, of the loan. This focus enables Castle Trust Bank to deliver attractive and sustainable risk adjusted returns more than those which are available in the mainstream mortgage market.

Over the last couple of years, we have been building our light and heavy bridging propositions to provide customers with a wider range of finance options. We consider a broad range of schemes including refurbishment and conversions under permitted development rights. We continue to grow our volumes in this sector.

For Residential Development Finance, Castle Trust Bank serves property developers by offering senior financing to experienced professionals, who want to enhance their returns through the efficient use of their equity capital.

Omni - powering purchases, improving lives

Omni works with retailers and their customers to provide finance that enables both businesses to thrive and people to access valued goods and services. We achieve this by providing customers with finance at the Point of Sale at one of our 2,000 retail partners. We help customers purchase things they need whether that is improving their quality of life through private medical procedures, improving their standard of living through home renovations, or increasing their career prospects through vocational education courses. Put simply, Omni 'powers purchases and improves lives'.

Omni offers a digital credit approval system which fits seamlessly with the sales processes of the retailers we work with, and c.80% of customers are offered a fully automated loan within minutes. We continue to roll out our ecommerce capability working with platforms such as WooCommerce, Magento, Shopify and Bigcommerce. Our swift credit decisioning is possible because Omni is underpinned by automated technology that processes around 180,000 lending decisions a year, generating high quality, low arrears assets. The credit quality of our lending is high with an average monthly gauge score of nearly 650 throughout the year, with 94.1% of balances up to date at year end (2023: 92.2%). We have very low fraud rates and have embedded market-leading prevention tools which has enabled us to work with a broader range of retailers including those selling high value items such as jewellery and electronics.

We have the capability to offer a range of finance products including interest free, interest-bearing, and deferred payment finance option which are available to customers depending on the retailers and the products they are buying. 68.9% of our lending is interest free, with the retailer paying a subsidy, offering customers a valuable proposition – especially given the challenging economic conditions for households. Omni's lending gives customers access to affordable finance enabling them to buy the goods or service they need, and the retailer gets to complete a sale it might not otherwise have made.

Our digital solution allows our customers to access the self-service portal to manage their loans. We continue to automate self-servicing capability for our customers which enables them to check balances, change payment dates and settle their loan. We have over 215,000 customers registered for the self-service portal making it convenient for customers to do business with us. We are committed to providing the best service to our customers and we regularly undertake customer surveys to make sure we understand their needs, with our latest customer survey receiving a +62 NPS score.

The combination of Omni's platform with the Group's low cost of funding and capability in credit analytics is expected to enable significant growth in Omni's loan book and accelerate the Group's profitability.



Savings - a broad proposition with modern digital technology

2024 was another strong year of growth for Castle Trust with a increase in both customers (19%) and balances (16%) – reflecting our focus on building our ISA market presence.

In May we launched our new Notice Account product which is designed to support customers looking for more flexible funding solutions. Following the successful launch of our 120-day Notice product, we introduced a 35-day notice product in September. We continue to offer value to our customers through our ISA and non-ISA products through highly competitive pricing throughout the year. Our green initiative, where we plant a tree for every account opened resulted in over 24,000 trees planted by the end of the financial year.

Castle Trust's offering has also received external recognition with the Bank winning a Highly Commended Award for Green Savings Product of the Year at the Moneyfacts Consumer Awards.

“Customers can open accounts in a matter of minutes using the latest digital facial and fingerprint recognition technology and swiftly fund accounts through Faster Payments.”





Business Review

Overview

The UK economy rebounded relatively strongly during 2024 following the short recession it suffered in the second half of 2023. Inflation continued to fall with the headline CPI inflation around 2.2% in July 2024, close to the BoE's 2% target. As inflation returned to more stable levels, we saw the first reduction in Base rate in over four years in August with the rate reducing from 5.25% to 5.0%. Subsequent to the year end the rate fell to 4.75% in November 2024. More Base rate cuts are expected by the Market in the coming months with the expectation that the borrowing costs for customers and businesses will start easing. Unemployment during the year saw a modest increase to around 4.2% with employer hiring remaining muted as businesses delay investment in the face of domestic and global uncertainty. The new UK government has outlined its programme of change and we continue to monitor the impact of the Autumn Budget which may pose significant challenges to certain sectors of the economy. As a result, UK consumers are continuing to adopt a cautious approach to spending despite steady improvements in household incomes seen during the year with consumer sentiment remaining fragile.

Castle Trust Bank has been able to respond robustly to these challenges and has seen continued growth in its lending base. The Bank continues to attract customers and along with careful management of the Castle Trust Bank's cost base and responsible credit risk management of both Property and Omni portfolios, the Bank has been able to report another year of good profitability with Profit Before Tax of £9.1m (2023: £11.4m).

The capital position of the Bank remains robust as we continue to meet our required regulatory capital levels and associated buffers. The Group has historically generated additional capital to deliver growth through the continued reinvestment of retained earnings into the Bank's capital resources. To provide support for additional growth opportunities, the Bank received funding from a £7m subordinated bond issued to its shareholder in November 2023. This constitutes Tier 2 regulatory capital to allow for further growth in our lending.

On the lending side, in Property, the repositioning of the product offering in Mortgages in 2022 has become established and the product suite offered has led to strong new originations flows with the Property assets growing 18% year on year to £648m. The consumer market has seen subdued performance for much of the year, despite this Omni acquired new partnerships with retailers that saw origination levels maintained year on year. The point of sale consumer lending loan book ended the year with £210m balances (2023: £226.3m).

Castle Trust Bank grew its Savings customers to just over 26.2k. Despite increased competition in the saving products market as a result of higher interest rates, our product offering across both ISA and Non-ISA markets and particularly our focus on the ISA market has meant that Castle Trust Bank was able to grow its deposit base to £958m (2023: £827m) by the year end.

Against the economic landscape, asset growth has been managed with caution and as a responsible lender we have carefully loosened lending criteria through the year as the risks from the cost of living crisis and rising interest rates became less acute. The continued pressure of the high-interest rate environment on our funding costs and a lagged effect on asset pricing in particular have resulted in our net interest margin reducing to 5.4% (2023: 6.5%). As the interest rate gradually falls, the Bank continues to monitor customer repayment behaviour carefully to ensure the balance sheet values accurately reflect the expected outcomes. This is important across the retail banking sector, as many financial models have embedded repayment assumptions which drive loan values and income recognition.

In 2024, we continued to support our colleagues, recognising the cost-of-living challenges with a 2-5% pay rise across junior grades based on performance and 2.5% at Executive and Senior levels. This was well received and has supported high levels of colleague engagement and retention. Castle Trust Bank monitors colleague turnover

at Board level through regular People reports and our balanced scorecard. Employee turnover was well within appetite at the end of the financial year.

Recent market developments

Following the rebound from the short recession during the latter part of 2023, the UK GDP growth is expected to slow down again towards second half of 2024. Overall, the economy is set to grow by around 1% in the year. The latest available ONS data show that the economy grew by around 0.6% in the quarter to June 2024, following the 0.7% increase seen quarter to March 2024. Whilst there was encouraging growth in the service sector, weaknesses in retail and parts of real estate sector continue to cause concern. UK inflation was at 2.2% in July 2024, however inflation is expected to rise in the coming months, with the effects of previous falls in gas prices dropping out from the annual comparison. Unemployment in the UK economy continues at its historical low levels and was at 4.2% in July 2024. Job vacancies in the market continued their downward trend, despite the economic growth with employer hiring intentions remaining muted. Pay growth is expected to continue to moderate, falling to around 3.5% in 2025, as a slowing labour market reduces workers' bargaining power. The Bank of England reduced its rates to 5% in August 2024 and opted to hold them at that level in September 2024 MPC with a further interest rate reduction in November 2024. The Bank of England is expected to take a cautious approach to easing monetary policy with gradual rate reductions, with inflation looking at remaining persistently higher than the BOE target of 2%.

With consumer confidence remaining fragile there is a cautious approach to spending while there is shift of focus towards building savings. Since the pandemic UK consumers have set aside an increasing proportion of their income as savings, dampening spending growth. Market data shows that pre-pandemic levels savings were held in accessible deposits such as current accounts and that since 2022, there has been a shift towards more fixed term deposits particularly into Individual Savings Accounts ("ISAs"). This has resulted in consumers delaying or remaining hesitant around committing to bigger-ticket or non-essential spending.

Nationwide reported annual house price growth of 3.2% in the year to September 2024, the strongest growth since November 2022. The North of the country typically saw annual growth of around 4% with price growth slower in the South. London house prices saw an annual growth of around 2.0%. During 2024 there was a rise in activity in the housing market on the back of the falling mortgage rates with mortgage approvals in August 2024 almost back at 2019 before the pandemic. New sales agreed and new instructions were also up in September 2024. The fall in interest rates will improve affordability and will provide a boost for the housing market. However, with average house prices still rising and being at a higher level than before the pandemic growth will be limited over the coming months. In the rental market, Zoopla reported that average annual rental growth across the UK in August was at around 4.8%. With rental supply falling, it appears that rents are reaching an affordability ceiling across large parts of the country which was more acute in London which only saw a 2.1% annual growth in rental values where rental values are highest nationally. Anticipated changes in capital taxation in the Autumn Budget have caused some Buy to Let Landlords and second homeowners to sell, reducing the supply of homes for rent.

Castle Trust Bank recognises the challenging economic conditions and will continue to assess its credit risk appetite and support customers where they experience financial difficulty through our robust forbearance policies. We monitor our pricing for both lending and savings products to ensure that in a changing interest rate environment, our products remain competitive and attractive to customers.

The recent Court of Appeal judgment on Motor Finance commission payments has created a great deal of uncertainty within the wider market. Castle Trust Bank and its group have never provided Motor Finance loans and so are not directly impacted by the decision. However, there is concern in the market that the impact could spread beyond Motor Finance. We are keeping the situation under review but believe our exposure is low even if the decision is upheld on appeal and found to have a wider impact.

Customer Outcomes

During 2024, we have taken additional steps to ensure our customers know where they can access help if they find themselves in financial difficulty and our colleagues are regularly trained on how to support vulnerable

customers. Consumer Duty is now fully embedded within our organisation, and we have regular reviews of our customer journeys to ensure our customers receive good outcomes. We continuously adjust our credit policies to make sure our lending is affordable and aligned to the latest economic forecasts.

In Property, we have adjusted our lending criteria for areas that are likely to find the rise in the cost of living most challenging and during the year lowered our product rates in response to market interest rates.

Over the course of the year, we have maintained a high customer credit score in Omni and have surplus income buffers to allow for the rises in household costs. Omni completes affordability checks on all lending, which has helped to keep arrears flat. Omni is ready to adjust its pricing and its strategy in line with future movements in interest rates.

For our Savings customers, our fixed rate term products allow early access if customers find themselves in financial difficulty. To remain competitive in the higher interest rate environment, we have raised rates over the year for our savers. The diversity of our savings business is reflected in our ILAAP (Internal Liquidity Adequacy Assessment Process), which is one of many ways we monitor and control our funding risks. We take a proactive approach to managing interest rate risk by closely reviewing key metrics and use interest rate swaps to keep risks within Board limits.

Outlook

Following the lows of autumn 2022, the GfK consumer confidence index is starting to rise though remaining firmly negative. The most recent Index in August showed it was at -13, despite expectations for an improvement to -12. With consumer sentiment remaining fragile and households holding back on spending growth despite household income improvements, the concerns around UK business will be about customer demand.

The newly elected Labour Government also faced challenges in their Autumn Budget with increased demand for spending. The changes announced to fiscal rules around Government borrowing present a risk that interest rates will remain elevated and this may impact affordability for our customers and prospective customers.

There is an expectation that business investment could recover in the coming year, especially if the volatility surrounding global developments start to ease. With an expected backdrop of lower interest rates and improving GDP, this may give businesses additional confidence in making investments, driving momentum in the UK Economy.

House prices are expected to show modest growth with improving economic performance and steady cuts to the base rate opening up capacity in 2025. Unemployment is expected to edge up during 2025 but will recover to the long run level of 3.9% by 2027.

Regulatory Outlook

In September 2024, the PRA published the near final credit rules PS9/24 (Implementation of the Basel 3.1 standards) along with a consultation paper on CP7/24 "The Strong & Simple Framework", the simplified capital regime for Small Domestic Deposit Takers (SDDT's) that significantly simplifies the capital regime whilst maintaining their resilience. The SDDT rules are subject to further consultation and the current expected implementation date for this regime is 1st January 2027. Eligible firms will then enter an "Interim Capital Regime" (ICR) ahead of this implementation that requires them to adhere to the current Capital rules until implementation date. Management has undertaken an initial assessment of the impact of these rules, and we expect to see both increases and reductions to individual components of the overall capital requirement and capital buffers applied to Castle Trust Bank.

Consumer Duty

Consumer Duty has now been in place across the industry for over a year, bringing with it higher and clearer standards of consumer protection across financial services and requiring firms to put their customers' needs first. Castle Trust Bank's first corporate value is 'Customers First' and the introduction of Consumer Duty has aligned and embedded well across the bank's three business lines.

The work that was undertaken as part of the 31 July 2023 implementation for Open Products is now embedded as BAU and teams across the three lines of defence have continued to monitor the bank's delivery of good outcomes. In parallel, focus shifted to include Closed Products, and the Day 2 activities, as we monitor and look for ways to continuously improve consumer outcomes without diluting those already delivered. These activities were completed ahead of the 31 July 2024 deadline.

During this financial year, the bank's first annual report on Consumer Duty was presented to the Board. The methodology and content of the report had been assessed by Internal Audit prior to the presentation to the Board. The content was debated with broad agreement that customers were receiving good outcomes. However, the pervasive and continuing nature of the Consumer Duty was fully recognised by both the Executive Committee and the Board, with actions recommended to further improve the bank's delivery of good outcomes. Progress against these actions will be overseen by the Customer and Social Responsibility Committee (CSRC), under the stewardship of Melba Montague, our Chair of CSRC and Board Consumer Duty Champion.

The maturing nature of the Consumer Duty monitoring across Castle Trust Bank's governance structure has created the platform for all colleagues to discuss potential improvements to customer outcomes and management information, and challenge the business to seek further enhancements. Entering the third year of the Duty, this will allow the business to measure outcomes in a more tangible manner, reflecting the commentary in the market from the Regulator.

Credit Performance

Castle Trust Bank continues to focus on improving the quality of lending, optimising its risk appetite across all lending classes. With a challenging external environment due to ongoing cost of living and affordability concerns, careful underwriting decisions have been adopted which should improve credit performance and ensure the Bank remains a responsible lender. Whilst experienced credit performance remains strong and in line with recent periods, the wider macro-economic environment remains challenging. This has resulted in only a small decrease in the cost of risk year on year, as provisioning levels improve in the consumer loan space but increase in Property against the backdrop of an unwinding legacy 2nd charge mortgage book. See Note 25.1 for more details.

Group evolution

The function and role of the Castle Trust Holdings Ltd, the Company and its subsidiary entities ("The Group") has changed significantly over the last few years as the business embarked on the journey to become a bank. A key part of the process was a group simplification exercise where the activities of several subsidiary entities were either wound down or transferred to other subsidiaries, principally CTC.

The first stage of the simplification took place with the sale of the house price derivative component of the HPI mortgage book and several house price option contracts to a related entity on 30 September 2019. Once completed, this left a de-risked conventional mortgage book with minimal exposure to the related house price index component of the HPI mortgage product.

The second stage of the group simplification saw the treasury activity for the Group transferring to the CTC from another subsidiary Castle Trust Treasury Limited ("CTT"). From this point, CTC became the principal funding entity for the Group's lending activities, in particular the consumer loan business and wholesale loan activities in Omni.

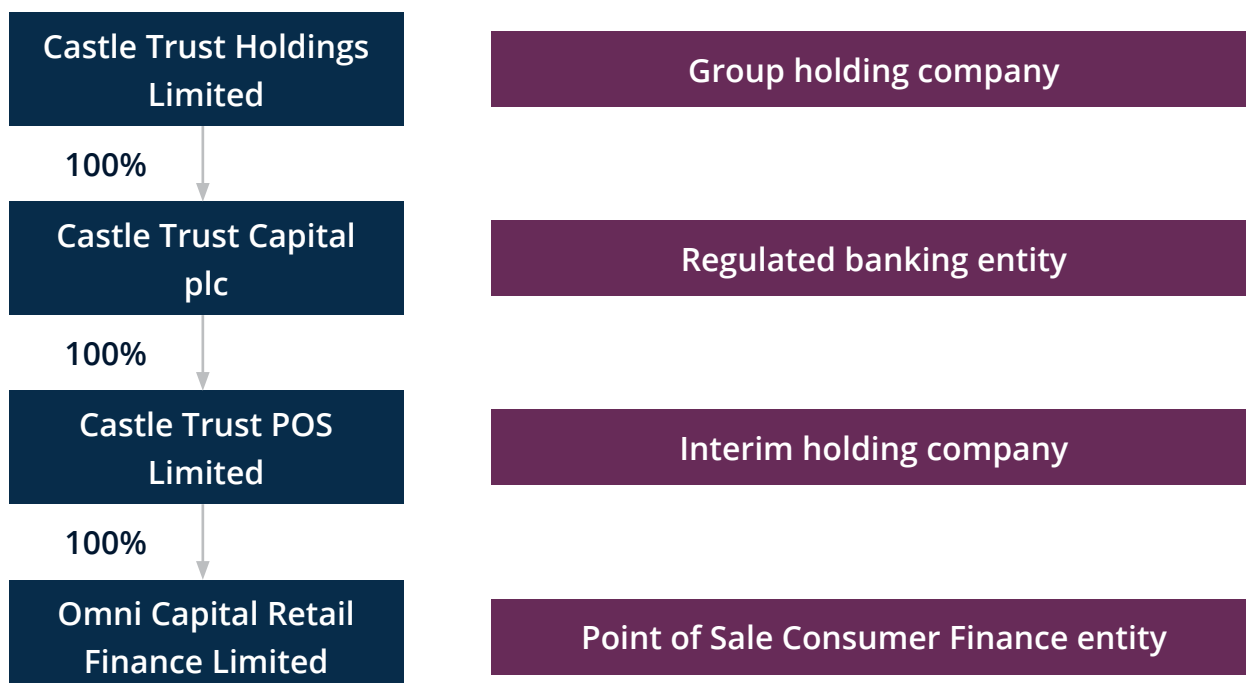
As a result of the first and second stages being completed, two subsidiary entities, CTT and Castle Trust Finance Limited ("CTF") ceased trading activities and were dissolved on 6 October 2020.

The final stage of the group simplification was intrinsically linked to banking licence approval, as the Company launched bank deposits to replace the legacy Fortress Bonds and Housa investment products. Prior to being authorised by the regulators, the Group undertook a legal process to convert customers holdings in Fortress Bonds and Housas issued into new fixed term and structured deposit accounts.

This stage was completed successfully in June 2020. As a result, several subsidiary entities including Castle Trust Capital Management Limited ("CTCM"), Castle Trust Direct plc ("CTD"), Castle Trust Income House plc ("CTIH") and Castle Trust Growth Housa PC ("the PC") had no ongoing trading activity and were dissolved.

Group structure

The current operating structure of the Group is as follows:



Colleagues

Castle Trust Bank's people are what makes the business work, creating great, bespoke solutions for its customers and developing the business for the future. We pride ourselves on our One Bank culture which is how we describe colleagues working together to deliver for our customers. This creates a vibrant working environment, which is reinforced by regular opportunities to share updates regarding business performance and strategic plans via townhalls, the annual conference, Board Q&A sessions and delivery of our People and ESG plans.

The business has a strong leadership team in place, who work well together, bringing experience from a range of small banks, high street banks and building societies, regulators and specialist lenders. We strive to be an inclusive and diverse workplace, encouraging every colleague to be themselves at work. The HR team work closely with Mental Health First Aiders and the ESG team to ensure our colleagues are safe and have the tools to support a healthy lifestyle, supporting various national and local events as part of the Health & Wellbeing programme.

This year we have launched a new careers website, implemented a new Training Platform for all eLearning modules and development opportunities and a new HR Information System.

We continue to embed our values based on a bottom-up approach using colleague feedback. Colleagues are asked to complete regular engagement surveys to aid and inform management of what is working well and where the business needs to do more to improve engagement, empowerment and loyalty. In our last colleague survey, 97% of colleagues participated, with the overall engagement score coming in at 8.5 (0.6 above benchmark). All colleagues have personal performance agreements where they record their individual objectives, an assessment against the skills and competencies required for their role and the behaviours they are expected to display aligned to our values. Development plans and training needs can also be recorded in this performance agreement.

ESG and Climate Change

The way we execute our business strategy is consistent with the plans we are developing for our Environment, Social and Governance (ESG) strategy, with our third ESG Plan showing our latest commitments being published on our website in the spring of 2024. The Executive team all have ESG deliverables as part of their individual performance agreements, our ESG plan is refreshed annually, and our performance is reviewed by the Board. Our Basingstoke and London sites source our electricity from renewable sources, and we continue to divert waste away from landfill by recycling or re-using it; for example, our laptop recycling programme started at the beginning of 2024, where we started to replace older laptops and offered the old units to colleagues for their personal use. The plant-a-tree scheme that we launched in 2023, where a tree is planted for every new online e-Account that is opened from our range of savings accounts, has enabled us to plant over 24,000 trees by the end of the financial year, in partnership with Ecologi. The Castle Trust Bank website is itself carbon-neutral, with over 300 trees being planted so far to offset emissions associated with running the website, in partnership with Tree Nation.

Our Omni business helps customers finance the purchase of energy efficient products and make them more affordable, by allowing them to spread the cost. We currently help finance products such as A-rated efficient windows and doors, new hydrogen ready boilers and A-rated household appliances. We continue to review ways to reduce the amount of paper we use both across our three business lines and through general office use; since 2022 we have reduced the number of pieces of paper used by approximately 1,000,000 as a result of switching to the provision of electronic copies of our Savings Terms & Conditions. ESG considerations play a part in our procurement process when selecting which suppliers we work with, and we will engage further with suppliers to determine their ESG strategies. Our risk management approach to climate change risk is detailed on page 41 and the Streamlined Energy and Carbon Report Regulations disclosure within the Directors' Report can be found on page 67.

We have continued to be a core sponsor of a not-for-profit organisation, Destination Basingstoke, which organises community and business events in the local area, and our Chief Compliance Officer has continued to be a member of their Board. We also maintained our sponsorship of an award in their community-based 'Place To Be Proud Of' awards, which recognises local residents who have gone above and beyond for the Basingstoke community. We were also nominated as a local business for an Inspire Award in the Large Business of The Year category. There is an ESG working group, which is a colleague led forum for delivering our ESG plan. The ESG working group once again coordinated a sustainable summer barbecue for colleagues and supports activities for fund-raising events such as Red Nose Day and BBC Children In Need. Castle Trust Bank has raised £26,000 for good causes over the last three years.

Strong governance is vital to make sure the Bank is delivering its objectives. Our Governance framework is supported by a range of policies to protect colleagues and the business from bribery and corruption, look after vulnerable customers and make sure products are designed to deliver strong outcomes for customers. We are also developing a framework for the responsible use of AI within the Bank. Our Corporate Governance framework and the responsibilities of the Board and sub-committees is detailed on page 56.



Outlook and future developments

Future developments are also disclosed on page 66 in the Directors' Report.

Principal risks and uncertainties

Principal risks and uncertainties are carefully monitored by the Group to ensure all risks undertaken are aligned to the Group's overall objectives and future direction of the Company. Risks are ultimately managed by the Chief Risk Officer who, whilst ensuring risks to the Company are understood and controlled, also ensures risks undertaken are commensurate with the approved risk appetite. All risks undertaken by the Group are done so with our values at heart to ensure that both customers and colleagues are treated fairly.

The principal risks of the business are managed by Castle Trust Bank's Risk Management Framework which is further detailed in the Risk Management Report on page 36.

Further, principal uncertainties are defined as Emerging Risks in the Risk Management Report.



Key Financial Performance Indicators

The following Key Financial Performance Indicators (“KPIs”) are used by management to track how the business is performing.

Key performance indicator	At 30 September 2024	At 30 September 2023	Variance
Loan book balances (£'000s)			
Property finance	648,405	551,073	97,332
Point of sale consumer lending	210,023	224,366	(14,343)
Wholesale loan	19,933	-	19,933
Total	878,361	775,439	102,922
Savings/Investment balances (£'000s)	957,770	827,055	130,715
Liquid assets (£'000s)	185,181	150,208	34,973
Cost of funds*	4.3%	2.6%	1.7%
Liquidity Coverage Ratio (unaudited)*	237%	230%	7%
Total Capital Ratio (unaudited)*	16.8%	16.8%	0.0%
Impairment coverage ratio			
Property finance	1.9%	2.2%	(0.3)%
Point of sale consumer lending	4.5%	6.5%	(2.0)%
Cost of Risk (Basis Points)*			
Property finance	77	64	12
Point of sale consumer lending	125	200	(76)
Net interest income (£'000s)	44,842	46,736	(1,894)
Net interest margin	5.4%	6.5%	(1.1)%
Profit before tax (£'000s)	9,095	11,388	(2,293)
*Non-GAAP measure			

The property finance loan book represents the value of assets loaned to mortgage and RDF customers net of related impairments. The increase in the loan balance in the year is due to new originations, principally through serviced first charge buy to let mortgages and shorter-term bridging lending. The non-core 2nd charge mortgage book continues its run-off as expected and the pipeline of new business remains strong.

The point of sale consumer lending loan book represents the value of consumer loans less any related impairments. The fall year on year is due to lower new business origination volumes. This is aligned with the wider consumer finance market, where higher interest rates and customer affordability challenges has resulted in a reduction in the sector for new unsecured lending.

The Wholesale loan book is a new lending facility in the year with a high-quality property lender benefitting from a differentiated network of distribution partners and geographical emphasis to Castle Trust Bank. The counterparty is well capitalised with a low average loan to value ratio for the underlying properties within the origination vehicle.

Savings/investment balances relate principally to fixed deposits held by customers. The increase in this balance has been driven by increased property loan volumes and liquidity required to be held to support the new business pipeline.

Liquid assets are a measure of readily available liquid funds that Castle Trust Bank can utilise to meet customer and business needs. The increase year on year reflects the requirement to hold sufficient liquidity to support the growth in the balance sheet, in particular the new business pipeline for Property loans.

Cost of funds reflects the interest expense on customer deposits as a percentage of the average customer deposit balances held at amortised cost. The increase in the year reflects the higher average interest rate environment year on year, with the Bank consistently paying competitive rates to customers to attract new deposit originations.

The liquidity coverage ratio is an unaudited key regulatory metric which requires banks to hold enough high-quality liquid assets ("HQLA") that can be sold during a 30-day stress scenario. The unaudited year-end position of 237% (2023: 230%) compares favourably with the regulator's target guidance of 100%.

The Total Capital Ratio is a key unaudited metric used throughout the industry to measure the capital adequacy of a business. It shows the ratio between the calculated risk weighted assets and capital. Risk weighted assets have grown in the year following the continued growth in the loan book. This has been offset by retained profits generated by the Bank increasing the level of capital resources available. This has resulted in the ratio remaining stable. The Bank remains comfortably above the regulatory requirement.

The impairment coverage ratio details the impairment provision as a percentage of the total loan book and is an indicator of changes to the credit profile of the loan portfolio. In Property Finance, despite an increase in the cost of risk, the coverage ratio has fallen as the Bank has written off a number of large historic property cases where further recoveries are assessed as remote. These cases were heavily impaired in the prior year and so the write off resulted in ECL balance releases improving the overall coverage ratio.

The point of sale coverage ratio has also fallen year on year as along with an improved cost of risk, we have undertaken an external program of debt sales for old defaulted Omni loans with £6.8m of defaulted loan balances sold in the year (2023: £2.3m). The large volume of highly impaired defaulted debt resulted in a significant level of ECL release decreasing the overall coverage ratio.

Cost of Risk is calculated by looking at the cost of loan impairment per the income statement as a proportion of average loan assets. Within point of sale consumer lending, the fall year on year is principally due to lower balance sheet growth, an improvement in macro-economic forecasts, and lower defaults than expected from the consumer finance business as the impacts of higher interest rates and the cost of living stabilises. In Property however, we saw an increase in the cost of risk with additional impairment taken on some legacy defaulted property loans as we experienced delays in the final resolution of some older 2nd charge cases.

Net interest income demonstrates the income generated on the loan book less the associated cost of funding paid to savings customers and is a key indicator in assessing underlying profitability. This has decreased year on year by £1.9m as the increase in yield on new lending business was not able to keep pace with the increasing cost of funds paid to deposit holders.

Net interest margin represents net interest income as a percentage of the average loan book. It shows the overall pre cost return on lending. This has fallen in the current year due to the increased cost of funds experienced on customer deposits in this higher interest rate environment.

Profit Before Tax is a measure of profitability and business performance. Current Profit Before Tax is £9.1m (2023: £11.4m) with the movement broken down as follows:

- Net interest income falling by £1.9m, as detailed above.
- Fair value movements on financial instruments saw a increased loss of £0.5m year on year as historical gains on interest rate swaps used to manage interest rate risk in the banking book partially unwound under fair value hedge accounting. This was offset by an increase in £1.0m in other income and fee and commission income as we received additional Research and Development tax credits and fees in Omni.
- Impairment losses decreased by £0.4m principally through lower impairment charges in the consumer loan book as the cost of living impact lessens. This has been partially offset by additional impairment taken on some legacy defaulted property loans.
- Administrative expenses increased by £1.0m mainly due to inflationary increases to salaries and supplier costs.

Key non-financial performance indicators are detailed in the Key Highlights section on page 15.



Section 172(1) Statement

S172 of the Companies Act 2006 requires a director of a company to act in the way he or she considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole and in doing so, have regard, amongst other matters, to the:

- Likely consequences of any decisions in the long-term;
- Interests of the company's colleagues;
- Need to foster the company's business relationships with suppliers, customers and others;
- Impact of the company's operations on the community and environment;
- Desirability of the company maintaining a reputation for high standards of business conduct; and
- Need to act fairly between members of the company.

The Board of directors of Castle Trust Bank consider they have discharged this duty ensuring decisions made during the year ended 30 September 2024 were in good faith and likely to promote the success of the company for the benefit of its members as a whole. In addition to incorporating the above-mentioned factors, the Board incorporates the Company's purpose statement, key values and strategic priorities into its decision making.

During the year, the Board reviews matters relating to business strategy, financial and operational performance, key risks and legal, regulatory and compliance matters. The Board delegates authority for the day-to-day running of the business to the CEO, and through him, to Senior Management and various sub-committees to oversee the execution of the Bank's strategy and related policies.

Purpose statement

Castle Trust Bank is a specialist bank with a simple purpose: to help customers achieve their financial goals. Our purpose is particularly significant because many of our customers are not well served by mainstream financial services.

We are here to help customers by:

- Doing our bit to help alleviate the UK's housing crisis by financing the building of new homes;
- Providing homeowners and landlords with specialist solutions to match their individual financial needs;
- Providing a secure home for people's savings; and
- Providing consumer finance which helps unlock our partners' potential, powers their growth, and connects them with their customers looking to enrich their lives.

Stakeholders

Engaging with the Bank's stakeholders is an important element to ensuring the Board has the relevant information when making decisions. Key stakeholder management is maintained via regular dialogue throughout the year. The table below sets out the Bank's key stakeholders, the main method by which the Board and Management engage, and how the Board assess the effectiveness of engagement and receive feedback.

Stakeholder	Description	Engagement	Assessment and feedback
Shareholders	The Bank has one shareholder holding the majority of the Bank's ordinary share capital.	The shareholder is represented on the Board and Board subcommittees by Non-Executive Directors and is therefore fully involved in the decision making of the company.	By having representation on the Board, direct feedback is provided enabling the shareholder to be continuously engaged.
Customers	The Bank has over 26,200 deposit customers and over 1,100 lending customers.	The Bank undertakes regular customer feedback surveys. The results of these inform product and business line strategies. Customer journeys and customer interactions are regularly reviewed and quality assured. This helps inform staff training plans and improve the experience of our customers.	Results of the customer feedback surveys are shared with the Board with actions identified and monitored at a Board or sub-committee level.
Colleagues	The average number of people employed by the Bank during the year was 199.	The Bank undertakes a semiannual Colleague Opinion Survey. Colleague engagement is high and the results are positive. The survey is a key input for the staff engagement strategy. In addition to the fortnightly CEO Blog, staff are engaged through regular 'meet the CEO' sessions and monthly all staff 'Townhalls'. The Bank is also a signatory of the Women in Finance Charter. To support the mental health and wellbeing of our colleagues, the Bank has signed up to the Mortgage Industry Mental Health Charter.	The findings of the colleague surveys are detailed to the Board with action plans determined on the key drivers identified which will enhance overall engagement with colleagues. Throughout the year, the Chair of the Board hosts regular meetings with groups of colleagues from all levels and departments. This enables colleagues to provide feedback direct to the Chair of the Board.

Stakeholder	Description	Engagement	Assessment and feedback
Suppliers	Businesses and individuals who provide the Bank with services and goods.	Management regularly meets the Bank's key suppliers particularly those providing important business services and information technology systems.	Outcomes of key supplier reviews are communicated to the Board with material items and related actions monitored.
Brokers/ intermediaries	Partnerships with third parties who introduce new business and help support the Bank's existing customers.	A significant proportion of new lending in both Property and Omni is introduced through partnerships with intermediaries and brokers. Strong relationships with these partners are vital to the ongoing success of the Bank. Regular dialogue with our distribution partners facilitates our ability to ensure a continued understanding of our customers' needs and drives ongoing product evolution.	Any significant items arising following discussions with third party intermediaries are raised at Board meetings with agreed upon actions monitored.
Regulators	The Bank is regulated by the PRA and FCA.	The Bank's management has regular meetings with its Supervisory teams to discuss its strategy, plan and performance.	Board members meet separately with the regulators on a periodic basis. At these meetings feedback on the Bank is provided by the regulator, enabling the Board to determine the effectiveness of engagement.
Communities	The geographic locations in which the Bank has offices, colleagues and customers.	The Bank is a member of a number of trade bodies and Industry Groups in the regions in which we operate. A key focus of the Bank's ESG plan is engagement with the community of Basingstoke where most of our employees live and work. Our ongoing partnership with Destination Basingstoke, a not-for profit community events company, has seen the Bank support several community initiatives throughout the year (see ESG section of Strategic report).	The Board is kept updated as to the process of community initiatives and in some cases join other colleagues at events to experience the impact the Bank is having with the local community.

Key decisions

In terms of key decisions undertaken by the Board in the year, the following have been identified as having the greatest impact on the stakeholders described above:

- Approval of the business strategy and plan
- Strategic growth opportunities and acquisitions
- Consumer Duty ongoing implementation
- Capital stress scenarios and the Recovery Plan

Approval of the Business plan

In November 2023, the Board approved the Business Strategy and Medium-Term Plan. This sets out product growth targets in key business lines with related capital, resourcing and investment requirements defined. The plan is set to grow the business on a sustainable level and forms the baseline of the Internal Capital Adequacy Assessment Process (“ICAAP”) and the Internal Liquidity Adequacy Assessment Process (“ILAAP”).

The business plan outcomes will have impacted some of our key stakeholders. This was considered by the Board in detail before deciding to approve the business plan.

Stakeholder	Impact
Customers	The plan targets growth in all key business lines through the provision of competitively priced and innovative products that Castle Trust Bank believes will meet customers’ diverse needs.
Colleagues	The business plan provides growth and opportunities to the Bank’s employees with detailed resourcing requirements embedded to ensure that business growth is aligned with the growth of a high functioning and motivated workforce.
Brokers/ intermediaries	The business plan will detail new business origination targets with changes to product mix, pricing and distribution strategies. This will shape our ongoing relationship and engagement with third party intermediaries.
Suppliers	The plan details costs commitments signed off for the year. This includes both ongoing spend with suppliers and new development spend scheduled. This in turn enables the Bank to build longer term beneficial relationships with key suppliers.
Communities	The business plan provides an ongoing commitment of the Bank to remain in Basingstoke. This ensures ongoing engagement with the numerous community projects the Bank participates in and helps to attract the best talent in the area.
Regulators	The ICAAP and ILAAP documents provide comfort to the regulator that the business plan and strategy ensure that Castle Trust Bank will continue to meet its stringent capital and liquidity requirements until September 2028. This provides protection to customers and the wider financial services market.
Shareholders	The strategy and plan provide the shareholder with a clear direction of how Castle Trust Bank will grow in a sustainable manner, deliver a growing positive return on equity and therefore meet its investment objectives.

Strategic growth opportunities and acquisitions

Growth opportunities are being actively pursued by the Bank as it continues its strategic priority to expand the business, either organically or through acquisition/merger opportunities. During the year, a number of strategic prospects were considered and reviewed by the Board, who in turn make the ultimate decision whether to proceed or not. The Board also approve and monitor additional out of budget expenditure relating directly to these opportunities. Although no prospects successfully crystallised in the year, the Board and senior management continue to explore opportunities as they arise.

Stakeholder	Impact
Customers	The Bank would use growth opportunities to establish a larger scaled operation. This in turn would offer customers a wider product set, improved pricing and an enhanced customer journey.
Colleagues	A growing Bank offers colleagues wider development and career opportunities. This will enhance retention rates and improve attractiveness of the Bank for future recruitment.
Brokers/intermediaries	A strategic acquisition or merger may introduce additional product lines or growth in the Bank's existing product set. This may incorporate new third party intermediary relationships and presents opportunities to existing partners to work together to deliver our products to our customers.
Regulators	The Bank remains open, and has a constant dialogue, with the Regulators as strategic opportunities are pursued. Ultimately Regulatory approval is required for any acquisition/merger undertaken.
Shareholders	The intention of pursuing a strategic priority of growth is to increase the market valuation of the Bank and in return maximise shareholder value.

Ongoing Consumer Duty implementation

In the prior year the Board approved the first phase (Open Products) of the bank's Consumer Duty implementation plan related to Open Products. The second phase relating to Closed Products and the day 2 activities, as we monitor and look for ways to continuously improve consumer outcomes without diluting those already delivered. These activities were approved by the Board and implemented prior to the deadline of 31 July 2024.

The first annual report was presented to the Board with actions recommended by Board members to further enhance the bank's delivery of good outcomes. The Board continues to support the new Board-level Committee, the Customer and Social Responsibility Committee ("CSRC"), which following its formation in the prior year, oversees the bank's agenda relating to ESG and delivering good customer outcomes.

The implementation of Consumer Duty has impacted some of our key stakeholders. This was considered by the Board in detail before deciding to approve the implementation plan.

Stakeholder	Impact
Customers	Customers are the key stakeholder impacted by the implementation of Consumer Duty. All of Castle Trust Bank's regulated products and customer journeys have been reviewed with a focus on how they deliver good customer outcomes. Customers will benefit from customer-centric decision making across the organisation.
Colleagues	All colleagues have received training, with those who interact directly with customers attending tailored classroom training appropriate for their roles, focusing on how to deliver good outcomes for customers. Colleagues are fully empowered to make suggestions for improvements to the customer outcomes the bank delivers or to highlight areas that require review.
Brokers/intermediaries	As part of the Consumer Duty implementation project, all distributors of Castle Trust Bank's regulated products received product information sheets that provided clarity on the nature of the products, including target market and key features of the product. This provides Castle Trust Bank's partners with the means to ensure the bank's products are compatible with their own products and services.
Regulators	The Consumer Duty regulations are the biggest change to conduct regulation the FCA has ever implemented, and successful implementation of Consumer Duty provides the regulator with confidence in Castle Trust Bank's ability to operate in compliance with regulations.
Shareholders	The delivery of large-scale regulatory change project without material impact to any other business activities demonstrates the bank's infrastructure and governance processes can manage a changing regulatory environment effectively.

Capital stress scenarios and the Recovery Plan

The current financial year has seen an increased focus by the regulator on capital and liquidity stress scenarios. These ensure that under a severe but plausible economic or idiosyncratic stress, the Bank has sufficient resources or can deploy mitigation strategies which ensure the long-term viability of the business model. These impacted the Pillar 2B capital modelling which is a critical component of the Bank's ICAAP and the Bank's Recovery Plan. The Board requested enhanced impairment modelling be undertaken to ensure the impact of the scenarios was more severe and provided a greater capital stress which takes the Bank close to and beyond the point of non-viability if mitigation strategies are not deployed. The outputs of this modelling were reviewed and approved at bespoke Risk Committee workshops.

This enhanced stress scenario modelling will have impacted some of our key stakeholders. This was considered by the Board in detail before deciding to approve the business plan.

Stakeholder	Impact
Customers	A more robust capital and liquidity stress process with validation of mitigation and recovery options, provides customers with greater assurance as to the financial standing of the Bank.
Colleagues	The enhanced stress process provides assurance to colleagues that the business that they have chosen to pursue a career with can withstand a severe economic or idiosyncratic shock. This provides additional comfort over job security, aids retention and career planning.
Regulators	Capital and liquidity stress modelling form the cornerstone of the ICAAP, ILAAP and Recovery Plan documents. The improvement to these models demonstrates to the regulator the Bank's robustness in a time of stress and helps to shape the future regulatory approach for the Bank.
Shareholders	The shareholder gets assurance of the financial standing of their investment in the Bank and understands the role they play in ensuring the ongoing viability of Castle Trust Bank in the event of a severe stress.

Strategic Report Approval

Approved by the Board of Directors and signed on behalf of the Board.



Andrew Macdonald

Company Secretary

10 December 2024



Risk Management and Governance

Risk Management and Governance

Risk Management Report

Purpose of Risk Management

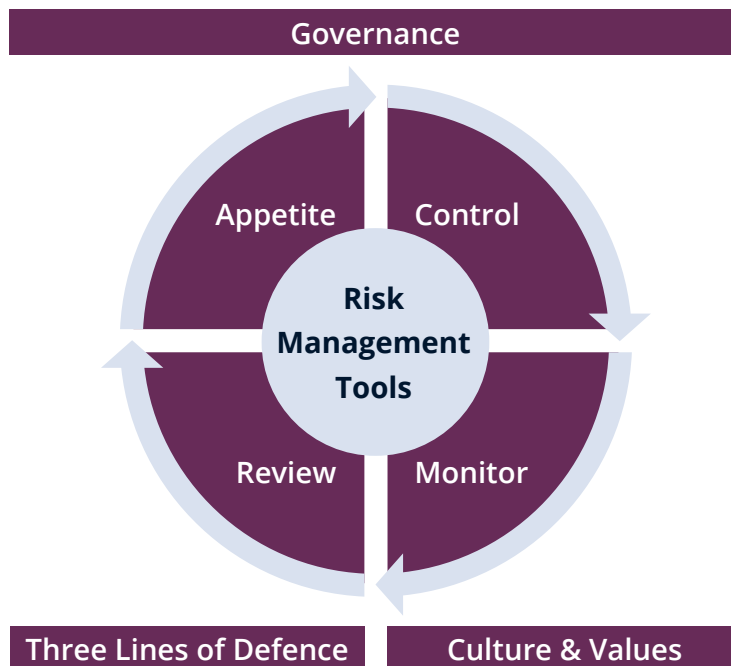
The purpose of Castle Trust Bank’s Risk Management Framework is to give stakeholders confidence that risk is understood, monitored and controlled and that the level of risk that Castle Trust Bank takes is aligned to its objectives, including operational, conduct and prudential risk. This ensures that the risks are commensurate to the returns and financial resources of the institution and that delivering good customer outcomes is embedded into its culture and operational processes. The Risk Management Framework ensures that:

- In the normal course of business, Castle Trust Bank’s operations, customer outcomes and prudential metrics are stable and in line with objectives; and
- Under stress, Castle Trust Bank can continue to operate, to fulfil its obligations to customers and to meet its prudential requirements.

The Risk Management Framework is owned by the CRO and overseen by the Board Risk Committee. The following sections of the report explain how the Risk Management Framework is applied in Castle Trust Bank.

Risk Management Process Lifecycle

Castle Trust Bank’s Risk Management Framework operates alongside a comprehensive suite of risk-specific policies, manuals and procedures to specify the Risk Management Processes the bank is required to follow in respect of each risk. The framework groups the Risk Management Processes into four phases which are supplemented by three overarching requirements.

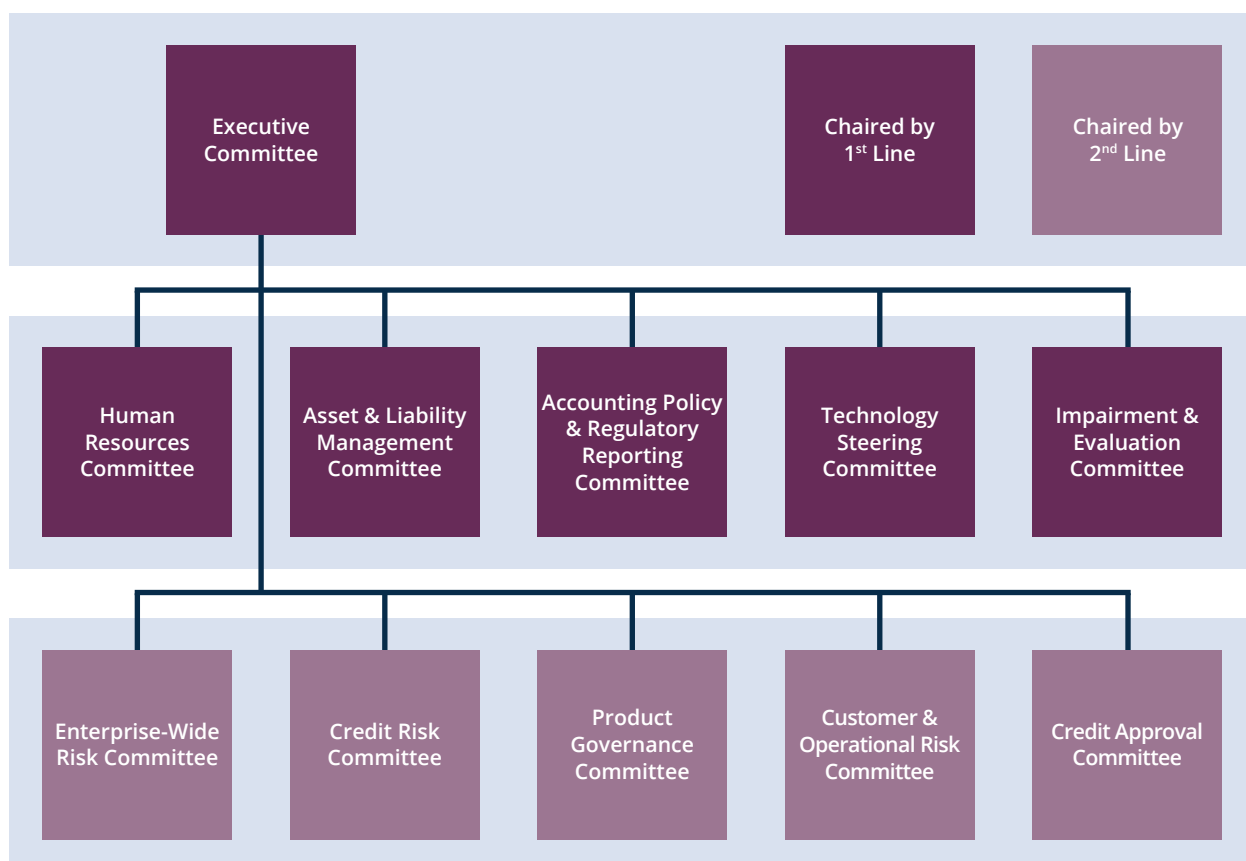


Lifecycle Phase	Intended outcome	Description
Governance	To ensure that key decisions in respect of Risk are subject to robust consideration, challenge, escalation and independence.	A series of responsibilities, committees and individual mandates, delegated by the Board that ensure decisions are taken with structured frameworks, informed by proper consideration, and have effective accountability.
Appetite	To identify Castle Trust Bank's objectives and set appetite for deviation from objectives in relation to specific risks.	A combination of annual, regular and ad hoc processes which ensure that Castle Trust Bank has clear objectives, the requisite resources to deliver the objectives and an articulation of how much deviation from objectives is tolerable.
Control	To operate robust controls that ensure that the objectives, including risk appetite, are met.	Regular processes or mechanisms which are designed to control risk and deliver Castle Trust Bank's objectives.
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 is appropriately measured and considered in an appropriate forum.
Review	To undertake periodic stock takes to ensure that the RMF is delivering the objectives and risk appetite as intended.	A combination of annual, regular and ad hoc processes which ensure that Castle Trust Bank is either meeting the objectives it has set or has remediation plans in place.
Three Lines of Defence	To ensure that there is clear responsibility and ownership of risks as well as independent challenge and periodic assessments of risk management effectiveness.	Responsibilities segregated between: 1 st line Business Management 2 nd line Compliance & Risk 3 rd line Internal Audit
Culture & values	To maintain a consistent Group wide ethos that carefully takes measured and well understood risks and ensures there are effective controls that are reported in a transparent manner.	The overall culture is set by the Board and cascaded throughout the organisation to ensure that the Values, Risk Adjusted Performance and appetite for risk taking are well understood and rewarded (or sanctioned where necessary) at every level of the organisation.

Governance

Castle Trust Bank 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 Chief Compliance Officer to attend and to chair the committees governing risk and risk appetite. Below the Executive Committees there is a hierarchy of sub-committees and working groups with responsibility for managing specific risks.



Three Lines of Defence

Responsibility for risk management lies with every colleague of Castle Trust Bank. 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.

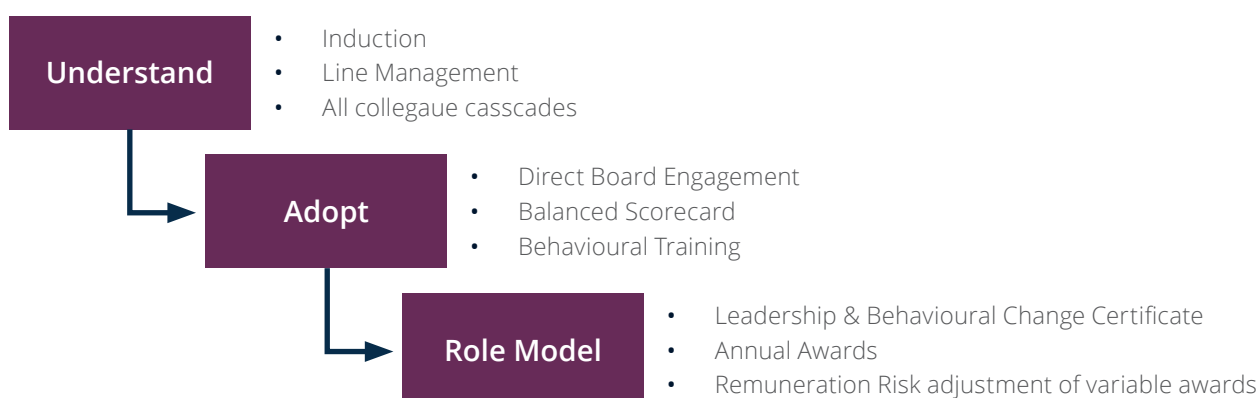
Line of Defence	Owner	Oversight	Functional areas	Responsibilities aligned to Risk Management Process Lifecycle
1st	CEO	Board	Business units, HR, Technology and Finance	<ul style="list-style-type: none"> Control – to operate controls prescribed in the Risk Management Framework Monitor – to identify and escalate emerging risks Monitor – to track performance, risk and control effectiveness
2nd	CRO and CCO	Risk and Audit Committees ¹	Risk and Compliance	<ul style="list-style-type: none"> 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 stock takes as to effectiveness of Risk Management Framework
3rd	Head of Internal Audit	Audit Committee	Internal Audit	<ul style="list-style-type: none"> Review – to provide assurance as to the effectiveness of the Risk Management Framework

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

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

Culture & Values

In order for risk management to be effective, the culture and values of the organisation need to be aligned. The strategic report sets out the Values that Castle Trust has adopted. The risk management framework ensures that there is a continual embedding process to ensure these values are understood, adopted and ultimately role-modelled by our colleagues.



Risk Groups

Castle Trust Bank allocates every individual risk to a Risk Group. The following tables set out the approach to managing risk within each Risk Group aligned to the four phases of the Risk Management Framework. The tables below detail the key risk exposures for every element of the Risk Management Framework and details sub-risks which are deemed to be specifically relevant at the current time because of changes in the UK economy, regulation or customer behaviour.

Strategic Risk Group

Sub Risks	Owner	Executive Committee Oversight
Strategic / External	CEO	Executive Committee
Change Management	CTOO	Technology Steering Committee
Reputational	CEO	Executive Committee
Climate Change	CRO	Enterprise Wide Risk Committee
Exposure Description	<p>Castle Trust Bank has invested financial, technology and human capital in its current segments; Strategic Risk could render these subsegments unviable or unsustainable or result in large one-off costs.</p> <p>Changes to the external environment and the UK economy; regulation or law; customer or 3rd party behavioural trends; and / or societal expectations could have a material adverse impact and in certain more extreme scenarios could generate material losses and / or require significant change programmes.</p> <p>Furthermore, Castle Trust Bank operates a range of processes, internal and external data and controls which may fail or be inadequate to control Strategic Risk.</p>	
Exposure Metrics	£3.1m of capital expenditure	
Risk Management Framework Application	<p>Appetite: As part of its annual planning process, the Board determines which risks and products should be, at a strategic level, increased or mitigated, taking into account forward looking economic forecasts and expected regulatory change. Risk Appetites for each of the sub risks are set and reviewed quarterly.</p> <p>Control: The Risk Owner(s) is/are responsible for implementing controls that will manage the risk within appetite. Examples include quarterly reviews of economic forecasts; Change Boards overseeing all major change programmes; monitoring of adverse public mentions relating to Castle Trust Bank; and analysis of pending Climate Change Transition legislation.</p> <p>Monitor: The ExCo, EWRC and Board Risk Committee regularly review current exposure against risk appetite as well as reviewing control effectiveness.</p> <p>Review: The Internal Audit function periodically undertakes independent reviews of control effectiveness which are reported to Audit Committee. Internal Audit also observes and provides independent assurance in respect of key change programmes as directed by the Audit Committee from time to time.</p>	

Strategic 2023-24 Emerging Risks

Risk	Description	Mitigation Strategy
Strategic / External	Castle Trust Bank has reviewed opportunities to accelerate growth through acquisition, combination or launch of new business lines. Any such venture may, in the future, introduce execution risk and change the risk profile of the bank.	In 2023-24 the Board has carefully reviewed any opportunities and has commissioned appropriate diligence. While each case is examined on its own individual merits.
Climate Change	Regulation or law required to meet transitional requirements may adversely impact collateral values and / or increase costs for customers / intermediaries or for Castle Trust Bank. Societal expectations may evolve and require Castle Trust Bank to implement change to its operating model.	The Board Risk Committee monitors emerging legislation and climate related risks on a periodic basis, with particular focus upon requirements for BTL landlords. The EWRC monitors exposure to flood risk and changes in EPC requirements. The Customer and Social Responsibility Committee oversees Castle Trust Bank's ESG programme.
Change Capacity	There is a that change capacity is constrained by market availability of key skills and resources impacting directly on Castle Trust Bank and / or its key suppliers. Castle Trust Bank additionally has a key man risk in the form of system and process experts in its various business areas.	The Executive Committee carefully consider the internal and external capacity to support change and investment and each year commits to a manageable change programme. Each major change initiative is assigned an owner and a steering group which monitors progress, risks and actual or potential capacity issues. Technology Steering Committee overseas all change escalating issues to the Executive Committee and Board as appropriate.
Concentration Risk	Castle Trust Bank operates in specialist lending markets which, in some instances, have intermediaries with significant market share and control over commercial relationships. These intermediaries can adversely impact upon lending volumes, pricing or credit quality distribution. The entrance or exit of other lenders from specific specialist lending segments can also impact upon pricing and volumes.	Both asset origination business units have a long term commitment to their customer and intermediary propositions, building relationships that are predicated upon more than pricing and credit criteria. Both asset origination business units have a continuing strategy of supporting their existing customers while achieving growth and diversification by continually onboarding new intermediaries and seeking out diversification across sectors, regions and lending products.

Market & Funding Risk Group

Sub Risks	Owner	Executive Committee Oversight
Market	CFO	Asset & Liability Management Committee
Liquidity		
Capital		
Counterparty Credit		
Exposure Description	<p>Castle Trust Bank operates in a range of sub-segments which incur Market Risk (predominantly interest rate risk); Liquidity Risk (predominantly a function of maturity transformation between liabilities and assets); and wholesale Counterparty Credit Risk. It is subject to liquidity and capital requirements, failure to meet these requirements would typically trigger regulatory intervention generating Liquidity Risk and Capital Risk.</p> <p>Changes to the external environment, regulation or law or customer or 3rd party behavioural trends could have a material adverse impact upon market, liquidity and capital risk and in certain more extreme scenarios could generate significant losses and / or breaches of regulatory requirements.</p> <p>Furthermore, Castle Trust Bank operates complex systems, processes and controls which may fail or be inadequate to control Market & Funding Risk resulting in losses outside of appetite / or breaches of regulatory requirements.</p> <p>A counterparty failure could result in a significant loss.</p>	
Exposure Metrics	<p>£878m of fixed rate interest bearing assets and £958m of fixed rate interest bearing liabilities.</p> <p>Material Counterparty Exposure to 2 counterparties (excluding UK Government and Bank of England).</p>	
Risk Management Framework Application	<p>Appetite: As part of its annual planning process, the Board determines which risks and products should be, at a strategic level, increased, reduced or mitigated. Risk Appetites for each of the sub risks are set and reviewed quarterly. The Risk Appetite is supported by specific quantitative limits and Risk Indicators thresholds. Examples include Sensitivity to Interest Rate changes; Liquidity Coverage of a severe outflow / funding market disruption; Regulatory Capital Surplus; Counterparty credit ratings.</p> <p>Control: The Risk Owner is responsible for implementing controls that will manage the risk within appetite. Examples include: interest rate swaps; cashflow stress testing; RWA forecasting; counterparty approval process.</p> <p>Monitor: The Asset and Liability Management Committee and Board Risk Committee regularly review quantitative and qualitative risk metrics against Limits and Risk Indicator Thresholds as well as reviewing control effectiveness.</p> <p>Review: The Operational Risk function periodically reviews key risk exposures against appetite. The Internal Audit function periodically undertakes independent reviews of control effectiveness which are reported to Audit Committee.</p>	

Market & Funding 2023-24 Emerging Risks

Risk	Description	Mitigation Strategy
Market	Increased volatility of interest rates results in greater potential for NIM compression due to timing differences, hedge ineffectiveness and / or changed customer behaviour.	Castle Trust Bank has materially increased the scope of its hedging programme through the course of the 2023-2024 financial year and expects to continue to increase its use of interest rate swaps through the course of the next financial year. Asset & Liability Committee monitors Castle Trust Bank's sensitivity to Market risk.
Wholesale	As noted above, the increased scope of hedging has resulted in increased counterparty credit risk.	Castle Trust Bank continues to monitor all counterparties including swap counterparties and has collateral arrangements in place to limit its exposure.
Wholesale	During 2024, Castle Trust Bank has joined a syndicated funding line providing liquidity to a non-bank property lender.	The exposure was carefully considered and was approved by the Board Risk Committee after recognising the lender's successful track record, geographical and collateral diversification vs Castle Trust Bank and low overall leverage. The facility and counterparty continue to be carefully monitored.
Capital	During 2024, the PRA announced "near-final" proposals for future capital requirements of Banks. The proposed capital requirements for certain sub-segments of lending, notably buy-to-let lending and lending against unfinished property are significantly higher than the prevailing requirements.	<p>Castle Trust Bank has increased the proportion of its property lending with relatively shorter terms (ie Bridge) to increase the flexibility it has to manage changes to the capital regime.</p> <p>Castle Trust Bank has assessed the impact of the forthcoming changes. At this stage management expect Castle Trust Bank to meet the new requirements without any material change in strategy. This assessment is, in part, predicated upon the PRA approving a planned application to enter its Small Domestic Deposit Takers regime.</p>

Property Credit Risk

Sub Risks	Owner	Executive Committee Oversight
Residential Mortgages	MD Property	Credit Risk Committee
Residential Development		
Exposure Description	<p>Castle Trust Bank has credit exposure to residential mortgages and residential development loans. Its mortgage book is predominantly buy-to let; the key sources of Residential Mortgage Credit Risk are customers being unable to maintain regular payments due to impaired rental income or impaired personal income and customers being unable to repay loans at maturity due to failed repayment strategies. Residential Development Credit Risk is driven by potential for incomplete / over budget / delayed developments and potential for sale / refinance repayment strategies to generate insufficient funds to repay borrowings.</p> <p>Changes to the external environment and the UK economy; regulation or law; customer or 3rd party behavioural trends; could have a material adverse impact and in certain more extreme scenarios could generate material losses.</p> <p>Furthermore, Castle Trust Bank operates a range of systems, processes, internal and external data; and controls which may fail or be inadequate to control Property Credit Risk resulting in losses outside of appetite / or breaches of regulatory requirements.</p>	
Exposure Metrics	<p>£410m exposure to Residential Mortgages (Term) £215m in Residential Mortgage Bridge £34m exposure to Residential Development Loans</p>	
Risk Management Framework Application	<p>Plan: As part of its annual planning process, the Board determines which risks and products should be, at a strategic level, increased, reduced or mitigated. Risk Appetites for each of the sub risks are set and reviewed quarterly. The Risk Appetite is supported by specific quantitative limits and Risk Indicators thresholds. Examples include Arrears Levels, Average Loan to Values, Product Concentrations.</p> <p>Control: The Risk Owner is responsible for implementing controls that will manage the risk within appetite. Key controls include: affordability and credit checks; manual underwrite of each retail intermediary.</p> <p>Monitor: The Credit Risk Committee and Board Risk Committee regularly review quantitative and qualitative risk metrics against Limits and Risk Indicator Thresholds as we well as reviewing control effectiveness.</p> <p>Review: The Operational Risk function periodically review key risk exposures against appetite. The Internal Audit function periodically undertake independent reviews of control effectiveness which are reported to the Audit Committee. In addition, the Risk Function also provides an annual report in respect of Property Credit Risk to the Board Risk Committee.</p>	

Property Credit 2023-24 Emerging Risks

Risk	Description	Mitigation Strategy
Residential development	Economic conditions and elevated inflation may result in cost overruns and reduced demand / capacity of potential home-buyers to purchase completed properties.	In 2023-24 no new Residential Development Finance loans have been granted. Castle Trust Bank has worked with its existing borrowers to facilitate exits from its remaining loans.
Residential Mortgages	Elevated interest rates may result in reduced demand and / or constrained affordability for potential landlords seeking to acquire or re-finance buy-to-let collateral.	In 2022-23 the Board determined to launch a complementary set of Bridging products in order to diversify its product offering. Through 2023-24 the Bridging product set has seen good customer demand, with loan balances increasing.
Residential Mortgages	Elevated interest rates may result in an increased rates of arrears emergence.	An affordability assessment is required for all mortgages to ensure the borrower is able to make their scheduled payments and absorb a degree of stress. Property Credit Risk Committee oversees the level of arrears emergence and commissions lessons learnt which may lead to refinement of products or underwriting criteria.

Omni Credit Risk

Sub Risks	Owner	Executive Committee Oversight
Customer Credit	MD Omni	Credit Risk Committee
Retailer Obligation		
Exposure Description	<p>Castle Trust Bank has credit exposure to its Omni Customers by way of fixed instalment, amortising loans ranging from 6 months to 15 years. It also has exposure to its retail intermediaries who are obliged to deliver the financed goods or services.</p> <p>Changes to the external environment and the UK economy; regulation or law; customer or 3rd party behavioural trends; could have a material adverse impact and in certain more extreme scenarios could generate material losses.</p> <p>Furthermore, Castle Trust Bank operates a range of systems, processes, internal and external data; and controls which may fail or be inadequate to control Omni Credit Risk resulting in losses outside of appetite / or breaches of regulatory requirements.</p>	
Exposure Metrics	<p>£210m exposure to Omni loans.</p> <p>Over 2,000 intermediaries delivering approximately £247m of goods and services to Omni customers in FY24.</p>	
Risk Management Framework Application	<p>Plan: As part of its annual planning process, the Board determines which risks and products should be, at a strategic level, increased, reduced or mitigated. Risk Appetites for each of the sub risks are set and reviewed quarterly. The Risk Appetite is supported by specific quantitative limits and Risk Indicators thresholds. Examples include arrears levels, credit scores, and retail intermediary complaint / cancellation rates.</p> <p>Control: The Risk Owner is responsible for implementing controls that will manage the risk within appetite. Key controls include: Credit Reference Agency checks; affordability checks; manual underwrite of each retail intermediary.</p> <p>Monitor: The Credit Risk Committee and Board Risk Committee regularly review quantitative and qualitative risk metrics against Limits and Risk Indicator Thresholds as we well as reviewing control effectiveness.</p> <p>Review: The Operational Risk function periodically review key risk exposures against appetite. The Compliance and Internal Audit functions periodically undertake independent reviews of control effectiveness which are reported to the Audit Committee. In addition, the Risk Function also provides an annual report in respect of Omni Credit Risk to the Board Risk Committee.</p>	

Omni Credit 2023-24 Emerging Risks

Risk	Description	Mitigation Strategy
Omni credit	Omni customers' capacity to afford loan payments may be eroded by elevated levels of inflation since the loan inception.	In 2023-24 Castle Trust Bank continued to evolve its affordability criteria to reflect elevated inflation. To date a limited adverse impact arising from elevated inflation has been seen in the credit performance of the Omni portfolio.
Omni credit	Omni continues to be subject to attempted fraud attempts; the style and approach of fraudsters continues to evolve and may evolve faster than Omni's anti-fraud tools can be updated.	Castle Trust Bank deploys a multi-channel fraud prevention strategy, and the levels of fraud successfully perpetrated against it continue to be within appetite.
Retailer obligations	Omni's retail intermediaries pre-dominantly operate in discretionary segments and may be unable to meet their obligations in a consumer spending downturn; retail intermediaries with large physical footprints are specifically vulnerable. We note vulnerability across the discretionary spend retailer segments and specific vulnerability in respect of higher value purchases which customers may defer due to a cost of living pressure.	In 2023-24 Castle Trust Bank remained cautious in respect of the retailers it partnered with recognising stress across the sector. Many of its retail partners have seen reduced demand which naturally leads to lower volumes and increased risk of retailer failure. Castle Trust Bank monitors the financial position of its retail intermediaries and from time to time may exit partnerships or require additional financial protection. In the event of the failure of a retail intermediary, then Castle Trust Bank has experience in executing appropriate customer outreach / remediation programmes.
Retailer obligations	On the 17th October 2024, the UK government published a consultation into the regulation of Buy Now Pay Later credit intermediation and lending. If the government goes ahead this may mean increased exposure to retail intermediaries.	Castle Trust Bank will during the course of the next financial year monitor the proposed legislative changes and undertake an assessment of the potential increase in retailer credit risk in order to identify the appropriate mitigation strategy.

Conduct & Operational Risk

Sub Risks	Owner	Executive Committee Oversight
Property Conduct	MD Property	Customer & Operational Risk Committee
Property Operational		
Omni Conduct	MD Omni	
Omni Operational		
Savings Conduct	CTOO	
Savings Operational		
Group Operational	Various	
Exposure Description	<p>Castle Trust Bank operates a range of processes to facilitate its deposit taking and lending operations generating Operational Risk and Conduct Risk. It also relies upon third parties to intermediate credit distribution in its Omni and Property business units.</p> <p>Changes to the external environment and the UK economy; regulation or law; customer or 3rd party behavioural trends; could have a material adverse impact and in certain more extreme scenarios could generate material losses.</p> <p>Furthermore, Castle Trust Bank operates a range of systems, processes, internal and external data; and controls which may fail or be inadequate to control Conduct & Operational Risk.</p>	
Exposure Metrics	<p>1,115 Property Customers 126 active Property intermediaries.</p> <p>140,000 Omni Customers 7 active Omni intermediaries.</p> <p>Over 26,000 Savings Customers originated directly and through one platform provider.</p>	
Risk Management Framework Application	<p>Plan: As part of its annual planning process, the Board determines which risks and products should be, at a strategic level, increased, reduced or mitigated. Risk Appetites for each of the sub risks are set and reviewed quarterly. The Risk Appetite is supported by specific quantitative limits and Risk Indicators thresholds. Examples include complaints: potential operational risk impacts, breach of policy frequency and quality assurance.</p> <p>Control: The Risk Owner is responsible for implementing controls that will manage the risk within appetite. Key controls include: Product approval and annual review process; training and competence framework; quality assurance; KYC procedures with escalation of complex cases to 2nd line.</p> <p>Monitor: The Conduct & Operational Risk and Board Risk Committee regularly review quantitative and qualitative risk metrics against Limits and Risk Indicator Thresholds as well as reviewing control effectiveness.</p> <p>Review: The Operational Risk function periodically review key risk exposures against appetite. The Compliance and Internal Audit functions periodically undertake independent reviews of control effectiveness which are reported to the Audit Committee.</p>	

Conduct & Operational 2023-24 Emerging Risks

Risk	Description	Mitigation Strategy
Omni Conduct; Savings Conduct, Property Conduct	<p>From the 31st of July 2023, the FCA's Consumer Duty rules will apply to all open products with the rules coming into force on 31st July 2024 for closed products. The FCA has stated that it intends to ensure regulated firms have implemented and continue to implement these rules on a pro-active basis.</p>	<p>During the course of the year management has continued to embed the requirements of Consumer Duty, particularly in the monitoring of customer outcomes and in the approval of new / changed products.</p>
Omni Conduct; Property Conduct	<p>Elevated inflation and elevated interest rates relative to recent expectations may result in existing customers being unable to meet repayment obligations and / or impact customers' personal circumstances and vulnerability.</p> <p>In addition, a number of third parties are soliciting indebted borrowers with a view to making a complaint to lenders (and subsequently to the Financial Ombudsman Service) in respect of irresponsible lending.</p>	<p>Castle Trust Bank continues to monitor the impact of elevated inflation and interest rates upon its customer base.</p> <p>Castle Trust Bank has a suite of forbearance products designed to meet its customers' needs. Forbearance emergence and drivers are overseen at the Conduct and Operational Risk Committee.</p>
Omni Conduct; Omni Operational	<p>On the 17th October 2024, the UK government published a consultation into the regulation of Buy Now Pay Later credit intermediation and lending. If the government goes ahead this may mean significant disruption for Omni's retail partners and increased regulatory risk. Minor changes may be required to Castle Trust Bank's customer journey.</p>	<p>Castle Trust Bank will during the course of the next financial year monitor the proposed legislative changes and undertake an assessment of the potential impact upon retailers and the regulatory framework in order to identify the appropriate mitigation strategy.</p>
Omni Conduct	<p>On the 25th October 2024 the Court of Appeal published its judgement regarding three claims in respect of motor finance commission payments. The FCA subsequently extended its existing pause on the handling complaints into motor finance commission and widened the scope of its investigation into the same.</p> <p>Omni has from time to time engaged in the payment of commissions to its retailers. The judgement and FCA probe create significant uncertainty and in certain circumstances could lead to an increase in complaints received by Omni.</p>	<p>Castle Trust Bank carefully monitors all complaints and to date no complaints in respect of commission have been received.</p> <p>Castle Trust Bank has only agreed to commission payments in a limited and specific set of circumstances and the levels of commission payment were set at a materially lower level than the cases that were subject to the Court of Appeal Judgement. The overall level of historic commission paid to retailers is of a very limited quantum relative to the size of the group.</p> <p>Castle Trust Bank does not currently have any retailer relationships in which it pays commission. Management continue to monitor the impact upon the motor finance market and will incorporate any learnings into any future commission arrangements.</p>

Technology Risk

Sub Risks	Owner	Executive Committee Oversight
Cyber	CTOO	Technology Steering Committee
Data and Process		
Operational Resilience		
Outsourcer		
Exposure Description	<p>Castle Trust Bank operates a range of technologies to facilitate its deposit taking and lending operations generating Technology Risk. Technology failure, process failure or 3rd party actions may result in data breaches, unexpected costs, unavailability of services, inefficiency or obsolescence.</p> <p>Changes to the external environment; regulation or law; or 3rd party behavioural trends could have a material adverse impact and in certain more extreme scenarios could generate material losses.</p> <p>Furthermore, Castle Trust Bank operates a range of systems, processes, internal and external data; and controls which may fail or be inadequate to control Technology Risk resulting in losses outside of appetite / or breaches of regulatory requirements.</p>	
Exposure Metrics	13 material outsourcers deemed a Tier 1 supplier to the Group.	
Risk Management Framework Application	<p>Plan: As part of its annual planning process, the Board determines a Technology strategy prioritising, development, controls and upgrades in accordance with the requirements of customers, external / regulatory demand and internal or external risks. The Board has also set specific resilience standards that key customer / market facing activities must conform to.</p> <p>Control: The Risk Owner is responsible for implementing controls that will manage the risk within appetite. Key controls include continuous monitoring of estate for cyber threats via cloud based tools; root cause analysis for all incidents; data quality checks; ongoing change programme.</p> <p>Monitor: The Technology Steering Committee and Board Risk Committee regularly review quantitative and qualitative risk metrics against Limits and Risk Indicator Thresholds as well as reviewing control effectiveness.</p> <p>Review: The Operational Risk function periodically review key risk exposures against appetite. The Internal Audit function periodically undertakes independent reviews of control effectiveness which are reported to the Audit Committee.</p>	

Technology 2023-24 Emerging Risks

Risk	Description	Mitigation Strategy
Cyber	The increase and evolution of attempts to access Castle Trust Bank data and / or disrupt systems may result in a successful cyber-attack against Castle Trust Bank or a third-party holding data on behalf of Castle Trust Bank.	Castle Trust maintains a wide ranging suite of policies, controls and reports to ensure that Cyber attacks are detected and managed appropriately, including 3rd party monitoring software using artificial intelligence to identify unusual behaviours.
Data and Process	Castle Trust Bank relies upon a wide range of internal and external data sets. As reliance upon data increases, there is an increased risk of data errors; interpretation error and / or breaches of GDPR.	Castle Trust Bank continues to evolve its data strategy to centralise data wherever possible. The Technology Steering Committee oversees data and data governance. The DPO monitors compliance with GDPR.
Operational Resilience	The FCA and PRA rules in respect of Operational Resilience require deposit takers to meet their internal resilience standards by 31 March 2025.	Castle Trust Bank continues, in line with the regulatory requirements / timelines, to resolve identified vulnerabilities in the operational resilience of its critical services and monitors its adherence to SLAs reporting any breaches upward through the governance structure.

Group Operational Risk

Sub Risks	Owner	Executive Committee Oversight
Legal	General Counsel	Enterprise Wide Risk Committee
People	CPO	People Committee
Financial Crime	CCO	Enterprise Wide Risk Committee
Model	CRO	Model Risk Management
Accounting volatility	CFO	Executive Committee
Other	Various	Enterprise Wide Risk Committee
Exposure Description	<p>Castle Trust Bank operates a range of processes to facilitate its deposit taking and lending operations generating Group Operational Risk. This risk group has a very wide range of risk drivers and potential adverse outcomes including but not limited to regulatory intervention, additional cost requirements and direct financial impacts.</p> <p>Changes to the external environment and the UK economy; regulation or law; customer or 3rd party behavioural trends; could have a material adverse impact and in certain more extreme scenarios could generate material losses.</p> <p>Furthermore, Castle Trust Bank operates a range of systems, processes, internal and external data; and controls which may fail or be inadequate to control Group Operational Risk resulting in losses outside of appetite / or breaches of regulatory requirements.</p>	
Exposure Metrics	<p>As at 30 September 2024 there were no active litigation cases outside of those occurring in the ordinary course of the property, point of sale finance and savings businesses.</p>	
Risk Management Framework Application	<p>Plan: As part of its Annual Planning Process, the Board determines which risks and products should be, at a strategic level, increased or mitigated, taking into account forward looking economic forecasts and expected regulatory change. Risk Appetites for each of the sub risks are set and reviewed quarterly.</p> <p>Control: The Risk Owner(s) is/are responsible for implementing controls that will manage the risk within appetite. Examples include regular reporting on all litigation matters; pre-employment checks; model sensitivity analysis.</p> <p>Monitor: The ExCo, EWRC and Board Risk Committee regularly review current exposure against risk appetite as well as reviewing control effectiveness.</p> <p>Review: The Internal Audit function periodically undertake independent reviews of control effectiveness which are reported to Audit Committee. Internal Audit also observes and provides independent assurance in respect of key change programmes as directed by the Audit Committee from time to time. In addition, the Compliance function also provides an annual report in respect of financial crime arrangements to the Board.</p>	

Group Operational 2023-24 Emerging Risks

Risk	Description	Mitigation Strategy
Accounting volatility	Unexpected changes in macro-economic forecasts and / or customer behaviour may result in material impacts upon financial statements. Elevated inflation and interest rates mean that this risk has a higher propensity to crystallise.	Castle Trust Bank continues to monitor the external macro-economic outlook and uses independent, external forecasts wherever possible. Management ensure that its judgments in respect of future customer behaviour can be supported by historic data derived from its own customer base or the wider market.
Legal Risk	Unexpected legal or Financial Ombudsman precedents, updated legislation or actions by Claims Management Companies may result in additional complaints or claims in respect of current or legacy products. Legacy products primarily consist of mortgages linked to house prices and investment bonds.	Castle Trust Bank continues to monitor emerging themes in legal risk and to put in place specific controls to ensure it operates in accordance with its values and regulatory and legal requirements.
Control Maturity Risk	As institutions grow and increase the breadth of products, distribution channels and customer groups there is a risk that existing control frameworks become inadequate to manage increased scope of risks.	During the course of 2025, management plan to review each of the key controls deployed to manage material or systematic risks that are not already embedded into automated technology. Controls will be standardised and, where deemed inadequate to manage the future risk profile of the group, will be upgraded.

Corporate Governance Report

Purpose

Castle Trust Bank's corporate governance is designed to give stakeholders confidence that the bank'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.

Castle Trust Bank's strategy includes the following specific objectives:

Area	Objective	Outcome
Customers	Castle Trust Bank identifies and meets its customer needs and provides a high quality service	The place to do business with
Commercial	Castle Trust Bank has a suite of attractive products with appropriate pricing, and effective distribution	
Technology	Castle Trust Bank has the right technology to deliver its objectives in a secure, resilient, cost efficient and customer friendly manner	
People	Castle Trust Bank's Board, senior management team and wider workforce have the skills, experience and motivation to deliver its objectives	The place to work
Financial Sustainability	Castle Trust Bank has the right financial resources to achieve its objectives, including capital and liquidity resources and generation of sustainable, attractive returns from its activities	The place to invest
Risk	Castle Trust Bank controls and monitors the risks that it takes in order to meet its objectives, including customer, conduct, operational and financial risks, and ensure 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 Castle Trust Bank. It has instituted five sub-committees which are explained in the next section. The Board holds formal meetings throughout the year and these are variously 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 Castle Trust Bank 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 (see Risk Management Report) have direct access to the Board Chair and the Chairs of Risk and Audit.

Castle Trust Bank is not subject to the UK Corporate Governance Code; however, it still places a significant value on the independence of its directors, and it has deemed the following directors to be independent:

Ken Stannard (Chair of the Board)

Eric Anstee (Senior Independent Director)

Marian Martin

Andrew Doman

Melba Montague

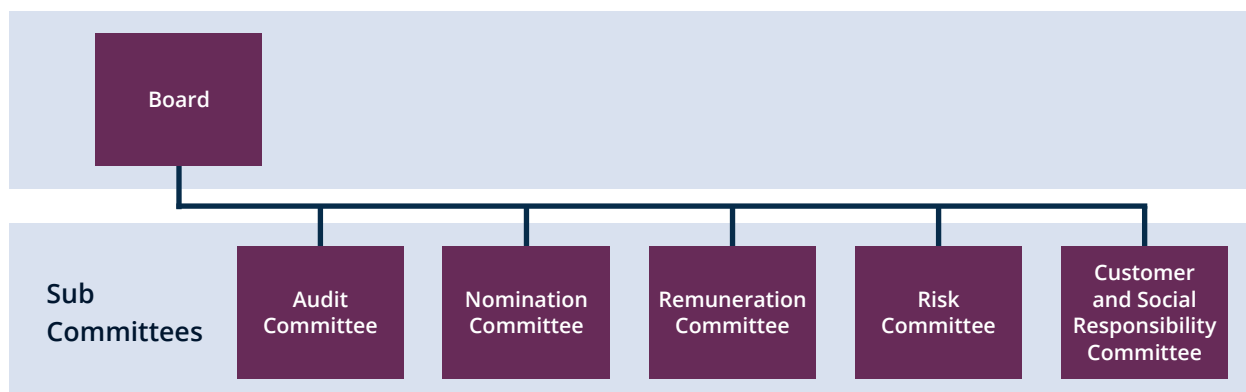
The Chairs of the Board and all its sub-committees are deemed to be independent.

The Senior Independent Director is responsible for ensuring that the collective views of the Independent Directors are reflected at the Board; the Chair is effective; and the Board meetings, information and training meets the needs of the Independent Directors and allows them to exercise appropriate influence.



Board Sub-Committees

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



Sub-committee	Chair	Other Members
Audit	Eric Anstee	Marian Martin, Melba Montague, Tim Hanford
Nomination	Ken Stannard	Andrew Doman, Tim Hanford
Remuneration	Andrew Doman	Ken Stannard, Tim Hanford
Risk	Marian Martin	Eric Anstee, Andrew Doman, Tim Hanford, Ken Stannard
Customer and Social Responsibility	Melba Montague	Martin Bischoff

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

Board of Directors

Overview

The Castle Trust Board of Directors is the main decision making body at the Group level. The Board considers all issues and risks of a strategic nature and is ultimately responsible for management of the business of the Group and the establishment of Group strategy. The Board also has ultimate responsibility for the oversight of the Group's compliance with the Financial Conduct Authority (FCA) and Prudential Regulation Authority's (PRA) Principles for Business and is to fulfil a role in facilitating relationships between the Group and the FCA and PRA.

The Board monitors and is ultimately responsible for the Group's operations, ensuring professional and prudent management, sound planning, appropriate procedures for the maintenance of accounting and other records and systems of internal control, and for compliance with all statutory and regulatory obligations.

The Board leads the development of the Group's values, culture and standards and is responsible for ensuring that these values, culture and standards are understood and met at each level of the business.

Meeting frequency and attendance

Member	Meetings	Member	Meetings
Ken Stannard - Chair	7/7	Tim Hanford	6/7
Eric Anstee	7/7	Tughan Alioglu	7/7
Marian Martin	7/7	Martin Bischoff	7/7
Melba Montague	7/7	Paul Lloyd-Jones	7/7
Andrew Doman	7/7		

Achievements and decisions made

- Approval of the Group and subsidiary entity annual financial statements for the period ended 30 September 2023 including key accounting judgements and the going concern assessment. These were approved following the clearance by the external auditors and the recommendation of the Audit Committee.
- Approving the overall strategy of the Group and business lines as well as receiving and reviewing periodic updates from the business on its performance against the agreed strategy.
- Ongoing monitoring of the performance of the business including the wider context of performance as well as the financial performance against plan.
- Reviewing and adapting to changes in the external landscape with approval of revised forecasts and plans which were presented by management.
- Reviewing and adapting to changes in the legal and regulatory landscape with review of actual and proposed changes such as the proposed regulation of Buy Now Pay Later.
- Reviewing and making decisions over potential inorganic opportunities for the business.
- Monitoring and reviewing interactions with the FCA and PRA and management's proposed approach to its regulators more widely.

- Approval of the ICAAP and ILAAP for publication following the work and discussions around these which occurred as part of the Risk Committee.
- Monitoring and reviewing the Technology estate of the Group including Cyber awareness and security as well as in relation to change and projects.
- Monitoring and oversight of the Operational Resilience framework which has been adopted.
- Receiving and reviewing annual reports on money laundering, financial crime and CASS.
- Reviewing and responding to material incidents which occurred within the Group with approval of remediation activities where required.
- The review and approval of the overall ESG policy and approach and the detailed implementation of the FCA's new Consumer Duty via the newly established Customer & Social Responsibility Committee.
- Monitoring colleague satisfaction and engagement through receipt and review of updates on the regular Peakon surveys which are conducted as well as by hosting informal sessions with colleagues to give Directors a chance to meet and listen to colleagues directly.

Risk Committee

Overview

Castle Trust Bank is exposed to multiple risks which have the potential to cause harm to its customers, cause it to fail to meet regulatory requirements or to fail to achieve its strategic objectives. These risks are controlled through the Risk Management Framework.

The Castle Trust Board Risk Committee is the board level committee responsible for oversight of the Risk Management Framework including setting appetite, overseeing controls, reviewing monitoring and undertaking effectiveness reviews. The Risk Management Framework covers strategic, credit, market & funding, conduct and operational risk including regulatory and financial crime risks.

Meeting frequency and attendance

Member	Meetings	Member	Meetings
Ken Stannard	4/4	Eric Anstee	4/4
Marian Martin - Chair	4/4	Tim Hanford	2/3
Andrew Doman	4/4	Tughan Alioglu (delegate for Tim Hanford)	1/1

Achievements and decisions taken

Oversight of the Risk Management Framework

As detailed below, the Risk Committee has undertaken detailed reviews of the Risk Management Framework and where appropriate and as part of these reviews has changed risk appetite and or mandated additional controls. In particular the credit risk appetite has been re-aligned to the higher interest rate environment.

- Review of the Risk Management Framework and management's action plan to support the evolution of its risk management as the business grows in size and diversity.

- Review of the key models relied upon in determining Expected Credit Loss and oversight of the follow up actions agreed as part of that review.
- Review of the framework and risk appetite for managing Interest Rate Risk.
- Review of the framework and risk appetite for managing Conduct Risk.
- Review of the framework and risk appetite for Cyber risk and benchmarking against peers using the PRA C-Quest framework.
- Review of the Anti-money laundering and Financial Crime policies and approaches.
- Review of the framework and risk mitigation tools deployed to manage risk arising from Omni intermediaries.
- Review of the performance backward-looking performance and forward-looking appetite for credit risk.
- Review of each individual risk in the Risk Management Framework including appetite, exposure and current issues.

Responses to emerging risks

- Review of the framework and risk mitigation tools deployed to manage risk arising from Omni intermediaries, taking into account depressed levels of discretionary spending seen in the UK through 2024.
- Review of management's framework in respect of Climate Change risk and the anticipated impact of both the direct consequences of changing climate and the impact of public sector intervention as the UK transitions to net zero upon Castle Trust Bank's own business and its customer base.
- Periodic review of the latest financial and capital forecasts.
- Annual review of the performance and strategy for credit risk across the two main exposure classes.

Challenge to key decisions

- Review of the ICAAP, ILAAP and Recovery Plan and recommendation to the Board to adopt these documents. This included extensive engagement on macro-economic stress testing reflecting potential for elevated credit losses in an elevated interest rate environment.
- Review of a small number of credit exposures outside of management mandate levels at origination and in respect of further advances or restructuring.
- Review of the performance of Bridging loans following the pivot towards a mixed Bridging / Term lending property strategy.

Engaging with management

- During the year the Risk Committee held a series of workshops / briefings which enabled members to engage and challenge management on detailed issues. The topics covered were:
 - › IFRS 9 models and key judgements informing expected credit loss allowance in the financial statements
 - › Macro-Economic Scenarios for stress testing
 - › Stress testing approach and potential management actions
 - › Stress testing results and implied capital requirement
 - › Recovery planning and strategy to increase resilience to severe stress scenarios

Audit Committee

Overview

The Audit Committee is responsible for evaluating and making recommendations to the Castle Trust Bank Board in relation to accounting, internal control and financial reporting functions.

The Committee reviews and monitors the external auditor's independence and objectivity and the effectiveness of the audit process and provides advice to the Board on whether the annual report and accounts are fair, balanced, and clear.

The Committee monitors and reviews the effectiveness of the Company's Internal Audit function, reviews internal audit reports and oversees the Compliance programme.

Meeting frequency and attendance

Member	Meetings	Member	Meetings
Eric Anstee - Chair	4/4	Melba Montague	4/4
Marian Martin	4/4	Tim Hanford	2/4

Achievements and decisions made

- Review of the Group and subsidiary entity annual financial statements for the year ended 30 September 2023 including key accounting judgements and the going concern assessment. This was recommended for signing to the Board following full clearance by the external auditors.
- Ongoing monitoring of impairment and IFRS 9 model outputs, parameters, and macro-economic forecasts. There was continued focus in the year around the cost of living and customer affordability challenges with post model adjustments and overlays considered where appropriate.
- Monitoring of changes to mortgage customer behaviour in the ongoing high interest rate environment and the related impact on mortgage amortised cost and effective interest rate models.
- Approval of the publication onto the Castle Trust website of the Pillar 3 disclosures, providing information on the Bank's capital adequacy and risk profile.
- Review and approval of interim profit verification as of 31 March 2024, including the detailed findings of the external auditors.
- Monitoring and review of external auditors control observations with management responses and agreed remediation plans and dates.
- Discussed the various regulations and laws having an impact on the Bank and the Group's Internal Audit, Compliance, Finance, and Regulatory Reporting processes.
- Ongoing review of updates from Compliance in relation to compliance monitoring, compliance advisory, financial crime, data protection and regulatory change. Assessment of Compliance resources to enable completion of the planned activities.
- Appointment of a review of the Audit Committee by an external specialist consultancy. Output of their report was reviewed which incorporated an assessment of composition, support and education, relationships and communication, Committee oversight and future priorities.

- Review of a presentation by the external auditors on industry benchmarking of stress scenarios applied to ECL calculations.
- Review, approval and monitoring the execution of the external audit plan and audit fee proposal presented by Deloitte for the financial year ended 30 September 2024.
- Oversight of the Bank's client assets safeguarding procedures and controls to ensure that the rules set out in the FCA's Client Asset Sourcebook (CASS) are fully adhered to.
- Ongoing review of updates from Internal Audit including the review of internal audit reports and the monitoring of external audit, internal audit, compliance monitoring and other assurance actions against agreed delivery dates.
- Endorsed the combined Compliance Monitoring & Internal Audit Plan for 2024/25 .
- The Committee concluded that the work of Internal Audit continued to generally conform to standards and guidelines from Institute of Internal Auditors and that they were satisfied with the level of internal audit resources.
- Review and approval of key internal policies covering financial crime, regulatory reporting, use of external Auditors, provisioning, whistleblowing, travel and business expenses, VAT treatment, and compliance.
- The incumbent Head of Internal Audit has been in post for ten years. The Audit Committee discussed the tenure of the Head of Internal Audit in relation to the financial year 2023/24. It concluded that it continued to be satisfied on the independence and objectivity of the incumbent, noting the direct reporting line through to the Chair of the Audit Committee as supporting his independence.

Remuneration Committee and Nomination Committee overview

Overview

The Remuneration Committee oversees Castle Trust Bank's Group Remuneration and Reward Policy and approves, reviews the performance of, and makes remuneration recommendations in relation to senior executives.

The Remuneration Committee reviews levels of remuneration across the firm to ensure that the firm remains competitive in attracting and retaining high calibre talent, whilst ensuring that reward structures ensure the right behaviours are rewarded.

The Nominations Committee reviews the composition and performance of the board and is responsible for considering and recommending future appointments to the board. It also considers succession planning for senior executives and promotes a culture of good governance.

Meeting frequency and attendance

Member	Nomination Committee	Remuneration Committee
Ken Stannard – Chair Nomination Committee	1/1	4/4
Andrew Doman – Chair Remuneration Committee	1/1	4/4
Tim Hanford	1/1	4/4

Achievements and decisions made

During the year the Remuneration Committee undertook the following activities:

- Discussed and approved both financial and strategic targets for the Executive Directors recorded in the Executive Performance Plans.
- Reviewed and approved the Executive Performance Plans for the Executive Management Committee members.
- Approved the external advisor to present the annual external remuneration insights to the Committee.
- Approved new participants and award percentages of the Long-Term Incentive Plan (LTIP).
- Considered and approved the treatment of leavers who participate in the Long-Term Incentive Plan (LTIP) scheme.
- Reviewed and approved the mid-year and year-end performance review ratings and distribution curves.
- Approved the annual salary review and discretionary bonus allocation.
- Reviewed and approved the annual Remuneration Policy Statement and supporting documentation in relation to the firm's Material Risk Takers (MRTs).
- Had oversight of the annual Gender Pay Gap Report and Women in Finance Charter submission.
- Has oversight of the talent management model for the organisation and succession plans for SMT / ExCo roles.
- Reviewed the CRO's annual review of Risk and Culture including triggers for risk related adjustments to variable remuneration.
- Reviewed and approved the Terms of Reference of the Committee.
- Approved the updated Group Remuneration & Reward Policy, Remuneration Risk Adjusted Framework Policy, and Group People Policy.

During the year the Nominations Committee undertook the following activities:

- Approved external advisor to conduct the external Board Effectiveness Review.
- Established an appropriate succession plan for the CEO role.
- Reviewed and approved the Terms of Reference of the Committee.

Customer and Social Responsibility Committee

Overview

The Customer and Social Responsibility Committee provides a Board-level forum to ensure that Castle Trust Bank's strategy is developed by putting customers first and delivering good outcomes for customers. It oversees the delivery of Consumer Duty obligations, making recommendations to the Board.

This Committee is also responsible for evaluating and making recommendations to the Board to ensure that Castle Trust Bank acts in a socially responsible way across all its activities, overseeing Environmental, Social and Governance ("ESG") issues.

Meeting frequency and attendance

The Customer and Social Responsibility Committee met three times between 1 October 2023 and 30 September 2024.

Member	Meetings
Melba Montague - Chair	3/3
Martin Bischoff	3/3

Achievements and decisions made

- Reviewed and approved the Terms of Reference of the Committee.
- Discussed the various regulations and laws relating to Castle Trust Bank's obligations to deliver good customer outcomes and comply with ESG requirements.
- Monitored the delivery of Consumer Duty Day 2 activities, recommending approval to the Board.
- Invited external consultants, Sancroft, to present to the Committee on the regulatory horizon for ESG.
- Reviewed and challenged the scope and coverage of assurance activity relating to Consumer Duty.
- Walk through of key customer journey impacts across all three business units.
- Reviewed and approved the FY24 ESG plan, monitoring delivery throughout the year.
- Provided challenge on the content of the Annual Customer Outcomes Board Report prior to discussion by the Board.

Directors' Report

The directors present their report of the consolidated financial statements of Castle Trust Holdings Limited (the "Group", "Castle Trust Bank" or the "Bank") incorporating the individual financial statements for Castle Trust Holdings Limited (the "Company") for the year ended 30 September 2024.

Throughout these financial statements, "Castle Trust Bank" is used as a term that captures all operational activity of the Group. This is principally the property lending and deposit taking activities of CTC and the point of sale consumer lending activities of Omni Capital Retail Finance Limited ("Omni").

Directors

Details of directors who served during the year and up to the date of signing are provided on page 3.

Regulatory environment

CTC, which has been awarded a banking licence, is regulated by the PRA and FCA. Omni (with respect to consumer credit only) is authorised and regulated by the FCA.

Results and dividends

The results of the Group for the year are set out in the consolidated statement of comprehensive income on page 75. The Group has made a profit before tax in the current financial year of £9.1million (2023: £11.4 million).

The directors do not recommend the payment of a dividend (2023: £nil). Please refer to Note 27 for details of share capital.

Financial risk management and exposure to risk

The Group measures and monitors risk on a regular basis and formally reviews its risk position at the Risk Committee every quarter. The main financial risk to which the Group is exposed to as at 30 September 2024 is credit risk as set out in the Risk Management Report. The Group is also exposed to other market risks (primarily interest rate risk and house price risk) and liquidity risk as these risks are inherent in the business. Each of these risks are regularly measured and monitored, and appropriately managed. Refer to the Risk Management report on page 36 and Note 25 for full details.

The Risk Function helps to set risk appetite, develops an appropriate risk management framework and oversees exposures. It is independent of the business areas responsible for managing these risks and has direct access to the Risk Committee responsible for setting and oversight of risk strategy and policies. The Risk Committee (which has formally met 5 times during the financial year with a number of ad-hoc discussions and workshops held in addition to address specific issues) has delegated various decision making and monitoring responsibilities to the following executive committees: the monthly Credit Risk Committee, the monthly Customer and Operational Risk Committee, and the Credit Approval Committee.

Principle risks and uncertainties

The principal risks and uncertainties of the business have been defined as Risk Groups in the Risk Management Report on page 40. This report details the oversight and mitigation the company has undertaken.

Going concern assessment

The consolidated financial statements of Castle Trust have been prepared on a going concern basis. In assessing whether the going concern assumption remains appropriate for the Group, the directors have focussed on the liquidity and funding position for the next 12 months.

The Group is strongly capitalised with total equity of £120.1 million, total assets of £1,102.1 million and liquidity of £185.1 million.

The Group undertakes an annual planning round which assesses the Group's profitability, capital and liquidity position over a 4 year time horizon. As part of the going concern assessment, stress scenarios are applied to the base case financial plan, the outcomes of which determine whether the group remain a going concern under these scenarios over the assessment period.

The stress scenarios applied incorporate the following assumptions:

- Profitability and Capital Stress – Severe but plausible market and idiosyncratic scenarios have been run where the Group's profitability and regulatory capital position is assessed under stress.
- The severe market stress is derived from the Annual Cyclical Stress ("ACS") as prescribed by the Bank of England. This results in increased cost of funding, higher impairment charges and a significant reduction in business volumes. A further interest rate rise assumption was overlaid to the market stress along with plausible idiosyncratic one-off losses.
- Liquidity stress – cashflow factors modified to reflect a market, idiosyncratic and combined set of scenarios which places pressures on the net cashflow position of the Group.

To each of these stress scenarios, management actions were considered to assess the Group's response. These actions included:

- Tightening of risk appetite in response to worsening credit environment.
- Reduction in origination targets to reduce Risk Weighted Assets.
- Flexible pricing on deposit products to respond to liquidity needs.
- Tighter cost control in line with reduced revenue to maintain profitability.

Furthermore, a reverse stress scenario was performed that considers similar risk drivers in more severe but less plausible scenarios, which if unmitigated would render the business model unviable. The directors consider the possibility of this outcome to be remote and have identified mitigation that would be adopted in such circumstances.

The ability of the Group to attract new savings customers is continuously assessed, together with sensitivity analysis on potential changes in the interest rate offered on new fixed term deposits which may occur as a result of changes in the macro economic environment and alternative rates available in the market. The Group continues to diversify its sources of funding through offering of its deposit products through financial intermediaries and will be seeking access to the Bank of England's Sterling Monetary Framework in the future.

The directors have also considered the following as part of the going concern assessment:

- Risk management policies and how the Group is placed to manage business risks.
- The overall regulatory risk of the business including the risks associated with the current business model, potential exposure to conduct risk and the impact of changes in the regulatory landscape.
- The control environment of the Group in assessing the likelihood of operational failures.

The directors are satisfied that the Group has the resources to continue in business for the foreseeable future and meet its liabilities as they fall due in the next 12 months. Furthermore, the directors are not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern.

Events since the balance sheet date

No significant adjusting or non-adjusting events after the reporting date have been identified. Please refer to note 35.

Capital management

CTC is regulated by the Financial Conduct Authority ("FCA") and Prudential Regulatory Authority ("PRA") and is subject to the requirements of the Capital Requirements Regulation which governs capital levels. Regulatory capital requirements are monitored as part of the overall management of capital, with Key Risk Indicators assigned and monitored for regulatory capital ratios. Omni is also subject to FCA regulation over its consumer credit activities.

Capital management disclosures, to the extent they are not included in the financial statements are published in a Pillar 3 Report on Castle Trust Bank's website (www.castletrust.co.uk).

Future Developments

Market expects some volatility in the headline inflation rate as we exit 2024 into 2025. Overall inflation is expected to be closer to its 2% target in around two years. The UK interest rates have started to come down but a cautious approach to rate cutting is expected from the Bank of England. UK GDP continues to remain stubbornly stagnant with persistent inflationary pressure in the services sector and limited economic growth.

Castle Trust Bank's business model will continue to be centred around its three main business lines – Property, Omni and Savings. Castle Trust is approaching five years of being a bank and has operated in its core markets for many years before that. It knows its customers and markets well. The Bank has navigated the unprecedented challenges of recent years well and so is optimistic that any further disruptions to business conditions can be overcome.

Despite the challenges facing the UK economy, Castle Trust Bank remains well capitalised with significant levels of surplus liquidity. This robust balance sheet will enable the Bank to pursue its growth plan and to be in a strong position to engage in strategic opportunities were they to arise in the market.

Streamlined Energy and Carbon Report Regulations (“SECR”) disclosure (unaudited)

The Group is exempt from making full energy and carbon disclosures as all entities in the Group are exempt from reporting on energy and carbon. The disclosures below are therefore voluntary.

The SECR disclosure presents the Group’s carbon footprint, together with an appropriate intensity metric and total energy use of electricity and gas from the premises utilised by the Group. The kWh incurred by the premises is firstly allocated to the Group and then converted to an emissions total using multipliers provided by the UK government. For shared premises spaces, the Group receives an allocation of energy usage based on gross internal floor area. All emissions are Scope 2.

	2024	2023
Gross Internal Floor Area (m²)	1,720	1,803
Scope 2 emissions and indirect energy use (kWh) - Energy use of purchased electricity	392,674	507,043
Emissions and energy use totals		
Absolute emissions (kg CO ₂ e)	77,029	98,068
Total energy use (kWh)	392,674	507,043
Intensity measures		
Emissions per m ² gross internal area (kgCO ₂ e/m ² /year)	44.78	54.39
Energy use per m ² gross internal area (kWh/m ² /year)	228.26	281.22

During the year initiatives to reduce the Group’s carbon footprint were undertaken including a review of energy consumption, reduction in paper usage and implementation of proposals from the Group’s ESG Committee, a committee of colleagues responsible for ensuring sustainable business practices are implemented and promoted.

Research and development activities

The nature of research and development activities undertaken by the Group is principally software and IT platform development.

Engagement with suppliers, customers, and others

The Group’s approach to fostering relationships with suppliers, customers and others is detailed in the S172 (1) statement on page 28.

Political contributions and donations

The Group has made no political contributions or donations during the current and prior year.

Branches outside the UK

The Group has no branches outside the UK.

Directors' indemnity and directors & officers liability insurance

The Group maintains a qualifying directors and officers liability insurance policy. In accordance with the Group's Articles of Association, Castle Trust has, by way of deed poll, indemnified the directors against liabilities to third parties as a result of their office, to the extent permitted by law. Neither the insurance policy nor any indemnities that are provided by the Group provide cover for fraudulent or dishonest actions by the directors.

There were no provisions made in the current or prior year in relation to directors' indemnity.

Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the Group's auditor, each director has taken all the steps that they are obliged to take as a director in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information. The confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Appointment of Auditors

Deloitte have expressed their willingness to continue in office as auditor and a resolution to re-appoint them will be considered at the next Annual General Meeting.

Approved by the Board of Directors and signed on behalf of the Board



Andrew Macdonald

Company Secretary

10 December 2024

Statement of Directors' Responsibilities

The directors are responsible for preparing the strategic report, the directors' report, and the consolidated financial statements in accordance with applicable law and regulations. Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the consolidated financial statements in accordance with United Kingdom adopted international accounting standards.

Under Company law, the directors must not approve the consolidated financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that year.

In preparing the consolidated financial statements the directors are required to:

- present fairly these financial positions, financial performance and cash flows of the Group;
- select suitable accounting policies in accordance with IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- make judgements that are reasonable;
- provide additional disclosures when compliance with the specific requirements of United Kingdom adopted international accounting standards in conformity with the requirements of the Companies Act 2006 is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance;
- state whether the Group's financial statements have been prepared in accordance with United Kingdom adopted international accounting standards in conformity with the requirements of the Companies Act 2006, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The strategic report and the directors' report include a fair review of the development and performance of the business and the position of the Group, and the undertakings included in the consolidation, taken as a whole, together with a description of the principal risks and uncertainties faced by the Group.

The directors are responsible for ensuring that the Group keeps proper accounting records that disclose with reasonable accuracy at any time the financial position of the Group, in accordance with the Companies Act 2006. The directors have general responsibility for safeguarding the assets of the Group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.



Financial Statements

Independent auditor's report to the members of Castle Trust Holdings Limited

Report on the audit of the financial statements

Opinion

In our opinion:

- the financial statements of Castle Trust Holdings Limited (the "Parent Company" or the "Company") and its subsidiaries (the "Group") give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 30 September 2024 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated statement of comprehensive income;
- the consolidated and company statement of financial position;
- the consolidated and company statement of changes in equity;
- the consolidated and company statement of cash flows; and
- the related notes 1 to 35.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom adopted international accounting standards, and as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the "FRC's") Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the Group's industry and its control environment, and reviewed the Group's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management, internal audit, and the directors about their own identification and assessment of the risks of irregularities, including those that are specific to the group's business sector.

We obtained an understanding of the legal and regulatory frameworks that the Group operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act, pensions legislation, tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the Group's ability to operate or to avoid a material penalty. These included Prudential Regulation Authority ("PRA") Rulebook and Financial Conduct Authority ("FCA") Handbook.

We discussed among the audit engagement team including relevant internal specialists such as tax, valuations, IT, treasury, credit, real estate, financial instruments, and analytics and modelling specialists regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the following areas, and our specific procedures performed to address them are described below:

- The assessment of expected credit loss ("ECL") provision on loans to customers involves significant management judgement surrounding the collateral valuations used in stage 3 loans. As a response to identified fraud risk, we engaged our real estate specialist to independently value a sample of stage 3 loans with outdated collateral valuation and compared it with the Group's collateral valuation.
- Effective interest rate ("EIR") is a complex area and involves significant management judgement in respect of conditional prepayment rate ("CPR") assumption used in estimating behaviour lives on property mortgage portfolio. We challenged the fraud risk through independently developing a CPR curve for each portfolio using the Group's historic repayment data and comparing it against the Group's CPR curve.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management, internal audit and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and

- reading minutes of meetings of those charged with governance, reviewing internal audit reports, and reviewing correspondence with HMRC, PRA and FCA.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and of the Parent Company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Atif Yusuf

(Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor, London, United Kingdom

10 December 2024

Consolidated statement of comprehensive income

For the year ended 30 September 2024

	Notes	Group 2024 £'000	Group 2023 £'000	Company 2024 £'000	Company 2023 £'000
Interest and similar income	3	84,122	66,943	759	-
Interest and similar expense	4	(39,280)	(20,207)	(759)	-
Net interest income		44,842	46,736	-	-
Other income		456	-	-	-
Fees and commission income		1,646	1,136	-	-
Fees and commission expense		(18)	(20)	-	-
Realised / unrealised loss on financial instruments at fair value through profit or loss	5	(1,562)	(1,038)	-	-
Total operating income		45,364	46,814	-	-
Administrative expenses	6	(25,651)	(24,675)	-	-
Impairment losses	12	(7,586)	(7,955)	-	-
Depreciation and amortisation	16, 18	(3,032)	(2,796)	-	-
Total operating expenses		(36,269)	(35,426)	-	-
Profit before tax		9,095	11,388	-	-
Corporation tax charge	7	(2,510)	(1,951)	-	-
Total profit		6,585	9,437	-	-
Other comprehensive expense					
<i>Items not reclassified to profit or loss in subsequent periods</i>					
Fair value of own credit risk changes of financial liabilities at FVPL		-	-	-	-
Total other comprehensive expense for the year		-	-	-	-
Total comprehensive income		6,585	9,437	-	-

The results for all years presented comprise continuing operations.

Notes on pages 82 to 147 are an integral part of these financial statements.

Consolidated and Company statement of financial position

Registered number: 12161224

As at 30 September 2024

	Notes	Group 2024 £'000	Group 2023 £'000	Company 2024 £'000	Company 2023 £'000
Assets					
Cash and cash equivalents	8	121,371	109,713	-	-
Amounts due from credit institutions	9	12,254	3,900	-	-
Debt instruments	10	63,810	40,495	7,632	-
Trade and other receivables	11	914	1,068	-	-
Corporation tax receivable	7	621	958	-	-
Loans to customers				-	-
At amortised cost	12	878,361	771,356	-	-
Designated at fair value through profit or loss	13	-	4,083	-	-
Fair value hedge asset	15	5,824	-	-	-
Derivative financial instruments	14	1,637	3,119	-	-
Prepayments		2,027	1,675	-	-
Deferred tax	7	8,080	10,174	-	-
Property and equipment and right-of-use assets	16	518	1,001	-	-
Investment in subsidiaries	17	-	-	81,497	81,497
Intangible assets	18	6,709	6,362	-	-
Total assets		1,102,126	953,904	89,129	81,497
Liabilities					
Trade and other payables	19	9,576	8,478	-	-
Corporation tax payable	7	-	599	-	-
Amounts due to credit institutions	9	1,614	2,940	-	-
Provisions for liabilities	20	46	43	-	-
Amounts due to customers				-	-
At amortised cost	21	957,770	827,055	-	-
At fair value through profit or loss	22	128	831	-	-
Fair value hedged liabilities	15	567	-	-	-
Derivative financial instruments	14	4,691	442	-	-
Subordinated liability	23	7,632	-	7,632	-
Total liabilities		982,024	840,388	7,632	-
Equity					
Share capital	27	81,497	81,497	81,497	81,497
Other reserve	27	57,916	57,916	-	-
Equity share based payment reserve		301	300	-	-
Own credit revaluation reserves		8	8	-	-
Retained earnings		(19,620)	(26,205)	-	-
Total equity		120,102	113,516	81,497	81,497
Total equity and liabilities		1,102,126	953,904	89,129	81,497

Notes on pages 82 to 147 are an integral part of these financial statements.

The financial statements were approved by the Board of directors and authorised for issue on 10 December 2024 and were signed on its behalf by:

A handwritten signature in black ink, appearing to read 'MB', is written over a light grey circular graphic element that spans the right side of the page.

Martin Bischoff

Director

10 December 2024

Consolidated statement of changes in equity

For the year ended 30 September 2024

	Share capital	Other reserve	Equity settled share based payment reserve	Own credit revaluation reserves	Retained earnings	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 October 2023	81,497	57,916	300	8	(26,205)	113,516
Total profit	-	-	-	-	6,585	6,585
<i>Other comprehensive expense</i>						
- Fair value of own credit risk changes of financial liabilities at FVPL	-	-	-	0	-	0
<i>Total comprehensive income</i>	-	-	-	0	6,585	6,585
Equity settled share based payment			1			1
At 30 September 2024	81,497	57,916	301	8	(19,620)	120,102

For the year ended 30 September 2023

	Share capital	Other reserve	Equity settled share based payment reserve	Own credit revaluation reserves	Retained earnings	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 October 2022	81,497	57,916	207	8	(35,642)	103,986
Total profit	-	-	-	-	9,437	9,437
<i>Other comprehensive expense</i>						
- Fair value of own credit risk changes of financial liabilities at FVPL	-	-	-	-	-	-
<i>Total comprehensive income</i>	-	-	-	-	9,437	9,437
Equity settled share based payment			93			93
At 30 September 2023	81,497	57,916	300	8	(26,205)	113,516

Company statement of changes in equity

For the year ended 30 September 2024

	Share capital £'000	Retained earnings £'000	Other Reserve £'000	Total £'000	Total equity £'000
At 1 October 2023 and 30 September 2024	81,497	-	-	81,497	81,497

For the year ended 30 September 2023

	Share capital £'000	Retained earnings £'000	Other Reserve £'000	Total £'000	Total equity £'000
At 1 October 2022 and 30 September 2023	81,497	-	-	81,497	81,497

Notes on pages 82 to 147 are an integral part of these financial statements.

Consolidated and Company statement of cash flows

For the year ended 30 September 2024

	Notes	Group 2024 £'000	Group 2023 £'000
Cash flows from operating activities			
Profit before tax		9,095	11,388
Adjustments for non-cash items:			
Depreciation and amortisation	16, 18	3,032	2,796
Other income on R&D tax credits		(417)	(120)
Written off intangibles		81	-
Net interest income		(44,842)	(46,736)
Share-based payment expense	31	1	93
Impairment losses	12	7,586	7,955
Fair value losses on loans to customers at fair value	5	319	278
Fair value (gain) / losses on amounts due to customers at fair value	5	51	(41)
Fair value loss on derivative assets		1,192	801
		(23,902)	(23,586)
Changes in operating assets and liabilities:			
Decrease in trade and other receivables		154	81
Increase in loans to customers at amortised cost		(95,629)	(98,294)
Increase in amounts due to customers at amortised cost		139,599	108,932
Increase in prepayments		(352)	(86)
Increase / (decrease) in trade and other payables		1,595	(2,649)
Decrease / (increase) in loans to customers at fair value		3,764	(267)
Decrease in amounts due to customers at fair value		(754)	(561)
Decrease / (increase) in derivative assets and liabilities		(718)	(355)
Increase / (decrease) in provisions for liabilities		3	(414)
Decrease in amounts due from credit institutions	9	(1,326)	(1,930)
Increase in amounts due to credit institutions	9	(8,354)	(1,160)
		14,080	(20,289)
Tax paid		(899)	(676)
Tax refunds		634	-
Interest received		65,796	50,232
Interest paid (including interest on lease liabilities)		(48,164)	(26,610)
Net cash generated from operating activities		31,447	2,657

Consolidated and Company statement of cash flows

For the year ended 30 September 2024 - continued

	Notes	Group 2024 £'000	Group 2023 £'000
Cash flows from investing activities			
Purchase of intangible assets	18	(2,811)	(2,883)
Purchase of property and equipment	16	(124)	(11)
Disposal of property, plant & equipment		23	-
Purchase of debt instruments	10	(53,000)	(35,495)
Proceeds from sale of debts instruments		29,684	
Net cash used in investing activities		(26,228)	(38,389)
Cash flows from financing activities			
Lease payment of principal		(561)	(518)
Receipts from issuance of subordinated liability	23	7,000	-
Net cash generated from / (used in) financing activities		6,439	(518)
Net increase / (decrease) in cash and cash equivalents			
Cash and cash equivalents at beginning of the year		109,713	145,963
Cash and cash equivalents at end of the year	8	121,371	109,713

The amount of undrawn borrowing facilities that may be available in the future for operating activities and settling capital commitments is £nil (2023: £nil).

The Company did not have cash balances in the current and prior year and consequently no cash flow statement for the Company is presented. The Company's issuance of subordinated liability and receipt of debt instruments were non-cash transactions.

Notes on pages 82 to 147 are an integral part of these financial statements.

Notes to the consolidated financial statements

For the year ended 30 September 2024

1. Corporate information

Castle Trust Holdings Limited was incorporated on 16 August 2019 to act as a holding company of the CTC group. It is domiciled in the UK and registered in England and Wales as a private company limited by shares. The consolidated financial statements for the year ended 30 September 2024 were authorised for issue in accordance with a resolution of directors on 10 December 2024.

2. Accounting policies

2.1 Basis of preparation

The Group's statutory consolidated financial statements for the year ended 30 September 2024 and the Company's statutory financial statements for the year ended 30 September 2024 have been prepared in accordance with United Kingdom adopted international accounting standards in conformity with the requirements of the Companies Act 2006. The Group has consistently applied the same accounting policies as at 30 September 2024 as in the prior year.

The consolidated financial statements comprise the financial statements of the Group and the subsidiaries that it controls as at 30 September 2024.

These consolidated financial statements have been prepared on a historical cost basis, except for financial assets and liabilities that are measured at fair value. The consolidated financial statements are presented in sterling which is also the Group and the Company's functional currency and all values are rounded to the nearest one thousand pounds (£'000) except where otherwise indicated.

The Group has taken advantage of the exemption in Section 394A of the Companies Act 2006 not to prepare individual accounts for its dormant subsidiaries and of the exemption in Section 479A of the Companies Act 2006 not to file individual accounts for its dormant subsidiaries. The dormant subsidiaries and their registered numbers are listed in Note 17.

2.2 Going Concern

The consolidated financial statements of Castle Trust have been prepared on a going concern basis. In assessing whether the going concern assumption remains appropriate for the Group, the directors have focussed on the liquidity and funding position for the next 12 months.

The Group is strongly capitalised with total equity of £120.1 million, total assets of £1,102.1 million and liquidity of £185.2 million.

The Group undertakes an annual planning round which assesses the Group's profitability, capital and liquidity position over a 4 year time horizon. As part of the going concern assessment, stress scenarios are applied to the base case financial plan, the outcomes of which determine whether the group remain a going concern under these scenarios over the assessment period.

The stress scenarios applied incorporate the following assumptions:

- Profitability and Capital Stress – Severe but plausible market and idiosyncratic scenarios have been run where the Group’s profitability and regulatory capital position is assessed under stress.
- The severe market stress is derived from the Annual Cyclical Stress (“ACS”) as prescribed by the Bank of England. This results in increased cost of funding, higher impairment charges and a significant reduction in business volumes. A further interest rate rise assumption was overlaid to the market stress along with plausible idiosyncratic one-off losses.
- Liquidity stress – cashflow factors modified to reflect a market, idiosyncratic and combined set of scenarios which places pressures on the net cashflow position of the Group.

To each of these stress scenarios, management actions were considered to assess the Group’s response. These actions included:

- Tightening of risk appetite in response to worsening credit environment.
- Reduction in origination targets to reduce Risk Weighted Assets.
- Flexible pricing on deposit products to respond to liquidity needs.
- Tighter cost control in line with reduced revenue to maintain profitability.

Furthermore, a reverse stress scenario was performed that considers similar risk drivers in more severe but less plausible scenarios, which if unmitigated would render the business model unviable. The directors consider the possibility of this outcome to be remote and have identified mitigation that would be adopted in such circumstances.

The ability of the Group to attract new savings customers is continuously assessed, together with sensitivity analysis on potential changes in the interest rate offered on new fixed term deposits which may occur as a result of changes in the macro economic environment and alternative rates available in the market. The Group continues to diversify its sources of funding through offering of its deposit products through financial intermediaries and will be seeking to access to the Bank of England’s Sterling Monetary Framework in the future.

The directors have also considered the following as part of the going concern assessment:

- Risk management policies and how the Group is placed to manage business risks.
- The overall regulatory risk of the business including the risks associated with the current business model, potential exposure to conduct risk and the impact of changes in the regulatory landscape.
- The control environment of the Group in assessing the likelihood of operational failures.

The directors are satisfied that the Group has the resources to continue in business for the foreseeable future and meet its liabilities as they fall due in the next 12 months. Furthermore, the directors are not aware of any material uncertainties that may cast significant doubt upon the Group’s ability to continue as a going concern.

2.3 Basis of consolidation

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights result in control.

To support this presumption, and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangements with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income ("OCI") are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

2.4 Significant accounting judgements, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures, as well as the disclosures of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

In the process of applying the Group's accounting policies, management has made the following judgements and key assumptions concerning the future, as well as other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Critical judgements in applying the Group's accounting policies

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in financial statements:

(i) Impairment losses on loans to customers

The Group uses internal models in estimating Expected Credit Loss ("ECL"). Judgement is applied in identifying the

most appropriate model for each type of asset, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk.

Judgement is also required in:

- Determining the appropriate segmentation of the Group's portfolio so that the appropriate model is used and the assumptions used in that model have been derived from historic data that is representative of the current portfolio in the current economic climate.
- Identifying which stage a loan is in (for example by determining what constitutes a significant deterioration in credit quality) and the criteria for movement between the stages. Please also see Note 25 for further details surrounding methodology.

Where there is little prospect of a recovery being made for a Stage 3 financial asset, the impairment provision is utilised and the carrying value of the loan is then directly reduced. The impairment loss on loans to customers is disclosed in more detail in Note 12.

(ii) Fair value measurement of financial assets and liabilities

The Group measures certain financial instruments at fair value through profit or loss. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Where the fair values of financial assets and financial liabilities cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from some observable market data but some judgement is required to establish fair values.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

Fair value related disclosures for financial instruments that are measured at fair value or amortised cost are disclosed in Note 24.

(iii) Effective Interest Rate (EIR) method

The EIR methodology recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected behavioural life of relevant financial instruments and recognises the effect of potentially different interest rates charged at various stages and other characteristics of the product life

cycle (including prepayments and penalty interest and charges). This procedure, by its nature, requires an element of judgement regarding the expected behaviour and life-cycle of the instruments.

(iv) Deferred tax assets

The status, measurements and treatment of deferred tax assets recognised in the consolidated financial statements are disclosed in Note 7. The decision to recognise the assets is based on the Group's estimation of profits arising in the short to medium term against which the brought forward losses and temporary differences might be relieved. The status, measurement and treatment of these assets are monitored at each reporting date.

(v) Consideration of climate change

Financial statements preparation includes the consideration of the impact of climate change on the Group's financial statements. There has been no material impact identified on the financial reporting judgement and estimates. In particular, the directors considered the impact of climate change in respect of the:

- Going concern of the Group for a period of at least 12 months from the date of approval of the financial statements.
- Assessment of impairment of non-financial assets.
- Carrying value and useful economic lives of property, plant and equipment.
- Fair value of financial assets and liabilities. These are generally based on market indicators which include the market's assessment of climate risk.
- Economic scenarios used for measurement of expected credit losses and the behavioural lifetime of assets against the expected time horizons of when climate risks may materialise.
- Forecasting of the Group's future UK taxable profits, which impacts deferred tax recognition.

Whilst there is currently no material short-term impact of climate change expected, the Group acknowledges the long-term nature of climate risk and continues to monitor and assess climate risks highlighted in the risk management section on page 40.

Key sources of estimation uncertainty

The following are key estimations that the directors have used in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in financial statements:

(i) Impairment losses on loans to customers

Internal models are used to determine expected Credit Losses ("ECLs") Probability of Default ("PD"), Loss Given Default ("LGD"), Exposure at Default ("EAD") and forecast economic scenarios.

Key estimates underpinning the models when determining Expected Credit Losses ("ECLs") are explained below:

- **Mortgage Stage 1 and Stage 2 LGD** – the Group uses a number of models to assess the likelihood of a recovery from default and the resulting proceeds from following that recovery. Key estimates for mortgage Stage 1 and Stage 2 accounts are the Cure Rate (the likelihood of a defaulted account resuming payments), the Valuation Haircut (the discount applied to the valuation as a result of a forced sale) and the Time to Sell (the time taken for any collateral of a defaulted mortgage to be sold).
- **Mortgage Stage 3 LGD** – For mortgage accounts which are in default, a collective model operates where key parameters are assessed based on historic performance of the defaulted assets. In certain large or complex cases, the defaulted loan may not be suitable for the collective model and an individual assessment is made of future recoverability. Key estimates for the stage 3 model and individual assessments are the Collateral Valuation, the Valuation Haircut and the Time to Sell.
- **Omni LGD** – For Omni accounts, the key estimate used in the calculation of the LGD is the Cure Rate (the likelihood of a defaulted account resuming payments).

- **Mortgage and Omni PDs** – the Group uses an economic scenarios model when determining the forward-looking assumptions to be used in different economic scenarios and the weighting of the likelihood of those scenarios. The development of this model requires estimates when assessing the correlations between macroeconomic scenarios and economic inputs (such as unemployment levels and collateral values) and the effect on PDs.

For sensitivity analysis, see note 25.1.8.

(ii) Effective Interest Rate (EIR) method

A heightened area of focus in the banking industry over the last year has been the behaviour of mortgage customers who are on limited term fixed rate products which then revert onto a bank's standard variable rate ("SVR"). The increase in UK base rates has seen mortgage rates rise significantly across the industry over the year and The Group, like other banks have been enhancing the monitoring of customer behaviour in this environment and assessing the impact to amortised cost balances of related behavioural changes.

In calculating the Amortised cost and related EIR for mortgages, a conditional prepayment rate ("CPR"), being a loan prepayment rate equivalent to the proportion of a loan's principal that is assumed to be paid off ahead of time in each period, is estimated. The calculation of this estimate is based on several factors, such as historical prepayment rates for previous loans and future economic outlooks. For the legacy Interest Roll-up and House Price Index mortgages, the current calculation uses a 3-year product time window to assess the most appropriate rate to apply. A separate CPR curve is applied to the first charge serviced 'Term Ten' mortgage book, where the greatest sensitivity relates to the early repayment assumptions and the proportion of loans reverting onto the SVR at the end of the fixed rate reversionary period.

Term Ten mortgages are the Bank's principal 1st charge serviced mortgage product available to buy to let customers. The product will typically have a 5 year fixed interest rate term followed by a 5 year term on the SVR. A repayment by the customer in advance of the end of the fixed interest term will attract an early repayment charge ("ERC"). The CPR model for the Term Ten products uses historical data to estimate the repayment profile of customers and therefore the expected early repayment charges and SVR interest earned over the life of the product. This data is then used to calculate the related effective interest rate at origination. Periodically, the Group will update the CPR curves using the latest data available, the impact of which can result in movements to the amortised cost balance of loans as future cash flow assumptions change.

As at 30 September 2024, Term Ten mortgages had a total gross loan balance of £411.7m. This makes up 63% of the total Property loan book at year end. Sensitivities of the amortised cost balance of the CPR outcomes for Term Ten mortgages are detailed in Note 12.

(iii) Fair value measurement of financial assets and liabilities

In estimating the fair value of a financial asset or a liability, the Group uses market-observable data to the extent it is available. Where such Level 1 inputs are not available the Group uses valuation models to determine the fair value of its financial instruments.

Estimates include considerations such as liquidity, discount rates and early redemption assumptions.

There was one mortgage designated at fair value retained in the Group as at 30 September 2023. This mortgage was redeemed in the year and there are now no mortgages designated at fair value.

Structured deposit liabilities / Housas at fair value are measured using various estimates, principally the movement in the house price index ("HPI") and a house price risk premium. They are classified as level 3 in the fair value hierarchy.

2.5 Significant accounting policies

2.5.1 Interest and similar income

2.5.1.1 *Interest and similar income calculated using EIR*

The Group calculates interest income by applying the EIR to the gross carrying amount of financial assets other than credit-impaired assets.

When a financial asset becomes credit-impaired and is, therefore, regarded as 'Stage 3', the Group calculates interest income by applying the EIR to the net amortised cost of the financial asset. If the financial asset cures and is no longer credit-impaired, the Group reverts to calculating interest income on a gross basis.

If expectations are revised, the carrying amount of the asset is adjusted with an associated increase or reduction recorded in interest income. The adjustment is subsequently amortised through interest and similar income in the statement of comprehensive income.

For acquired loan books the EIR calculated at acquisition is not changed for subsequent variances in actual to expected cash flows. The Group monitors the actual cash flows for each acquired book and where they diverge significantly from expectation, the future cash flows are reset. In assessing whether to adjust future cash flows on an acquired portfolio, the Group considers the cash variance on an absolute basis. Where cash flows for an acquired portfolio are reset, they are discounted at the EIR to derive a new carrying value, with changes taken to profit or loss as interest income.

2.5.1.2 *Other interest and similar income*

Interest income and expense on financial assets and financial liabilities at fair value through profit or loss are presented in the statement of comprehensive income within other interest and similar income, and interest and similar expense, respectively (except for one product named Partnership Mortgages). Interest income and expense is calculated based on similar principles to the EIR basis. Partnership Mortgages differ from the other products in that none of the Partnership Mortgages have a minimum repayment amount or fixed interest rate, and are potentially subject to greater variability given the Group is obliged to make payments to the customer in the event of a fall in valuation of the underlying property, in certain cases.

2.5.2 Fees and commission income and expense

Fee and commission income and expense include fees other than those that are an integral part of EIR. Fee and commission income and expense relate to bank charges, processing costs, pre-completion solicitor's fees, valuation fees, title insurance fees and late payment fees relating to mortgages and consumer loans.

Fee and commission expenses with regards to services are accounted for as the services are received.

The Group accounts for fees received for mortgage origination activities and mortgage administration services in accordance with IFRS 15 (Revenue from Contracts with Customers) as they do not qualify as being integral to the loan and captured under EIR. Income is therefore recognised in Fees and Commission when the service is provided, and not as an adjustment to EIR within interest income.

2.5.3 Financial assets and liabilities

2.5.3.1 *Initial recognition*

Financial assets and liabilities, with the exception of loans to customers, are initially recognised on the trade date, i.e. the date that the Group becomes a party to the contractual provisions of the instrument. Loans to customers are recognised when funds are transferred to the customers' accounts.

Financial assets and liabilities are initially measured at their fair value and transaction costs are added to, or subtracted from, this amount, except in the case of financial assets and financial liabilities recorded at Fair Value through Profit or Loss ("FVPL"), where transaction costs are expensed.

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instrument as set out below.

2.5.3.2 Subsequent measurement of financial assets and liabilities

The Group classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either amortised cost, fair value through profit or loss ("FVPL") or fair value through other comprehensive income ("FVOCI").

Financial liabilities, other than loan commitments and financial guarantees, are measured at amortised cost or at FVPL (when they are held for trading, derivative instruments or the fair value designation is applied).

Debt instruments, loans and advances to credit institutions, loans to customers and trade and other receivables

The Group only measures financial instruments at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

The details of these conditions are outlined below. The Group classifies the following financial assets at amortised cost:

- Loans and advances to credit institutions;
- Loans to customers (for those not accounted for at FVPL as set out below)
- Debt instruments; and
- Trade and other receivables.

Business model assessment

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective (not on an instrument-by-instrument basis) and is based on observable factors such as:

- How the performance of the business model and the financial assets held are evaluated and reported to key management personnel;
- The risks that affect the performance of the business model and the financial assets held and, in particular, the way those risks are managed;
- How managers of the business are compensated; and
- The expected frequency, value and timing of sales.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

If the business model under which the Group holds financial assets changes, the financial assets affected are reclassified. The classification and measurement requirements related to the new category apply prospectively from the first day of the first reporting period following the change in business model that results in reclassifying the Group's financial assets. During the current financial year and previous accounting period there was no change in the business model under which the Group holds financial assets and therefore no reclassifications were made.

The Solely Payments of Principal and Interest (“SPPI”) test

As a second step of its classification process the Group assesses the contractual terms of financial assets to identify whether they meet the SPPI test.

‘Principal’ for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Group applies judgement and considers relevant factors such as early repayment features.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVPL.

After initial measurement, these are measured at amortised cost using the EIR methodology, less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The EIR amortisation is included in interest and similar income calculated using EIR in the statement of total comprehensive income.

Financial assets and liabilities at fair value through profit or loss

Financial assets and liabilities classified in this category include those that have been designated upon initial recognition or are mandatorily required to be measured at fair value under IFRS 9 as further described below. The Group has only designated an instrument at fair value through profit or loss upon initial recognition when the designation eliminates, or significantly reduces, the inconsistent treatment that would otherwise arise from measuring the assets or recognising gains or losses on them on a different basis.

Financial assets and financial liabilities at fair value through profit or loss are recorded in the statement of financial position at fair value. Changes in fair value are recorded in profit and loss.

Amounts due to customers at fair value through profit and loss

- These comprised liabilities to redeemable preference (“Foundation Housas” and “Growth Housas”) shareholders and loan note (“Income Housas”) holders. In the prior year, the Housas were modified by Schemes of Arrangement and became structured deposits, remaining in this classification.

Historically, loans to customers at fair value through profit or loss included house price linked products: Partnership Mortgages (“PMs”), Index Profit Share mortgages (“IPS”) and Buy-to-let equity loans (“BTLEL”).

- PMs were only available to owner occupiers with a term of c15 years and more. The repayment amount incorporated a profit/loss share based on any change in the value of the individual’s mortgaged property.
- BTLELs were available to buy-to-let investors only with a term of up to 10 years. The repayment amount incorporated a profit share based on any change in the value of the individual’s mortgaged property.
- IPS mortgages were available to buy-to-let investors and owner occupiers (who are exempt from the Consumer Credit Act (“CCA”) (via the high net worth / business exemption tests)) with a term of typically 5 years. The original amount of the loan is repayable at redemption plus a deferred interest component (typically 5% pa where applicable) plus typically one times the increase in value of the national Halifax House Price Index (“HHPI”), if the property has increased in value, or the minimum repayment amount (typically 3.5% pa), whichever is greater.

In 2019, the embedded house price derivatives of all the mortgages designated at fair value through profit or loss were sold to CTC Holdings (Cayman) Limited except for two mortgages which were not sold. In the prior year, the terms and conditions of one of these two loans were amended so that it became substantially remodified. It was thus derecognised from "Designated at fair value" and re-recognised as "At amortised cost." There is consequently one loan left designated at fair value at the year end and no other assets at fair value through profit or loss.

Financial liabilities at amortised cost

Financial liabilities at amortised cost are non-derivative financial liabilities with fixed or determinable payments that are not quoted in an active market. The Group classifies the following financial liabilities at amortised cost:

- Trade and other payables
- Amounts due to customers
- Contingent liabilities

These comprise fixed rate customer deposits and, formerly, fixed rate Fortress Bonds liabilities.

After initial measurement, financial liabilities at amortised cost are subsequently measured at amortised cost using the EIR methodology. Amortised cost is calculated by taking into account any discount or premium on issue funds, and costs that are an integral part of the EIR. A compound financial instrument which contains both a liability and an equity component is separated at the issue date. The EIR amortisation is included in interest and similar expense in the statement of comprehensive income.

2.5.3.3 Derecognition

Derecognition due to substantial modification of terms and conditions

The Group derecognises a financial asset when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognised as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. Please see Note 11. The newly recognised loans are classified as Stage 1 for ECL measurement purposes, unless the new loan is deemed to be Purchased or Credit Impaired ("POCI").

When assessing whether or not to derecognise a financial asset, amongst others, the Group considers the following factors: introduction of an equity feature; change in counterparty and if the modification is such that the instrument would no longer meet the SPPI criterion.

If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Group records a modification gain or loss, to the extent that an impairment loss has not already been recorded.

Derecognition other than for substantial modification

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the rights to receive cash flows from the financial asset have expired. The Group also derecognises the financial asset if it has both transferred the financial asset and the transfer qualifies for derecognition.

The Group has transferred the financial asset if, and only if, either:

- The Group has transferred its contractual rights to receive cash flows from the financial asset; or
- It retains the rights to the cash flows, but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement

Pass-through arrangements are transactions whereby the Group retains the contractual rights to receive the cash flows of a financial asset (the 'original asset'), but assumes a contractual obligation to pay those cash flows to one or more entities (the 'eventual recipients'), when all of the following three conditions are met:

- The Group has no obligation to pay amounts to the eventual recipients unless it has collected equivalent amounts from the original asset, excluding short-term advances with the right to full recovery of the amount lent plus accrued interest at market rates;
- The Group cannot sell or pledge the original asset other than as security to the eventual recipients; and
- The Group has to remit any cash flows it collects on behalf of the eventual recipients without material delay.

In addition, the Group is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents including interest earned, during the period between the collection date and the date of required remittance to the eventual recipients.

A transfer only qualifies for derecognition if either:

- The Group has transferred substantially all the risks and rewards of the asset; or
- The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

The Group considers control to be transferred if, and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without imposing additional restrictions on the transfer.

When the Group has neither transferred nor retained substantially all the risks and rewards and has retained control of the asset, the asset continues to be recognised only to the extent of the Group's continuing involvement, in which case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration the Group could be required to pay.

If continuing involvement takes the form of a written or purchased option (or both) on the transferred asset, the continuing involvement is measured at the value the Group would be required to pay upon repurchase. In the case of a written put option on an asset that is measured at fair value, the extent of the entity's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in the statement of comprehensive income.

2.5.4 Derivative Financial Instruments

In accordance with the Group's risk management strategy, interest rate swaps are used to hedge Group's interest rate exposure. On adoption of IFRS 9 – Financial Instruments the Group chose to continue applying the hedge accounting rules set out in IAS 39 – Financial Instruments: Recognition and Measurement as it's allowed under the former and in conformity with the requirements of the Companies Act 2006 ("Adopted IFRSs"). In addition, the Group also adopted the carve out for IAS 39 ("carve-out") as dynamic portfolio hedge accounting of interest rate risk is employed across fixed rate financial assets and liabilities.

The Group analyses cashflows from each portfolio into repricing time periods based on expected maturity profile with assumptions made for expected prepayments. Using this analysis, the Group designates as a hedged item an amount of the assets from each portfolio that it wishes to hedge.

Where the Group is using interest rate swaps to hedge the changes in fair value attributable to benchmark interest rate risk of a recognised group of assets or liabilities that could affect profit and loss, macro fair value hedging is applied. If there is an effective hedge relationship, the hedged item (such as fixed rate assets or fixed rate liabilities) is adjusted for fair value changes in respect of the hedged risk. These fair value changes are recognised in the Profit and loss together with the fair value movements on the hedging instrument (the interest rate swaps).

2.5.5 Hedge accounting

Hedge accounting is discontinued when a hedge ceases to be highly effective, a derivative expires or is sold, the underlying hedged item matures or is repaid, periodically if a new underlying hedged item or hedging instrument is added to the hedge relationship or when the Group makes a decision to voluntarily discontinue the hedge relationship. Where a fair value hedge is de-designated (either due to becoming ineffective or as part of the Company's approach to hedge accounting) any fair value hedge adjustments accrued to that point are amortised over the remaining life of the hedged item on a straight-line basis.

At the inception of every hedge, hedge documentation will be produced identifying the hedged risk, hedged item and hedging instrument. This documentation would set out the methodology used for testing hedge effectiveness.

Hedge effectiveness is determined by using a regression analysis to assess whether the hedging instrument is expected to be and has been highly effective in offsetting changes in the fair value of the hedged item.

On a monthly basis the Group measures the movements in fair value of the portfolio relating to the interest rate risk that is being hedged. Where the hedge is deemed to be highly effective, the change in fair value of the hedged item for the hedged risk is recognised in the profit and loss with the cumulative movement in their value being shown on the statement of financial position as a separate line item, 'Fair value adjustment for portfolio hedged risk' either within assets or liabilities.

The Group measures the fair value of the hedging instruments monthly. The value of these instruments is included in derivatives held for risk management in either assets or liabilities, with a change in value recorded in net gains/(loss) from derivatives and other financial instruments at fair value through profit or loss. Any hedge ineffectiveness is recognised in net gains/(loss) from derivatives and other financial instruments at fair value through profit or loss.

In accordance with its risk management strategy, the Group enters into interest rate swap contracts. The key product offerings of the Group have a natural offset, with fixed rate assets being naturally funded by the fixed rate liabilities. To the extent the size and expected maturity/repricing of these portfolios offset, there is minimal exposure to interest rate risk.

However, where the two portfolios do not offset, the Group is exposed to interest rate risk – including exposure to fluctuations in interest rate risk in both the fixed rate liabilities and the fixed rate assets portfolios and therefore uses interest rate swaps to manage the interest rate mismatch as follows:

- using pay fix, receive SONIA interest rate swaps to convert the fixed rate receipts arising from fixed rate assets into variable cash flows; and/or

The Group applies hedge accounting in respect of the interest rate risk arising on these portfolios.

The hedge relationship is assessed and documented, before being designated as described in the Derivative Financial Instruments accounting policy above. The Group then assesses prospective hedge effectiveness by comparing the changes in fair value of each portfolio resulting from changes in market interest rates with the change in fair value of allocated interest rate swaps used to hedge the exposure.

Ineffectiveness can occur due to several potential sources, such as:

- derivative with non-zero FV (at the date of designation) designated in a hedge relationship.
- mismatches between contractual terms of hedged item and IRS – e.g. basis, timing, principal and notional; or
- change in credit risk of IRS.

Gains and losses on hedged items and hedge instruments are recognised in “realised / unrealised loss on financial instruments at fair value through profit or loss” line in the consolidated statement of comprehensive income.

2.5.6 Impairment of financial assets

Financial Instruments

The Group records the allowance for expected credit losses for all financial assets, together with loan commitments and financial guarantee contracts, in this section all referred to as ‘financial instruments’. Equity instruments are not subject to impairment under IFRS 9.

Overview of the ECL principles

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months’ expected credit loss “12m ECL”. The Group’s policies for determining if there has been a significant increase in credit risk are set out in Note 25.1.

The 12m ECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Both LTECLs and 12m ECLs are calculated on an individual basis.

The Group has established a policy to perform an assessment, half-yearly, of whether a financial instrument’s credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

Based on the above process, the Group groups its loans into Stage 1, Stage 2 and Stage 3, as described below:

- **Stage 1:** When loans are first recognised, the Group recognises an allowance based on 12m ECLs. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2.
- **Stage 2:** When a loan has shown a significant increase in credit risk since origination, the Group records an allowance for the LTECLs. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3.
- **Stage 3:** Loans considered credit-impaired (as outlined in Note 25), the Group records an allowance for the LTECLs.

Further details on staging can be found in Note 25.1.4.

For financial assets for which the Group has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) derecognition of the financial asset.

The calculation of ECLs

The Group calculates ECLs based on five probability-weighted scenarios to measure the expected cash shortfalls, discounted at the EIR. A cash shortfall is the difference between the cash flows that are due in accordance with the contract and the cash flows that are expected to be received.

The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

- **PD:** The Probability of Default is an estimate of the likelihood of default over a 12 month period then extrapolated over the life of each loan.

- **EAD:** The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.
- **LGD:** The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that are expected to be received, including from the realisation of any collateral.
- **Loan commitments:** When estimating LTECLs for undrawn loan commitments, the Group estimates the expected portion of the loan commitment that will be drawn down over its expected life. The ECL is then based on the present value of the expected shortfalls in cash flows if the loan is drawn down, based on a probability-weighting of the five scenarios. The expected cash shortfalls are discounted at the EIR of the loan.

When estimating the ECLs, the Group considers five scenarios (a base case, a mild upside, an upside, a downside and a severe downside). Each of these is associated with different PDs, EADs and LGDs. When relevant, the assessment of multiple scenarios also incorporates how defaulted loans are expected to be recovered, including the probability that the loans will cure and the value of collateral or the amount that might be received for selling the asset. The maximum period for which the credit losses are determined is the contractual life of a financial instrument unless the Group has the legal right to call it earlier.

Impairment losses and releases are accounted for and disclosed separately from modification losses or gains that are accounted for as an adjustment of the financial asset's gross carrying value. Provisions for ECLs for undrawn loan commitments are assessed as part of the ECL calculation.

Forward looking information

In its ECL models, the Group uses the following forward-looking information as economic inputs:

- Unemployment rates;
- Central Bank base rates; and
- House price index.

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are material.

Collateral valuation

To mitigate its credit risks on financial assets, the Group seeks to use collateral, where possible. The collateral comes in various forms, such as guarantees, real estate, receivables, inventories and other non-financial assets. Collateral, unless repossessed, is not recorded on the Group's statement of financial position. However, the fair value of collateral affects the calculation of ECLs. It is generally assessed, at a minimum, at inception and at default with values modelled through the lifetime of the loan.

To the extent possible, the Group uses active market data for valuing financial assets held as collateral. Other financial assets which do not have readily determinable market values are valued using models. Non-financial collateral, such as real estate, is valued based on data provided by third parties such as mortgage brokers, or based on housing price indices.

Write-offs

Financial assets are written off either partially or in their entirety only when the Group has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expense.

Forborne and modified loans

The Group sometimes makes concessions or modifications to the original terms of loans as a response to the borrower's financial difficulties. Derecognition decisions and classification between Stage 2 and Stage 3 are determined on a case-by-case basis. If modifications are substantial, the loan is derecognised, as explained above.

When the loan has been renegotiated or modified but not derecognised, the Group also reassesses whether there has been a significant increase in credit risk. The Group also considers whether the assets should be classified as Stage 3. Once an asset has been classified as forborne, it will remain forborne for a minimum 1 year probation period. In order for the loan to be reclassified out of the forborne category, the customer has to meet all of the following criteria:

- All of its facilities have to be considered performing;
- The probation period of one year has passed from the date the forborne contract was considered performing; and
- Regular payments of more than an insignificant amount of principal or interest have been made during the probation period.

Details of forborne assets are disclosed in Note 25.

Impairment of financial assets other than financial instruments

IFRS 9 allows a simplified approach to assess impairment of trade receivables, contract assets and lease receivables. The simplified approach allows lifetime expected losses on trade receivables, contract assets and lease receivables to be recognised without the need to identify significant increases in credit risk. The Group has adopted this simplified approach in its assessment of impairment of other such financial assets by determining the appropriate grouping of receivables by product type and rating, determining the period over which historical loss rates are appropriate and then determining the historical loss rates based on the forward looking macro-economic factors identified for the Group. The Group also determined the appropriate PD estimate for trade receivables, contract assets and lease receivables by reference to publicly available credit ratings, the Loss Given Default by comparison with other similar exposures without eligible collateral and the Exposure at Default by using the outstanding balance at the reporting date.

2.5.7 Cash and cash equivalents

Cash and cash equivalents comprise cash and highly liquid financial assets with original maturities of less than three months from the date of acquisition subject to an insignificant risk of changes in their fair value.

2.5.8 Business combinations and goodwill

Business combinations are accounted for using the acquisition method of accounting. This involves recognising identifiable assets (including previously unrecognised intangible assets) and liabilities (including contingent liabilities but excluding future restructuring) of the acquired business at fair value. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. If the cost of acquisition is less than the fair values of the identifiable net assets acquired, the discount on acquisition is recognised directly in the income statement in the year of acquisition.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually, or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to a cash generating unit. Each unit to which the goodwill is allocated represents the lowest level within the Group at which goodwill is monitored for internal management purposes, and is not larger than an operating segment in accordance with IFRS 8 Operating Segments.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, are expensed as incurred.

2.5.9 Property and equipment and right-of-use assets

Property and equipment is stated at cost excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment in value. Changes in the expected useful life are accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates.

Depreciation is calculated using the straight-line method to write down the cost of property and equipment to their residual values over their estimated useful lives. The estimated useful lives are as follows:

- Office and computer equipment: 3 years
- Leasehold improvements: Over the term of the lease
- Right of use assets Over the term of the lease

Property and equipment is derecognised on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on the derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in other operating income in the statement of comprehensive income in the year the asset is derecognised.

Right-of-use assets are presented as described in Note 2.5.12.

2.5.10 Intangible assets

Intangible assets are identifiable non-monetary assets without physical substance. An intangible asset is recognised only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the Group.

Internally developed

In some instances, the Group develops its own operational systems, primarily a suite of systems that allow the Group to operate, record and value its products. These systems are developed in separate releases. The cost of each release can be measured reliably and the future economic benefits can be assessed as certain to flow to the Group.

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the requirements of IAS 38 are met.

In some instances, a number of technical releases are required before the system can be said to achieve the requirements of IAS 38 Intangible Assets, in which case, the related expenses are capitalised as development costs as long as the technical and operational feasibility of the asset has been established. Once the resultant system(s) meets the definition as such under IAS 38, the assets are transferred into the computer software category of intangible assets.

The estimated useful lives are as follows:

- Internally developed software: 5 years

Amortisation of the asset begins when development is complete and the asset is available for use.

The Group assesses at the end of each reporting period whether there is any indication that an intangible asset may be impaired via external and internal sources of information. Refer to Note 2.5.14 for further details.

Each asset, or related group of assets, is assessed as to its expected useful life and the expected pattern of benefits to the Group over that period. Each asset is amortised on a systematic (straight line) basis and the amortisation share is recorded in depreciation and amortisation. Research and development costs are not amortised until the resultant system has met the criteria of a computer system and has been transferred into that category.

2.5.11 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement. A contingent liability is disclosed where this is not probable but more likely than remote.

2.5.12 Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group does not act as a lessor.

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less and accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less and lease incentives received. Right-of-use assets are depreciated in a straight-line basis over the lease term.

The right-of-use assets are presented within Note 16 Property and equipment and right-of-use assets and are subject to impairment in line with the Group's policy as described in Note 2.5.14 Impairment of non-financial assets.

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (less any lease incentives receivable), variable lease payments that depend on an index or rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific adjustments (such as the subsidiary's stand-alone credit rating, or to reflect the terms and conditions of the lease).

For short-term leases or leases for which the underlying asset is of low value, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

The average lease term is 5.8 years.

2.5.13 Taxes

Current tax

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit and loss.
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- Where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that the future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes related to the same taxable entity and the same taxation authority.

See Note 7 for further description of the current status of deferred tax assets.

2.5.14 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of comprehensive income.

Both internal and external sources of information have been used to assess impairment. As a result of the continued uncertainty as to recoverable amounts in the light of the pandemic, the Group continues to monitor the impairment of non-financial assets closely.

2.5.15 Equity-settled transactions

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model.

That cost is recognised in staff costs, together with a corresponding increase in equity (retained earnings), over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of shares that will ultimately vest. The expense or credit in the statement of profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of shares that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

No expense is recognised for awards that do not ultimately vest because non-market performance and/or service conditions have not been met. Where awards include a market or non-vesting condition, the transactions are treated as vested irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

When the terms of an equity-settled award are modified, the minimum expense recognised is the grant date fair value of the unmodified award, provided the original terms of the award are met. An additional expense, measured as at the date of modification, is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee. Where an award is cancelled by the entity or by the counterparty, any remaining element of the fair value of the award is expensed immediately through profit or loss.

2.6 New and amended standards and interpretations

Several amendments and interpretations are effective for the current year, but do not have a material impact on the Group's consolidated financial statements

2.7 Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's consolidated financial statements do not affect the Group. The Group does not intend to adopt these standards early, so they will be adopted in the relevant year of mandatory adoption. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

Amendments to IFRS 16 *Leases* – Lease Liability in a Sale and Leaseback

The amendments to IFRS 16 add subsequent measurement requirements for sale and leaseback transactions that satisfy the requirements in IFRS 15 Revenue from Contracts with Customers to be accounted for as a sale. The amendments require the seller-lessee to determine 'lease payments' or 'revised lease payments' such that the seller-lessee does not recognise a gain or loss that relates to the right of use retained by the seller-lessee, after the commencement date.

The amendments do not affect the gain or loss recognised by the seller-lessee relating to the partial or full termination of a lease. Without these new requirements, a seller-lessee may have recognised a gain on the right of use it retains solely because of a remeasurement of the lease liability (for example, following a lease modification or change in the lease term) applying the general requirements in IFRS 16. This could have been particularly the case in a leaseback that includes variable lease payments that do not depend on an index or rate.

As part of the amendments, the IASB amended an Illustrative Example in IFRS 16 and added a new example to illustrate the subsequent measurement of a right-of-use asset and lease liability in a sale and leaseback transaction with variable lease payments that do not depend on an index or rate. The illustrative examples also clarify that the liability that arises from a sale and leaseback transaction that qualifies as a sale applying IFRS 15 is a lease liability.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024. Earlier application is permitted. If a seller-lessee applies the amendments for an earlier period, it is required to disclose that fact.

A seller-lessee applies the amendments retrospectively in accordance with IAS 8 to sale and leaseback transactions entered into after the date of initial application, which is defined as the beginning of the annual reporting period in which the entity first applied IFRS 16.

Amendments to IAS 1 *Presentation of Financial Statements* – Classification of Liabilities as Current or Non-Current

The amendments to IAS 1 published in January 2020 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7)

In May 2024, the International Accounting Standards Board (IASB) issued *Amendments to the classification and Measurement of Financial Instruments* which amended IFRS 9 and IFRS 7.

The requirements will be effective for annual reporting periods beginning on or after 1 January 2026, with early application permitted, and are related to:

- Settling financial liabilities using electronic payments system; and
- Assessing contractual cash flow characteristics of financial assets, including those with sustainability-linked features.

The Group is in the process of assessing the impact of the new amendments.

IFRS 18 Presentation and Disclosures in Financial Statements

IFRS 18 will replace *IAS 1 Presentation of Financial Statements* and applies for annual reporting periods beginning on or after 1 January 2027. The new standard introduces the following key new requirements.

- Entities are required to classify all income and expenses into five categories in the statement of profit or loss, namely the operating, investing, financing, discontinued operations and income tax categories. Entities are also required to present a newly-defined operating profit subtotal. Entities' net profit will not change.

- Management-defined performance measures (MPMs) are disclosed in a single note in the financial statements.
- Enhanced guidance is provided on how to group information in the financial statements.

In addition, all entities are required to use the operating profit subtotal as the starting point for the statement of cash flows when presenting operating cash flows under the indirect method.

The Group is still in the process of assessing the impact of the new standard, particularly with respect to the structure of the Group's statement of profit or loss, the statement of cash flows and the additional disclosure required for MPMs. The Group is also assessing the impact on how information is grouped in the financial statements, including for items currently labelled as 'other'.

New or amended standard or interpretation	Effective date – for annual periods beginning on or after
Amendments to IFRS 16 Leases	1 January 2024
Amendments to IAS 1 Presentation of Financial Statements – Classification of Liabilities as Current or Non-Current	1 January 2024
Amendments to IAS 1 Presentation of Financial Statements – Non-Current Liabilities with Covenants	1 January 2024
Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7)	1 January 2026
IFRS 18 Presentation and Disclosures in Financial Statements	1 January 2027

3. Interest and similar income

The following table summarises the components of interest and similar income:

	Group 2024 £'000	Group 2023 £'000	Company 2024 £'000	Company 2023 £'000
Interest and similar income calculated using EIR				
Loans to customers				
- Property Loans	44,932	36,540	-	-
- Wholesale Loans	1,325	-	-	-
- Consumer Loans	27,191	25,042	-	-
Debt instruments	1,622	1,544	759	-
Interest on Bank of England Reserve account	6,501	3,435	-	-
Amounts due from credit institutions	361	52	-	-
Total interest and similar income on financial assets at amortised cost	81,932	66,613	759	-
On financial assets held at fair value				
Interest rate swaps	2,190	330	-	-
Total interest and similar income on derivative financial instruments	2,190	330	-	-
Total interest and similar income	84,122	66,943	759	-

4. Interest and similar expense

The following table summarises the components of interest and similar expense:

	Group 2024 £'000	Group 2023 £'000	Company 2024 £'000	Company 2023 £'000
Interest and similar expense calculated on financial liabilities at amortised cost				
Interest on customer deposits	38,266	20,137	-	-
Interest expense on leases	14	33	-	-
Interest expense on subordinated liabilities	759	-	759	-
Total interest expense on financial liabilities at amortised cost	39,039	20,170	759	-
Interest and similar expense calculated on financial liabilities designated at fair value				
Interest expense on financial liabilities at fair value through profit or loss: Housas	57	37	-	-
Total interest expense on financial liabilities designated at fair value	57	37	-	-
Interest and similar expense calculated on derivative financial instruments				
Interest expense on interest rate swaps	184	-	-	-
Total interest expense on derivative financial instruments	184	-	-	-
Total interest and similar expense	39,280	20,207	759	-

5. Realised and unrealised gain / (loss) on financial instruments at fair value through profit or loss

The following tables summarise the components of realised and unrealised gains and losses:

5.1 Realised losses

	Group 2024 £'000	Group 2023 £'000
Net realised loss on financial liabilities designated at fair value through profit or loss	(362)	(295)
Net realised loss on financial assets designated at fair value through profit or loss	(319)	-
Net realised loss on financial instruments at fair value through profit or loss	(681)	(295)

5.2 Unrealised gains / (losses)

	Group 2024 £'000	Group 2023 £'000
Net unrealised loss on financial assets designated at fair value through profit or loss	-	(278)
Net unrealised gain on financial liabilities designated at fair value through profit or loss	311	336
Net unrealised loss on derivatives at fair value through profit or loss	(1,192)	(801)
Net unrealised loss on financial instruments at fair value through profit or loss	(881)	(743)
Total realised / unrealised (loss) / gain on financial instruments at fair value through profit or loss	(1,562)	(1,038)

Analysis of (loss)/gain on derivatives at fair value

	2024 £'000	2023 £'000
Hedged assets		
Net loss on derivatives designated at fair value hedges	(6,764)	(866)
Fair value adjustments from hedge accounting	6,585	907
Ineffectiveness of fair value hedges	(179)	41
Amortisation of cumulative clean fair value	(874)	(794)
Movements on other derivative financial instruments	(38)	(48)
Fair value loss on hedged assets	(1,091)	(801)
	2024 £'000	2023 £'000
Hedged liabilities		
Net loss on derivatives designated at fair value hedges	550	-
Fair value adjustments from hedge accounting	(781)	-
Ineffectiveness of fair value hedges	(231)	-
Amortisation of cumulative clean fair value	214	-
Movements on other derivative financial instruments	(84)	-
Fair value loss on hedged liabilities	(101)	-
Fair value loss on derivatives at fair value through profit or loss	(1,192)	(801)

Gains and losses for financial liabilities relate to fair value movements on the structured deposits.

6. Administrative expenses

The following tables summarise the components of staff and other administrative expenses:

	Group 2024 £'000	Group 2023 £'000
Staff expenses		
Wages and salaries	14,952	14,847
Social security costs	1,477	1,487
Company contributions to defined contribution pension plan	627	606
Other personnel costs	529	450
Total staff expenses	17,585	17,390
	2024 £'000	2023 £'000
Other operating expenses		
Advertising and marketing	306	295
Professional fees	2,078	1,894
Non-recoverable VAT expense	1,407	1,351
Bank charges and similar expense	546	341
Other operating expenses	3,729	3,404
Total operating expenses	8,066	7,285
Total administrative expenses	25,651	24,675

The Group operates a defined contribution pension plan for eligible employees and contributes 6% of an employee's salary.

Administrative expenses fell year on year, as the Bank maintained strong cost discipline in the current high inflation environment with savings principally made through lower external expenditure in relation to strategic initiatives. Included within professional fees are the costs of contractors of £140,000 (2023: £269,000).

There are no staff costs in the Company.

Included within professional fees are the following expenses related to services provided by the Group's auditors:

	2024 £'000	2023 £'000
Audit of the Company's statutory financial statements	70	60
Non-audit services:		
Audit related assurance services	63	-
Total company auditors' remuneration	133	60
Subsidiaries		
Audit of the Group subsidiaries' statutory financial statements	919	860
Non-audit services:		
Audit related assurance services of Group subsidiaries	15	75
Total Subsidiary auditors' remuneration	934	935
Total Group auditors' remuneration	1,067	995

6.1 Employee numbers

The following table summarises the monthly average number of people employed by the Group during the year.

	2024 Number	2023 Number
Monthly average number of people employed in:		
Legal, compliance and risk	25	20
Sales and marketing	26	29
Operations	148	156
Monthly average number of people employed during the year	199	205

There are no employees of the Company.

6.2 Key management compensation

The Company considers that directors and members of the Executive Committee of the Company meet the definition of key management. The total remuneration for Key management is paid by Castle Trust Capital plc, a direct subsidiary of the Group. The costs in relation to key management are not recharged to the Company.

The following table presents the total aggregate key management personnel's compensation for all legal entities in the Group excluding directors as director's compensation is set out separately below:

	2024 £'000	2023 £'000
Compensation of key management personnel:		
Short-term employee benefits	2,218	2,269
Post-employment benefits	113	75
Other long-term benefits	-	40
	2,331	2,384

6.3 Directors' remuneration

The directors of the Company are also directors of other group undertakings. The directors received their total remuneration from Castle Trust Capital plc, a direct subsidiary of the Company. The costs in relation to directors remuneration are not recharged to the Company.

The total aggregate director remuneration for all legal entities in the Group is as follows:

	2024 £'000	2023 £'000
Aggregate remuneration in respect of qualifying services	1,801	1,834
Highest paid director's remuneration	819	806
Company contributions to defined contribution pension plan	-	-

Included within directors' remuneration are amounts of £nil (2023: £nil) as compensation for loss of office. 2 directors are entitled to contributions to pension plans.

7. Corporation tax

The following tables set out the components of income tax and the reconciliation of the total tax charge to the tax charge that would apply if all profits had been charged at the Group's corporate tax rate for the current and prior year.

Total tax

	Group Year ended 30 September 2024 £'000	Group Year ended 30 September 2023 £'000	Company Year ended 30 September 2024 £'000	Company Year ended 30 September 2023 £'000
Profit				
<i>Analysis of tax charge on ordinary activities</i>				
UK corporation tax on results for the current year	586	859	-	-
Adjustment in respect of prior years	(170)	(355)	-	-
Total current tax	416	504	-	-
<i>Deferred Tax</i>				
Origination and reversal of temporary differences	1,847	1,696	-	-
Changes in tax rates	-	(76)	-	-
Recognition of previously unrecognised deferred tax asset	-	(659)	-	-
Adjustment in respect of prior years	247	486	-	-
Total deferred tax	2,094	1,447	-	-
Total tax charge	2,510	1,951	-	-
Factors affecting tax charge for the current year				
Profit on ordinary activities before tax	9,095	11,388	-	-
UK corporation tax at 25% (2023: 22%)	2,274	2,505	-	-
Effects of:				
Adjustments in respect of prior years	77	131	-	-
Disallowable expenses	159	50	190	-
Income not taxable	-	-	-	-
Group relief surrendered for no payment	-	-	(190)	-
Impact of movements in unrecognised deferred tax	-	(659)	-	-
Impact of change in tax rate	-	(76)	-	-
Total tax charge	2,510	1,951	-	-

The following table shows the deferred tax recorded in the consolidated statement of financial position and changes recorded in corporation tax expense:

	Year ended 30 September 2024 £'000	Year ended 30 September 2023 £'000	Year ended 30 September 2024 £'000	Year ended 30 September 2023 £'000
Deferred tax				
<i>Movement on deferred taxation balance in the year</i>				
Opening asset	(10,174)	(11,621)	-	-
Recognised in profit and loss	2,094	1,447	-	-
Adjustments in respect of prior years	-	-	-	-
Closing asset	(8,080)	(10,174)	-	-
Analysis of deferred tax asset				
<u>Assets</u>				
Losses	(8,283)	(9,919)	-	-
Accounting transitional adjustments	(922)	(1,099)	-	-
Other temporary differences	(169)	(509)	-	-
Fixed assets	(145)	(150)	-	-
	(9,519)	(11,677)	-	-
<u>Liabilities</u>				
Interest rate derivatives	991	1,098	-	-
Other temporary differences	46	173	-	-
Fixed assets	402	232	-	-
	1,439	1,503	-	-
Net deferred tax asset	(8,080)	(10,174)	-	-

Group

As at 30 September 2024, the Group had trading losses of £33,132,000 (2023: £39,726,000), other deductible temporary differences of £4,364,000 (2023: £6,431,000) and decelerated capital allowances of £578,000 (2023: £601,000). A deferred tax asset of £9,519,000 (2023: £11,690,000) has been recognised, which is disclosed net of a deferred tax liability giving a net deferred tax asset of £8,080,000 (2023: £10,174,000). This represents full recognition of the net deferred tax asset.

Company

As at 30 September 2024, the Company had total trading losses of £nil, short timing differences of £nil and decelerated capital allowances of £nil in respect of which no deferred tax asset has been recognised.

An increase in the UK corporation rate from 19% to 25% (effective 1 April 2023) was substantively enacted on 24 May 2021. This has increased the group's corporation tax charge accordingly. The deferred tax asset at 30 September 2024 has been calculated based on these rates, reflecting the expected timing of reversal of the related temporary differences.

Taxation payable is £nil (2023: £599,000). Taxation receivable is £621,000 (2023: £958,000).

8. Cash and cash equivalents

Cash and cash equivalents consist of loans and advances to central banks and loans and advances to banks.

The following table sets out each component of cash and cash equivalents.

	Group 2024 £'000	Group 2023 £'000
Loans and advances to central banks	32,545	43,624
Loans and advances to banks	88,826	66,089
Total cash and cash equivalents	121,371	109,713

Loans and advances to central banks constitute balances held with the Bank of England.

Loans and advances to banks constitute balances held with NatWest and HSBC to facilitate operating requirements.

The carrying value of loans and advances to central banks and to banks approximate to fair value. The expected credit losses on these balances are considered to be immaterial as detailed in note 25.1.

9. Amounts due to and from credit institutions

Group	2024 £'000	2023 £'000
Amounts held as cash margin	7,500	3,500
Variation margin paid	4,745	400
Total amounts due from credit institutions	12,254	3,900

The amount of £7,500,000 represents net margin held for interest rate swaps. This is an encumbered balance given to a credit institution against derivatives contracts. The £4,754,000 (2023: £400,000) represents variation margin on the swaps that has been paid.

Group	2024 £'000	2023 £'000
Variation margin received	1,614	2,940
Total amounts due to credit institutions	1,614	2,940

The £1,614,000 (2023:£2,940,000) represents variation margin on the swaps that has been received.

Amounts due to and from credit institutions are valued at amortised cost which approximates to fair value.

10. Debt instruments

	Group 2024 £'000	Group 2023 £'000	Company 2024 £'000	Company 2023 £'000
Treasury Bills and Gilts	63,810	40,495	-	-
Subordinated debt	-	-	7,632	-
Total debt instruments	63,810	40,495	7,632	-

Group's debt instruments comprise Treasury Bills and Gilts held at amortised cost. The carrying value of these balances approximates to fair value. The expected credit losses on these balances are considered to be immaterial as detailed in note 25.1.1.

The Company debt instruments are Tier 2 Fixed Rate Resetable Subordinated Bonds issued by its subsidiary Castle Trust Capital plc. These Bonds bear an interest rate of 13% and have maturity dates of November 2033.

The carrying value of debt instruments approximate to fair value.

11. Trade and other receivables

The following table sets out carrying amount of trade and other receivables:

Group	2024 £'000	2023 £'000
Trade and other receivables	980	1,361
Impairment	(66)	(293)
	914	1,068

Trade and other receivables Gross	Other trade and other receivables £'000	Retailer debtors £'000	Total £'000
Gross carrying amount as at 1 Oct 2023	751	610	1,361
New assets originated or purchased	(12)	1,320	1,308
Recoveries	-	(1,310)	(1,310)
Amounts written off	-	(379)	(379)
Total gross carrying amount at 30 September 2024	739	241	980

Trade and other receivables ECL	Other trade and other receivables £'000	Retailer debtors £'000	Total £'000
At 1 Oct 2023	-	293	293
New assets originated or purchased	-	205	205
Recoveries	-	(258)	(258)
Amounts written off	-	(174)	(174)
Total ECL amount at 30 September 2024	-	66	66

Trade and other receivables Gross	Other trade and other receivables £'000	Retailer debtors £'000	Total £'000
Gross carrying amount as at 1 Oct 2022	1,204	479	1,683
New assets originated or purchased	-	2,092	2,092
Recoveries	(250)	(769)	(1,019)
Amounts written off	-	(1,192)	(1,192)
Transferred out	(203)	-	(203)
Total gross carrying amount at 30 September 2023	751	610	1,361

Trade and other receivables ECL	Other trade and other receivables £'000	Retailer debtors £'000	Total £'000
At 1 Oct 2022	-	333	333
New assets originated or purchased	-	1,020	1,020
Recoveries	-	(794)	(794)
Amounts written off	-	(266)	(266)
Total gross carrying amount at 30 September 2023	-	293	293

Retailer debtors represent balances owed by Omni retail partners. The carrying value of these balances approximates to fair value.

The fair value of trade and other receivables approximates to the carrying value as presented in the statement of financial position as the receipt of the related cash is not more than three months from the date of the recognition of the asset and is not subject to significant credit risk.

12. Loans to customers at amortised cost

Loans to customers at amortised cost comprise property loans (Serviced and Interest Roll Up mortgages, RDF loans) and the fixed income component of all house price linked loans and consumer loans.

The current financial year has seen large debt sales of defaulted balances for consumer loans and write off's of highly impaired legacy property defaulted cases. With a high level of ECL for these loans in the prior year, this has resulted in a lower ECL balance despite the rising overall loan balance.

The following table sets out the carrying value of loans to customers by product type.

Group	Amortised Cost 30 September 2024 £'000	Gross 30 September 2024 £'000	ECL 30 September 2024 £'000
Consumer loans	210,023	219,867	(9,844)
Property loans	648,405	660,706	(12,301)
Wholesale loan	19,933	19,975	(42)
Total loans to customers at amortised cost	878,361	900,548	(22,187)

	Amortised Cost 30 September 2023 £'000	Gross 30 September 2023 £'000	ECL 30 September 2023 £'000
Consumer loans	224,366	239,949	(15,583)
Property loans	546,990	559,087	(12,097)
Total loans to customers at amortised cost	771,356	799,036	(27,680)

Movement in impairment provision in year	30 September 2023 £'000	30 September 2024 £'000
Consumer loans	1,505	(5,739)
Property loans	2,229	205
Wholesale loan	-	42
Total movement in impairment provisions	3,734	(5,492)

Write-offs in year	30 September 2023 £'000	30 September 2024 £'000
Consumer loans	2,266	8,631
Property loans	1,069	4,468
Total impairment losses on loans to customers	7,069	7,607

Reconciliation of total impairment charge

	30 September 2023 Impairment losses £'000	30 September 2024 Impairment losses £'000
Consumer loans ECL charge	3,528	2,204
Consumer loans balance write-off	243	689
Property loan ECL charge / (credit)	2,229	205
Property loan balance write-off	1,069	4,468
Wholesale loan ECL charge	-	42
Total movement losses on loans to customers	7,069	7,608
Reversal in retailer provision	(40)	(228)
Retailer write-offs	926	206
Total impairment losses	7,955	7,586

For fair values, fair value hierarchy classifications, sensitivities and modelling techniques refer to Note 24.

Reconciliation of gross loan and ECL movements in the year

The following tables set out a reconciliation, from the start to the end of the year, of the movement in gross loan balance in the statement of financial position for loans and advances at amortised cost.

Total	Stage 1		Stage 2		Stage 3		Total	
	Gross £'000	ECL £'000	Gross £'000	ECL £'000	Gross £'000	ECL £'000	Gross £'000	ECL £'000
Gross carrying amount as at 1 Oct 2023	658,754	(3,755)	56,455	(2,764)	83,827	(21,161)	799,036	(27,680)
New assets originated or purchased	490,692	(3,525)	-	-	1,085	(73)	491,777	(3,598)
Assets derecognised or repaid	(367,392)	2,544	(28,640)	1,300	(16,212)	3,360	(412,244)	7,204
Transfers to Stage 1	6,717	(223)	(6,717)	223	-	-	-	-
Transfers to Stage 2	(42,470)	284	42,549	(352)	(79)	68	-	-
Transfers to Stage 3	(30,776)	95	(9,879)	633	40,655	(728)	-	-
Amortisation of interest	16,146	(152)	15,523	(137)	3,522	(801)	35,191	(1,090)
Amounts written off	-	-	-	-	(13,100)	10,562	(13,100)	10,562
Adjustment for hedging	(112)	-	-	-	-	-	(112)	-
Impact on ECL due to change in staging including unwinding of discount	-	2,591	-	(1,357)	-	(8,786)	-	(7,552)
Provision for commitments	-	(33)	-	-	-	-	-	(33)
Total gross carrying amount at 30 September 2024	731,559	(2,174)	69,291	(2,454)	99,698	(17,559)	900,548	(22,187)

Consumer loans	Stage 1		Stage 2		Stage 3		Total	
	Gross £'000	ECL £'000	Gross £'000	ECL £'000	Gross £'000	ECL £'000	Gross £'000	ECL £'000
Gross carrying amount as at 1 Oct 2023	218,141	(2,826)	8,375	(1,778)	13,433	(10,979)	239,949	(15,583)
New assets originated or purchased	247,153	(3,092)	-	-	-	-	247,153	(3,092)
Assets derecognised or repaid	(270,745)	1,977	(4,772)	871	(1,211)	1,985	(276,728)	4,833
Transfers to Stage 1	709	(132)	(709)	132	-	-	-	-
Transfers to Stage 2	(9,899)	165	9,945	(202)	(46)	37	-	-
Transfers to Stage 3	(3,102)	45	(1,257)	375	4,359	(420)	-	-
Amounts written off	-	-	-	-	(8,631)	6,093	(8,631)	6,093
Amortisation of interest	14,699	(152)	573	(137)	961	(801)	16,233	(1,090)
Adjustment for hedging	1,891	-	-	-	-	-	1,891	-
Impact on ECL due to change in staging including unwinding of discount	-	2,683	-	(873)	-	(2,738)	-	(928)
Provision for commitments	-	(77)	-	-	-	-	-	(77)
Total gross carrying amount at 30 September 2024	198,847	(1,409)	12,155	(1,612)	8,865	(6,823)	219,867	(9,844)

	Stage 1		Stage 2		Stage 3		Total	
	Gross £'000	ECL £'000	Gross £'000	ECL £'000	Gross £'000	ECL £'000	Gross £'000	ECL £'000
Property loans								
Gross carrying amount as at 1 Oct 2023	440,613	(929)	48,080	(986)	70,394	(10,182)	559,087	(12,097)
New assets originated or purchased	223,564	(391)	-	-	1,085	(73)	224,649	(464)
Assets derecognised or repaid	(96,647)	567	(23,868)	429	(15,001)	1,375	(135,516)	2,371
Transfers to Stage 1	6,008	(91)	(6,008)	91	-	-	-	-
Transfers to Stage 2	(32,571)	119	32,604	(105)	(33)	31	-	-
Transfers to Stage 3	(27,674)	50	(8,622)	258	36,296	(308)	-	-
Amounts written off	-	-	-	-	(4,469)	4,469	(4,469)	4,469
Amortisation of interest	1,447	-	14,950	-	2,561	-	18,958	-
Adjustment for hedging	(2,003)	-	-	-	-	-	(2,003)	-
Unwind of discount	-	-	-	-	-	-	-	-
Impact on ECL due to change in staging including unwinding of discount	-	(92)	-	(484)	-	(6,048)	-	(6,624)
Provision for commitments	-	44	-	-	-	-	-	44
Total gross carrying amount at 30 September 2024	512,737	(723)	57,136	(842)	90,833	(10,736)	660,706	(12,301)

	Stage 1		Stage 2		Stage 3		Total	
	Gross £'000	ECL £'000	Gross £'000	ECL £'000	Gross £'000	ECL £'000	Gross £'000	ECL £'000
Wholesale loans								
Gross carrying amount as at Oct 2023	-	-	-	-	-	-	-	-
New assets originated or purchased	19,975	(42)	-	-	-	-	19,975	(42)
Assets derecognised or repaid	-	-	-	-	-	-	-	-
Transfers to Stage 1	-	-	-	-	-	-	-	-
Transfers to Stage 2	-	-	-	-	-	-	-	-
Transfers to Stage 3	-	-	-	-	-	-	-	-
Interest accrual	-	-	-	-	-	-	-	-
Impact on ECL due to change in staging including unwinding of discount	-	-	-	-	-	-	-	-
Total gross carrying amount at 30 September 2024	19,975	(42)	-	-	-	-	19,975	(42)

Reconciliation of impairment movements in prior year

Group

	Stage 1		Stage 2		Stage 3		Total	
	Gross £'000	ECL £'000	Gross £'000	ECL £'000	Gross £'000	ECL £'000	Gross £'000	ECL £'000
Total								
Gross carrying amount as at 1 Oct 2022	541,345	(3,369)	72,473	(2,940)	74,413	(17,637)	688,231	(23,946)
New assets originated or purchased	395,391	(6,418)	15,890	(333)	1,662	(109)	412,943	(6,860)
Assets derecognised or repaid	(282,160)	1,870	(25,324)	1,218	(24,874)	4,068	(332,358)	7,156
Transfers to Stage 1	3,195	(179)	(3,194)	179	(1)	-	-	-
Transfers to Stage 2	(16,273)	186	16,794	(236)	(521)	50	-	-
Transfers to Stage 3	(8,120)	91	(20,700)	898	28,820	(989)	-	-
Amortisation of interest	25,264	-	516	-	4,328	-	30,108	-
Adjustment for hedging	112	-	-	-	-	-	112	-
Impact on ECL due to change in staging including unwinding of discount	-	4,131	-	(1,550)	-	(6,544)	-	(3,963)
Provision for commitments	-	(67)	-	-	-	-	-	(67)
Total gross carrying amount at 30 September 2023	658,754	(3,755)	56,455	(2,764)	83,827	(21,161)	799,036	(27,680)

	Stage 1		Stage 2		Stage 3		Total	
	Gross £'000	ECL £'000	Gross £'000	ECL £'000	Gross £'000	ECL £'000	Gross £'000	ECL £'000
Consumer loans								
Gross carrying amount as at 1 Oct 2022	206,278	(3,078)	7,126	(1,835)	11,144	(9,165)	224,548	(14,078)
New assets originated or purchased	255,100	(5,715)	-	-	-	-	255,100	(5,715)
Assets derecognised or repaid	(244,690)	1,767	(3,768)	894	(2,726)	2,094	(251,184)	4,755
Transfers to Stage 1	731	(156)	(730)	156	(1)	-	-	-
Transfers to Stage 2	(6,592)	176	6,644	(213)	(52)	37	-	-
Transfers to Stage 3	(3,708)	82	(1,246)	429	4,954	(511)	-	-
Amortisation of interest	12,913	-	349	-	114	-	13,376	-
Adjustment for hedging	(1,891)	-	-	-	-	-	(1,891)	-
Impact on ECL due to change in staging including unwinding of discount	-	4,154	-	(1,209)	-	(3,434)	-	(489)
Provision for commitments	-	(56)	-	-	-	-	-	(56)
Total gross carrying amount at 30 September 2023	218,141	(2,826)	8,375	(1,778)	13,433	(10,979)	239,949	(15,583)

	Stage 1		Stage 2		Stage 3		Total	
	Gross £'000	ECL £'000	Gross £'000	ECL £'000	Gross £'000	ECL £'000	Gross £'000	ECL £'000
Property loans								
Gross carrying amount as at 1 Oct 2022	335,067	(291)	65,347	(1,105)	63,269	(8,472)	463,683	(9,868)
New assets originated or purchased	140,291	(703)	15,890	(333)	1,662	(109)	157,843	(1,145)
Assets derecognised or repaid	(37,470)	103	(21,556)	324	(22,148)	1,974	(81,174)	2,401
Transfers to Stage 1	2,464	(23)	(2,464)	23	-	-	-	-
Transfers to Stage 2	(9,681)	10	10,150	(23)	(469)	13	-	-
Transfers to Stage 3	(4,412)	9	(19,454)	469	23,866	(478)	-	-
Amortisation of interest	12,351	-	167	-	4,214	-	16,732	-
Adjustment for hedging	2,003	-	-	-	-	-	2,003	-
Impact on ECL due to change in staging including unwinding of discount	-	(23)	-	(341)	-	(3,110)	-	(3,474)
Provision for commitments	-	(11)	-	-	-	-	-	(11)
Total gross carrying amount at 30 September 2023	440,613	(929)	48,080	(986)	70,394	(10,182)	559,087	(12,097)

Interest income recognised during the year on Stage 3 impaired loans was £7,303,000 (2023: impaired loans £6,195,000).

Mortgage behavioural assumptions and sensitivities

A heightened area of focus in the banking industry over the last year has been the behaviour of mortgage customers who are on limited term fixed rate products which then revert onto a bank's standard variable rate ("SVR"). The increase in UK base rates has seen mortgage rates rise significantly across the industry over the year and the Group, like other banks, has been enhancing the monitoring of customer behaviour in this environment and assessing the impact to amortised cost balances of related behavioural changes.

In calculating the Amortised cost and related EIR for mortgages, a conditional prepayment rate ("CPR"), being a loan prepayment rate equivalent to the proportion of a loan's principal that is assumed to be paid off ahead of time in each period, is estimated. The calculation of this estimate is based on several factors, such as historical prepayment rates for previous loans and future economic outlooks. For the legacy Interest Roll-up and House Price Index mortgages, the current calculation uses a 3-year product time window to assess the most appropriate rate to apply. A separate CPR curve is applied to the first charge serviced 'Term Ten' mortgage book, where the greatest sensitivity relates to the early repayment assumptions and the proportion of loans reverting onto the SVR at the end of the fixed rate reversionary period.

Term Ten mortgages are the Bank's principal 1st charge serviced mortgage product available to buy to let customers. The product will typically have a 5 year fixed interest rate term followed by a 5 year term on the SVR.

A repayment by the customer in advance of the end of the fixed interest term will attract an early repayment charge ("ERC"). The CPR model for the Term Ten products uses historical data to estimate the repayment profile of customers and therefore the expected early repayment charges and SVR interest earned over the life of the product. This data is then used to calculate the related effective interest rate at origination. Periodically, the Group will update the CPR curves using the latest data available, the impact of which can result in movements to the amortised cost balance of loans as future cash flow assumptions change.

As at 30 September 2024, Term Ten mortgages had a total gross loan balance of £411.7m. This makes up 63% of the total Property loan book at year end.

On recalibrating the CPR curves as at 30 September 2024, additional consideration was taken over the ability and incentive for customers to repay their Term Ten mortgages early in the current higher interest rate environment. Likewise, with SVR rates increasing following recent UK base rate rises, customers may have a greater incentive to refinance their mortgages sooner after the end of the fixed term period. Since the current CPR curve is based on historic data, much of which relates to customer behaviour in a lower interest rate environment, it was felt that the modelled outcomes did not fully reflect the challenges of the current higher interest rate environment. Therefore, a post model adjustment ("PMA") has been applied to the Term Ten amortised cost balance. The impact of the PMA is to reduce the amortised cost balance by £2.6m when compared to the latest calibrated model outcome.

The table below details the sensitivities of the Term Ten Mortgage amortised cost balance to changes in customer behaviour. This analysis shows the impact to the amortised cost balance of decreases to the levels of customers repaying before the end of the fixed rate term (lower levels of ERC would be earned) and also the impact of fewer customers reverting to the higher SCR rate after the end of the fixed term.

Term Ten mortgages CPR sensitivities	£'000	Proportion of loan balance	Proportion of Property EIR income
Early repayments			
10% decrease in early repayments	(352)	0.09%	0.76%
25% decrease in early repayments	(769)	0.19%	1.67%
50% decrease in early repayments	(1,454)	0.35%	3.15%
Customers reverting to SVR			
10% decrease in customers reverting to SVR	(999)	0.24%	2.17%
25% decrease in customers reverting to SVR	(3,083)	0.75%	6.69%
50% decrease in customers reverting to SVR	(6,210)	1.51%	13.47%

The bridging, legacy Interest Roll-up and House Price Index mortgages, each have their own CPR curves. A 10% decrease in repayments of these loans would reduce the amortised cost of the mortgage loan balances by £39,000.

In the current variable interest rate environment with an uncertain macroeconomic outlook, it is reasonable to consider a 10%-25% change in customers reverting to the Standard Variable Rate (SVR) or incurring an early repayment charge. A 50% change represents a plausible but highly unlikely scenario.

13. Financial asset designated at fair value through profit or loss

A mortgage designated at fair value through profit or loss together was measured at fair value because it was managed and its performance was evaluated on a fair value basis. The mortgage was redeemed in the year.

The mortgage asset was measured at fair value on a recurring basis and its valuation was categorised at Level 3. For fair value hierarchy classifications, modelling and sensitivities disclosures refer to Note 24.

The following tables show a reconciliation from the opening balances to the closing balances, including the total gains for the year that are recognised in the statement of comprehensive income within 'Realised / unrealised gain on financial instruments at fair value through profit or loss'.

In 2019, the embedded house price derivatives of all the mortgages designated at fair value through profit or loss were sold to CTC Holdings (Cayman) Limited except for two mortgages which were not sold. The remaining financial instruments, having been substantially modified, were thus derecognised. New financial instruments, being the remaining fixed income host contracts, were recognised as loans at amortised cost. Of the two mortgages which were not sold, one was substantially modified in the prior year, derecognised and re-recognised as a loan at amortised cost, leaving only one mortgage still recognised at fair value through profit or loss as at 30 September 2023. This one mortgage was redeemed during the current year.

	Index Profit Share mortgages £'000	Total £'000
Movements in the period to 30 September 2024		
At 1 October 2023	4,083	4,083
Net loss on financial assets designated at fair value through profit or loss	(319)	(319)
Redemptions	(3,764)	(3,764)
Closing balance at 30 September 2024	-	-
	Index Profit Share mortgages £'000	Total £'000
Movements in the period to 30 September 2023		
At 1 October 2022	4,094	4,094
Fees and other movements in amortised cost	284	284
Net loss on financial assets designated at fair value through profit or loss	(295)	(295)
Closing balance at 30 September 2023	4,083	4,083

The total unrealised loss during the year was £ nil (2023 £295,000).

14. Derivative Financial Instruments

During the year the Group used derivative financial instruments to hedge its exposure to interest rate risk in relation to increases/decreases in interest rates relating to loans to customers and liabilities at amortised cost. Hedge accounting commenced from 1 October 2022. In FY22, interest rate swaps were held but not designated in a hedging relationship.

The following table shows a breakdown of the derivatives used at the reporting date and at 30 September 2024:

Margin of £7,500,000 (2023: £3,500,000) is included as loan and advances to credit institutions.

Derivatives held for risk management	2024						
	Contract or underlying principal amount £'000	Positive market value £'000	Negative market value £'000	Total £'000	Cash collateral receivable £'000	Cash collateral payable £'000	Net amount £'000
Interest rate swaps (not in hedging relationships)	103,000	-	(10)	(10)	10	-	10
Total	103,000	-	(10)	(10)	10	-	10
Interest rate swaps (in hedging relationships)	666,000	1,637	(4,681)	(3,044)	4,744	(1,614)	3,130
Total	666,000	1,637	(4,681)	(3,044)	4,744	(1,614)	3,130
Total	769,000	1,637	(4,691)	(3,054)	4,754	(1,614)	(3,140)

	2023						
	Contract or underlying principal amount £'000	Positive market value £'000	Negative market value £'000	Total £'000	Cash collateral receivable £'000	Cash collateral payable £'000	Net amount £'000
Derivatives held for risk management							
Interest rate swaps (not in hedging relationships)	30,000	-	(48)	(48)	-	-	-
Total	30,000	-	(48)	(48)	-	-	-
Interest rate swaps (in hedging relationships)	145,000	3,119	(394)	2,725	400	(2,940)	(2,540)
Total	145,000	3,119	(394)	2,725	400	(2,940)	(2,540)
Total	175,000	3,119	(442)	2,677	400	(2,940)	(2,540)

For information of how the Group manages its market risk, see note 25.3.

For fair value hierarchy classifications and sensitivities disclosure refer to note 24.

15. Hedge Accounting

	2024 £'000	2023 £'000
Fair value adjustments on hedged assets	5,824	-
Fair value adjustments on hedged liabilities	567	-

In the prior year, the fair value hedge asset of £113k was reported within loans to customers (note 12) rather than separately on the consolidated statement of financial position. The presentation has been updated for the current year to show the adjustment separately for greater clarity. There has been no change in the basis of accounting for any of the underlying transactions.

The Group commenced hedged accounting for customer deposits during the current financial year.

The table below analyses the Group's portfolio hedge accounting:

	2024		2023	
	Hedged item £'000	Hedging instrument £'000	Hedged item £'000	Hedging instrument £'000
Loans and advances to customers				
Carry amount of hedged item / nominal value of hedging instrument	309,000	309,000	145,000	145,000
Cumulative fair value adjustments of hedged item / of hedging instrument	7,492	(7,734)	907	(934)
Changes in the fair value adjustment of hedged item / hedging instrument used for recognising the hedg ineffectiveness for the year	6,585	(6,764)	907	(934)
Cumulative fair value on cancelled hedge relationships	-	-	-	-

	2024		2023	
	Hedged item £'000	Hedging instrument £'000	Hedged item £'000	Hedging instrument £'000
Customer deposits				
Carry amount of hedged item / nominal value of hedging instrument	357,000	357,000	-	-
Cumulative fair value adjustments of hedged item / of hedging instrument	(781)	550	-	-
Changes in the fair value adjustment of hedged item / hedging instrument used for recognising the hedg ineffectiveness for the year	(781)	550	-	-
Cumulative fair value on cancelled hedge relationships	-	-	-	-

16. Property and equipment and right-of-use assets

The following table sets out components of property and equipment and a reconciliation of the cost and net book value during the year:

	Group			
	Office and computer equipment £'000	Leasehold improvements £'000	Right of Use Assets £'000	Total £'000
Cost				
At 1 October 2022	856	1,101	2,337	4,294
Additions in period	11	-	35	46
Disposals in period	-	-	-	-
At 30 September 2023	867	1,101	2,372	4,340
Additions in year	124	-	65	189
Written off in year	(334)	-	(279)	(613)
At 30 September 2024	657	1,101	2,158	3,916
Depreciation and impairment				
At 1 October 2022	717	769	1,215	2,701
Depreciation charge for the year	76	78	484	638
Depreciation charge on disposed assets	-	-	-	-
At 30 September 2023	793	847	1,699	3,339
Depreciation charge for the period	82	78	489	649
Depreciation on amounts written off	(334)	-	(256)	(590)
At 30 September 2024	541	925	1,932	3,398
Net book value				
At 30 September 2023	74	254	673	1,001
At 30 September 2024	116	176	226	518

Right of use assets relate to property leases capitalised in line with IFRS 16. The relating liability is detailed in Note 19.

There was no impairment necessary for the property and equipment as at 30 September 2024.

17. Investment in subsidiaries

The following table sets out the carrying value of subsidiaries.

Company

	2024 £'000	2023 £'000
Cost		
At beginning of the year	81,497	81,497
At end of the year	81,497	81,497
Impairment		
At beginning of the year	-	-
At end of the year	-	-
Net book value		
At beginning of the year	81,497	81,497
At end of the year	81,497	81,497

No impairment was necessary in the value of investment in subsidiaries as at 30 September 2024.

The Group and the parent company hold the following proportion of the nominal value (£0.10) of shares in the following Group subsidiary undertakings included in the consolidated accounts:

Name of Company	Registration Number	Holding	Proportion of voting rights & nominal value of shares held	Nature of business	Country of incorporation
Castle Trust Capital plc	7454474	Ordinary shares	100%	Mortgage finance company	UK
Castle Trust POS Limited	10493733	Ordinary shares	100%	Holding company Point of sale	UK
Omni Capital Retail Finance Limited**	7232938	Ordinary shares	100%	Consumer finance provider	UK

The holding of Castle Trust POS Limited ("CTPOS") is held indirectly via CTC.

**The holding of Omni is held indirectly via CTPOS.

The registered office for all these companies is 10 Norwich Street, London, EC4A 1BD.

17.1 Significant restrictions

There are no restrictions on the ability of subsidiaries to transfer funds to the Group in the form of cash dividends or to repay loans and advances. There are no protective rights of non-controlling interests which significantly restrict the Group's ability to access or use the assets and settle the liabilities of the Group.

18. Intangible assets

The following table sets out the net book value of intangible assets recorded in the consolidated statement of financial position by category of intangible asset. Software includes mortgage operations, valuation, consumer loans administration and customer deposit systems.

Cost	Internally developed software £'000
At 1 October 2022	14,268
Additions in the year	2,883
Write-offs	(318)
At 30 September 2023	16,833
Additions in the year	2,811
Write-offs	(81)
At 30 September 2024	19,563
Accumulated amortisation and impairment	
At 1 October 2022	8,631
Amortisation charge for the year	2,158
Write-offs	(318)
At 30 September 2023	10,471
Amortisation charge for the year	2,383
Write-offs	-
At 30 September 2024	12,854
Net book value	
At 30 September 2023	6,362
At 30 September 2024	6,709

The remaining amortisation period of internally developed software is 1.91 years. There was no impairment necessary in the value of intangible assets as at 30 September 2024. The amount of contractual commitments for the acquisition of intangible assets in future periods totalled £46,000 (2023: £248,000).

19. Trade and other payables

The following table sets out the components of trade and other payables.

	Group 2024 £'000	Group 2023 £'000
Trade creditors	5,058	3,472
Accruals and deferred income	4,249	4,240
Lease liabilities	269	766
Total trade and other payables	9,576	8,478

Trade and other payables consist of expenses paid in relation to the on-going costs of the business. They are recorded at cost, which approximates to fair value due to the short payment terms on which the Group operates, with the majority of trade liabilities being extinguished within 30 days of the recognition of the liability.

Lease liabilities relate to the occupation of premises in London and Basingstoke. The maturity profile this lease liabilities is detailed in Note 26.

20. Provisions for liabilities

The following table sets out the components of provisions for liabilities.

	Claims under Consumer Credit Act 1974 £'000
Opening balance at 1 October 2023	43
Credit for the year	31
Utilisation	(28)
Closing balance at 30 September 2024	46
Opening balance at 1 October 2022	457
Credit for the year	(260)
Utilisation	(154)
Closing balance at 30 September 2023	43

Omni is exposed to risk under s.75 of the Consumer Credit Act (CCA) in relation to misrepresentations or breaches of contract by suppliers of goods and services to customers where the purchase of those goods and services is financed by Omni. Omni has recourse to the supplier in the event of such a liability and as such a provision is held to cover the cases where the supplier is in financial distress and unlikely to be able to compensate customers. The provision is calculated by reference to individual complaints and claims outstanding at the year end, using estimates of the anticipated costs to remediate customers for any loss suffered. This is calculated by reference to historic claims upheld and management's estimate of costs for each claim.

The reduction in the provision in the current and prior years relates to a reduction in outstanding claims over the period.

21. Amounts due to customers at amortised cost

The Group's amounts due to customers at amortised cost in respect of Customer Deposits are valued at amortised cost, less transaction costs incurred in issuing the original bonds or raising the liabilities.

Group	2024 £'000	2023 £'000
Amounts owed to customers excluding unamortised costs	957,770	827,055
Brought forward unamortised transaction costs	-	(71)
Amortisation of transaction costs in this period	-	71
Total amounts due to customers at amortised cost	957,770	827,055

Refer to Note 26 for details on the maturity profile of the deposit accounts.

For fair value, fair value hierarchy classifications and sensitivities disclosure refer to Note 24.

The hierarchy position is considered to be Level 3, as the lowest level input, being the discount rate, is unobservable.

22. Amounts due to customers at fair value through profit or loss

Group financial liabilities at fair value through profit or loss include structured deposits that are designated at fair value through profit or loss.

On 22 June 2020, by Schemes of Arrangement, Housa customers with investments issued by subsidiary companies transferred their investment into new banking structured deposit products in the Company, the structure of which (return and maturity profile) matched their existing investment holding. For each series of Housas, CTC opened a corresponding structured deposit. These structured deposits replaced and exactly matched the previous intercompany swaps the Company held with Castle Trust Growth Housa PC and Castle Trust Income Housa PLC. These structured deposits, consistent with the Housas, are valued at fair value as the performance continues to be evaluated on a fair value basis.

	2024 £'000	2023 £'000
Structured deposits	128	831
Total amounts due to customers at fair value through profit or loss	128	831

The existing book is in run-off. However, there were three main variants of the Housa issued which converted into structured deposits, as explained below.

Income Housas were Loan Notes issued up to July 2014 by Castle Trust Income Housa plc which paid investors a quarterly coupon. Growth Housas were participating preference shares of Castle Trust PCC issued up to October 2015 which paid investors a coupon at the maturity of the Housa. The Housa was a retail investment product of fixed term between 2 and 10 years.

The returns (and potentially share in losses) for both Growth and Income Housas were also linked to the movement in the Halifax House Price Index. Foundation Housas were participating preference shares of Castle Trust PCC issued up to October 2015 where the capital amount investors subscribed to was guaranteed.

Structured deposits/ Housas are measured at fair value (on a recurring basis) because they are managed and their performance is evaluated on a fair value basis. The following table shows a reconciliation from the opening balance to the closing balance, including the loss for the period that is recognised in the statement of comprehensive income.

	2024 £'000	2023 £'000
Structured Deposits		
Opening balance at beginning of year	831	1,433
Net loss on financial liabilities at fair value through profit and loss	(311)	(336)
Redemptions in the year	(392)	(266)
Closing balance at end of year	128	831

The total unrealised losses as at year end was £54,000 (2023 £364,000). For fair value hierarchy classifications and sensitivities disclosure refer to Note 24. There were no transfers into Level 3 assets other than the completions in the period, and no transfers out other than redemptions.

The change in fair value attributable to change in credit risk for financial liabilities designated at fair value through profit or loss is a loss of £nil (2023: loss of £nil). The difference between fair value and the amount contractually due at maturity is cumulatively £22,000 (2023: £56,000).

The changes in fair value attributable to changes in credit risk for financial liabilities designated at fair value through profit or loss have been calculated by determining the changes in credit spread implicit in the fair value of financial instruments issued by entities with similar credit characteristics.

For fair value hierarchy classifications, modelling and sensitivities disclosure refer to Note 24.

23. Subordinated liability

	Group 2024 £'000	Group 2023 £'000	Company 2024 £'000	Company 2023 £'000
Tier 2 note	7,000	-	7,000	-
Accrued interest	632	-	632	-
Subordinated liability	7,632	-	7,632	-

The subordinated liability is initially measured at fair value and subsequently at amortised cost using the effective interest rate method. The subordinated Tier 2 note is eligible for treatment as regulatory capital. The note pays interest at a rate of 13% per annum. The Group has the option to redeem the note on 30 November 2033.

The subordinated debt was listed subsequent to the year-end on the International Stock Exchange.

The principal terms of the subordinated debt liability are as follows:

- Interest on the note is fixed at an initial rate until the reset date (November 2028). If the note is not redeemed prior to the reset date, the interest rate will be reset and fixed based on a benchmark gilt rate plus a spread of 9.35%.
- The Issuer may redeem the Tier 2 note in whole (but not in part) in its sole discretion in November 2028 as specified in the terms of the agreement. Optional redemption may also take place for certain regulatory or tax reasons. Any optional redemption requires the prior consent of the PRA.
- The note constitutes direct, unsecured and subordinated obligations of the Group and ranks as Tier 2 capital. The note ranks behind the claims of depositors and other unsecured and unsubordinated creditors, but ranks in priority to holders of Tier 1 capital and of equity of the Group.

24. Fair value modelling, sensitivities and fair value hierarchy

24.1 Fair value modelling & sensitivities

The Group has developed discounted cashflow models to value its financial assets and liabilities. The cash flows are based on assumptions about the range of possible future events and information concerning the terms of the financial instruments. It is run on a monthly basis for internal management information and Board reporting purposes.

The models make use of certain significant model inputs. The inputs could be market quoted levels or unobservable inputs which are calibrated using a set of methodologies developed in conjunction with the valuation models. The most significant inputs are set out in the table below.

Level 1 inputs are quoted prices in active markets for identical assets or liabilities that the Group can access at the measurement date. Level 2 inputs are inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability.

For development finance loans, the fair value is used as an approximation of the carrying value. In determining the mortgage book fair value, a discounted cashflow model is used based on contractual cashflows. This is adjusted for customer prepayment behaviour and for expected repayment dates for defaulted loans in line with modelled ECL outcomes. A discount rate of the current risk free rate plus a suitable credit spread is then applied to calculate the fair value.

For consumer loans the contractual repayment profile is modelled. The risk free rate plus a suitable credit spread is used as the discount rate and applied to the cashflows to determine the fair value.

There is significant correlation between model parameters where movements in a parameter would likely result in opposing movement in other parameters creating offsetting valuation impacts.

The fair value sensitivity to changes in the model inputs have been assessed using reasonable upward and downwards shifts to the model inputs while keeping all remaining inputs constant. The following tables set out the relevant sensitivities.

Sensitivity analysis has been provided below where a reasonable change in each input has a material impact on the reported figures. In determining this, a sensitivity range is defined for each parameter, such as the standard error of the estimated parameter value. In certain circumstances management's judgement is used where this is not always possible (such as where there is not sufficient data for each parameter). A threshold is defined and where the valuation sensitivity is greater than the threshold the parameter is included in the sensitivity disclosure below. The threshold applied is 1% of total mortgage assets.

Mortgage fair value measurement

The model was applied to mortgage product lending. As disclosed in Note 13, there are no mortgages designated at fair value retained in the group as at 30 September 2024 (2023: 1 mortgage). As the strike date of the embedded House Price Option has passed for this loan, its fair value is no longer sensitive to any changes in inputs into the model and its fair value has been estimated as the amount recoverable. The loan is classed as Level 3 due to low levels of observable inputs and increased uncertainty in the macroeconomic environment.

Amounts due to customers at fair value measurement

The discounted cash flow model, as applied to structured deposits (formerly Housa liabilities), incorporates various inputs, of which the most significant are as follows:

Input	Description	Range				Sensitivity Range	Sensitivity		September 2023	
		September 2024		September 2023			September 2024		Min	Max
		Min	Max	Min	Max		£'000	£'000	£'000	£'000
Movement in HPI	Percentage movement since origination to indexed value	50.7%	91.3%	27.4%	91.3%	+10%	(17)	16	(101)	98
Expected house price growth	Assumed annual rate of future HPI growth	0.2%	4.3%	-15.6%	-0.4%					
Volatility of the movement in HPI	Assumed annualised volatility of the future HPI returns	0.0%	1.9%	0.0%	4.8%					
Discount rates:	Derived to be consistent with future house price growth.									
	Risk free discount rates	3.6%	5.0%	2.2%	5.2%					
	Credit premium discount rate	2.2%	2.2%	2.2%	2.2%					
	House price risk premium	n/a	n/a	n/a	n/a	+10%	n/a	n/a	n/a	n/a

The assumption for house price growth is currently 3% which has been based on external forecasts and market consensus of the expected growth in house prices. This is a long-term average growth rate and as such a short term drop in house price growth rates as a result of recent economic uncertainty and interest rate rises will have a lesser impact on this long term average. However, it is expected that uncertainty will be higher in the near term as a result of these factors. A sudden drop in house prices of up to 10% is considered a reasonably possible due to recent macro-economic factors and this is reflected in the note under the sensitivity for movement in HPI.

24.2 Fair values and fair value hierarchy analysis

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The tables below show the determination of fair value according to a three-level valuation hierarchy. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input to the fair value measurement as a whole.

For loans and receivables held at amortised cost fair values are determined according to the most recent and where possible published interest rates, adjusted for the time value of money and credit spread risk, using a discounted cash flow model. The hierarchy position is considered to be Level 3, as the lowest level input that is significant to the valuation, being the discount rate, is unobservable.

For amounts due to customers for deposits a range of fair value is determined using the latest issuance rate and both an external and internal funding rate. The carrying value of the deposits sits within the range of calculated fair values and so is used as an approximation of fair value. The hierarchy position is considered to be Level 3, as the lowest level input that is significant to the valuation, being the discount rate, is unobservable.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

For financial instruments where the receipt of the related cash is not more than three months from the date of the recognition of the asset/liability and which are not subject to significant credit risk, carrying value approximates fair value, and they are consequently not included in the fair value analysis below.

Group

As at 30 September 2024

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000	Carrying value £'000
Assets					
Non-recurring items					
Debt instruments	63,810	-	-	63,810	63,810
Loans to customers At amortised cost	-	-	875,851	875,851	878,361
Recurring item					
Loans to customers Designated at fair value through profit or loss	-	-	-	-	-
Derivative financial instruments	-	1,637	-	1,637	1,637
Total	63,810	1,637	875,851	941,298	943,808
Liabilities					
Non-recurring items					
Amounts due to customers for deposits	-	-	957,770	957,770	957,770
Subordinated liability	-	-	7,632	7,632	7,632
Recurring item					
Financial liabilities at fair value through profit or loss	-	-	128	128	128
Derivative financial instruments	-	4,691	-	4,691	4,691
Total	-	4,691	965,530	970,221	970,221

Company

As at 30 September 2024

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000	Carrying value £'000
Assets					
<i>Non-recurring items</i>					
Debt instruments	-	-	7,632	7,632	7,632
Total	-	-	7,632	7,632	7,632
Liabilities					
<i>Non-recurring items</i>					
Subordinated liability	-	-	7,632	7,632	7,632
Total	-	-	7,632	7,632	7,632

As at 30 September 2023

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000	Carrying value £'000
Assets					
<i>Non-recurring items</i>					
Debt instruments	40,495	-	-	40,495	40,495
Loans to customers					
At amortised cost	-	-	744,520	744,520	771,356
<i>Recurring item</i>					
Designated at fair value through profit or loss	-	-	4,083	4,083	4,083
Derivative assets	-	3,119	-	3,119	3,119
Total	40,495	3,119	748,603	792,217	819,053
Liabilities					
<i>Non-recurring items</i>					
Amounts due to customers for deposits	-	-	827,055	827,055	827,055
<i>Recurring item</i>					
Financial liabilities at fair value through profit or loss	-	-	831	831	831
Derivative financial instruments	-	442	-	442	442
Total	-	442	827,886	828,328	828,328

There were no transfers in or out of Level 3 in the year.

Movement table for recurring Level 3 instruments

	Mortgage designated at fair value through profit or loss £'000	Financial liabilities at fair value through profit or loss £'000
Opening balance at 1 October 2023	4,083	(831)
Redemptions	(3,764)	311
Fair value movement	(319)	392
Closing balance at 30 September 2024	-	(128)

Movement table for recurring Level 2 instruments

	Derivative financial assets £'000
Opening balance at 1 October 2023	3,091
Net interest settlement	111
Fair value movement	(1,565)
Closing balance at 30 September 2024	1,637

	Derivative financial liabilities £'000
Opening balance at 1 October 2023	(414)
Net interest settlement	492
Fair value movement	(4,769)
Closing balance at 30 September 2024	(4,691)

Movement table for recurring Level 3 instruments

	Mortgage designated at fair value through profit or loss £'000	Financial liabilities at fair value through profit or loss £'000
Opening balance at 1 October 2022	4,094	(1,433)
Capitalised fees	284	-
Redemptions	-	264
Fair value movement	(295)	338
Closing balance at 30 September 2023	4,083	(831)

Movement table for recurring Level 2 instruments

	Derivative financial instruments £'000
Opening balance at 1 October 2022	3,123
Net interest settlement	468
Fair value movement	(914)
Closing balance at 30 September 2023	2,677

For all financial instruments other than the derivatives held for risk management, the maximum exposure to credit risk for these instruments is equal to the carrying value.

25. Risk management

The Group's activities expose it to various types of financial risk that are associated with the financial instruments and markets in which it participates. The main risk to which the Group is exposed is credit risk. In addition, the Group is also exposed to liquidity risk and market risk as these risks are inherent in the business. The Group uses a comprehensive risk management approach across each business and risk type which is outlined in the risk management framework. The risk management framework is designed to ensure risks are identified, actively monitored, and support sustainable growth of the business with sound strategic decision making. The Group continues to actively review and develop its risk management framework and enhance its approach to managing risk with clear accountabilities. The Board is ultimately responsible for setting the risk appetite for each of these risks with the Group measuring its exposure to risk on a continual basis. The Group assesses its risks using stress-testing procedures, which is a key part of its risk management, capital adequacy and liquidity planning. Stress testing provides management with key insights into the impacts of severely adverse events identified by the Group and provides confidence to the Board, shareholders, and regulators on the Group's financial stability. The section below provides further details on financial risks only.

25.1 Credit risk

25.1.1 Overview

Credit risk is the risk that a counterparty will fail to meet its obligations in accordance with agreed terms. In general, it arises from the counterparty being either unwilling or unable to settle its obligations. 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. RDF loans are individually reviewed and monitored by the credit committee.

Consumer point of sale 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 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 Group is exposed to credit risk from its loans to customers, cash and cash equivalents, its loans and advances to credit institutions and debt instruments. The Group's maximum exposure to credit risk is set out in the table below.

As at 30 September 2024	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	ECL £'000	Total £'000
Financial assets					
Cash and cash equivalents	121,371	-	-	-	121,371
Amounts due from credit institutions	12,254	-	-	-	12,254
Debt instruments	63,810	-	-	-	63,810
Trade and other receivables	914	-	66	(66)	914
Loans to customers					
At amortised cost					
- Consumer loans	198,847	12,155	8,865	(9,844)	210,023
- Property loans	512,737	57,136	90,833	(12,301)	648,405
- Wholesale loan	19,975	-	-	(42)	19,933
Derivative financial instruments	-	-	-	-	1,637
	929,908	69,291	99,764	(22,253)	1,078,347
Commitments	76,835	-	-	(159)	76,676

As at 30 September 2023	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	ECL £'000	Total £'000
Financial assets					
Cash and cash equivalents	109,713	-	-	-	109,713
Amounts due from credit institutions	3,900	-	-	-	3,900
Debt instruments	40,495	-	-	-	40,495
Trade and other receivables	1,068	-	293	(293)	1,068
Loans to customers					
At amortised cost					
- Consumer loans	218,141	8,375	13,433	(15,583)	224,366
- Property loans	440,613	48,080	70,394	(12,097)	546,990
Designated at fair value through profit or loss	-	-	-	-	4,083
Derivative assets	-	-	-	-	3,119
	813,930	56,455	84,120	(27,973)	933,734
Commitments		62,755			62,755

The increase in Stage 2 balances is principally due to enhanced SICR criteria being applied to paying accounts for the consumer loan book.

Consumer loan Stage 3 balances fell following a large debt sale program of old defaulted accounts. This resulted in a matching reduction in ECL balances as these loans were heavily impaired. Stage 3 property balances have risen as the legacy 2nd charge book approaches maturity with further accounts falling into default.

Financial Instruments held at amortised cost are within the scope of the IFRS 9 impairment policy described in Note 2.5.6. IFRS 9 permits a simplified approach where it may be assumed that an instrument's credit risk has not increased significantly since initial recognition if it is determined to have a low credit risk at the reporting date. Such low-risk instruments are categorised as stage 1, with the provision based upon a 12-month probability of default. The Group has applied this simplified approach to its cash and cash equivalents, loans and advances to credit institutions and debt instruments in accordance with its accounting policy (refer to note 2.5.6) which is evidence that the instrument is of low risk. Trade and other receivables follow a specific provision methodology based on the individual exposures at risk.

The Group assesses impairment on committed lending which has been made at year end, but not yet originated. Whilst the committed value is only reflected on the balance sheet upon origination, the related impairment is included in Stage 1 above. The average modelled stage 1 coverage ratio for the lending assets is applied to the committed balance to determine the ECL.

The impairment provisioning applied to the loan book provides an indicator of the overall credit quality of the loan portfolio. Movements in the coverage ratio (impairment provision value as a percentage of the gross loan value) can be used to understand how the credit position of the loans has evolved. The table below compares the coverage ratios by stage at the year-end date with the prior year.

30 September 2024	Stage 1	Stage 2	Stage 3	Total
Consumer Loans	0.71%	13.26%	76.97%	4.48%
Property	0.14%	1.47%	11.82%	1.86%
Wholesale	0.21%	0.00%	0.00%	0.21%
Total	0.30%	3.54%	17.61%	2.46%
30 September 2023	Stage 1	Stage 2	Stage 3	Total
Consumer Loans	1.30%	21.23%	81.73%	6.49%
Property	0.21%	2.05%	14.46%	2.16%
Total	0.57%	4.90%	25.24%	3.46%

For the consumer loans portfolio, the coverage ratio decreased following a more stable economic environment (as at 30 September 2024) driving a lower probability of default for stage 1 and 2 balances. In addition, legacy highly impaired defaulted balances were sold externally or written off reducing the overall blended coverage ratio.

In property, the decrease in stage 1 and 2 coverage ratios is due to an improved house price forecast position and the continued run off of the legacy 2nd charge mortgage book which attracts a higher probability of default. The decrease in property Stage 3 coverage ratios is due to updated valuations on individually assessed cases. This is driving lower recoveries in the event enforcement action is taken.

The contractual amount outstanding on customer financial assets that were written off during the reporting period and are still subject to enforcement activity was nil.

25.1.2 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 actively limiting the exposure.

The Group's exposure to credit risk arising from cash and cash equivalents, derivatives held for risk management and due to credit institutions is managed by the Treasury function. The credit ratings for counterparties used by the Group are summarised below.

	Fitch Rating	Outlook	Moody's Rating	Outlook	S&P Rating	Outlook
HSBC Bank plc	AA-	Stable	A1	Stable	A+	Stable
National Westminster Bank plc United Kingdom	A+	Stable	A1	Stable	A+	Stable
	AA-	Negative	Aa3	Stable	AA	Stable

These exposures are not considered to result in significant credit risk.

At 30 September 2024 the Group was exposed to credit risk in terms of its holdings in Treasury Bills. The Group performed its own credit analysis and considered the counterparty to be high grade.

Credit risk associated with Serviced and Interest Roll Up mortgages, RDF loans and other loans designated at fair value through profit or loss is mitigated by the collateral that the Group holds a charge over. This totalled £1.07 billion (2023: £1.08 billion), which represents the expected collateral value in case of loans that are assessed individually and indexed collateral in case of loans that are assessed in collective ECL model. In some cases, the Group's charge over this collateral is subordinated by another lender's charge. The following table shows the loan balance by combined first and second charge loan to value ("LTV") analysis for all loans by band held at the end of the year:

LTV band %	2024 £'000	2024 %	2023 £'000	2023 %
0 - 20	1,362	0%	6,472	1%
21 - 50*	28,345	4%	33,268	6%
51 - 70	126,741	19%	119,849	21%
71 - 85	417,223	64%	335,046	60%
86 - 90	15,983	2%	27,669	5%
91+	71,052	11%	40,866	7%
Carrying value before impairment provision	660,706	100%	563,170	100%
Wholesale loan	19,975		0	
Consumer loans	219,867		239,949	
	900,548		803,119	

* Band includes loan designated at fair value

The LTV used in the table above for RDF is based on the Gross Development Value (the estimated value at completion). Total gross exposure to Development Finance is £34.2m (2023: £30m) with an average LTV for non-recovery cases of 83% (2023: 84%).

The increase in the 71-85% LTV cohort is due to new business volumes for first charge serviced mortgages which typically will have an LTV on origination of between 70-75%.

The significant increase in the 86-90% cohort is due to lower collateral valuations for defaulted cases in the current falling house price environment.

The breakdown of LTV by region is shown in the following tables:

London LTV band %	2024 £'000	2024 %	2023 £'000	2023 %
0 - 20	366	0%	4,350	2%
21 - 50*	9,354	4%	12,732	6%
51 - 70	53,045	21%	48,587	24%
71 - 85	146,883	59%	113,378	55%
86 - 90	7,785	3%	11,408	6%
91+	31,386	13%	15,183	7%
Carrying value before impairment provision	248,819	100%	205,638	100%

South LTV band %	2024 £'000	2024 %	2023 £'000	2023 %
0 - 20	624	0%	1,596	1%
21 - 50	7,972	4%	9,909	6%
51 - 70	30,681	16%	33,998	20%
71 - 85	120,721	63%	95,745	57%
86 - 90	6,782	4%	10,252	6%
91+	24,612	13%	16,342	10%
Carrying value before impairment provision	191,392	100%	167,842	100%

Rest of UK LTV band %	2024 £'000	2024 %	2023 £'000	2023 %
0 - 20	372	0%	526	0%
21 - 50	11,019	5%	10,627	6%
51 - 70	43,015	20%	37,264	20%
71 - 85	149,619	67%	125,923	66%
86 - 90	1,416	1%	6,009	3%
91+	15,054	7%	9,341	5%
Carrying value before impairment provision	220,495	100%	189,690	100%

* Band includes loan designated at fair value

The Group assesses the underlying credit risk of customers for both the property and consumer loan portfolios, determining high, standard, and sub-standard risk grades based on underlying loan characteristics. The table below shows this credit assessment and the related impairment staging for loans at amortised cost:

Property Total	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
Performing				
High grade	24,961	4,591	154	29,706
Standard grade	382,224	38,992	7,030	428,246
Sub-standard grade	105,552	13,553	83,649	202,754
Total gross carrying amount at 30 September 2024	512,737	57,136	90,833	660,706

Consumer Loans Internal rating grade	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
Performing				
High grade	139,675	4,299	2,511	146,485
Standard grade	58,851	7,806	5,763	42,420
Sub-standard grade	321	50	591	962
Total gross carrying amount at 30 September 2024	198,847	12,155	8,865	219,867

Total Group Internal rating grade	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
Performing				
High grade	164,636	8,890	2,665	176,191
Standard grade	441,075	46,798	12,793	500,666
Sub-standard grade	105,873	13,603	84,240	203,716
Total gross carrying amount at 30 September 2024	711,584	69,291	99,698	880,573

Property Total	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
Performing				
High grade	22,864	10,989	1,804	35,657
Standard grade	289,864	22,036	21,371	333,271
Sub-standard grade	127,885	15,055	47,219	190,159
Total gross carrying amount at 30 September 2023	440,613	48,080	70,394	559,087

Consumer Loans Internal rating grade	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
Performing				
High grade	147,947	3,049	3,232	154,228
Standard grade	62,054	5,146	7,935	75,135
Sub-standard grade	8,140	180	2,266	10,586
Total gross carrying amount at 30 September 2023	218,141	8,375	13,433	239,949

Total Group Internal rating grade	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
Performing				
High grade	170,811	14,038	5,036	189,885
Standard grade	351,918	27,182	29,306	408,406
Sub-standard grade	136,025	15,235	49,485	200,745
Total gross carrying amount at 30 September 2023	658,754	56,455	83,827	799,037

The wholesale loan amounting to £19.9m in 2024 was assessed as standard grade.

For property loans, the Group has utilised the current LTV of exposures as the rating criteria for the property portfolio.

The following criteria was applied.

- High grade exposures have an LTV of less than 50%;
- Standard grade exposures have an LTV between 50% and 80%; and
- Substandard grade exposures have an LTV in excess of 80%.

In the current financial year, the increase in standard grade balances reflects new business originations which typically fall within this banding.

For consumer loans, the Group has utilised the Gauge Credit Score of the borrower as the rating criteria for the Omni portfolio. The score is measured at origination. The following criteria was applied.

- High grade exposures have a Gauge Score in excess of 625
- Standard grade exposures have a Gauge Score between 550 and 625
- Substandard grade exposures have a Gauge Score less than 550.

The reduction in the sub-standard grade in the current year is as a result of a program selling aged defaulted balances undertaken in the year.

Within Property, the Group limits its maximum exposure to individual obligors and certain product types (1st line mortgages versus 2nd line mortgages for example). Regional concentration and other concentration risks are also monitored by the Group Credit Risk Committee.

Consumer loan concentration risk focusses principally on individual retailers with specific limits in place set by the Board Risk Committee or Group Credit Risk Committee. The Group's exposure to specific industry sectors is also closely monitored.

Mortgage assets have a maximum loan exposure which limits concentration risk. The maximum single counterparty exposure is to the Bank of England.

25.1.3 Impact of high interest rates on credit risk

The Bank of England Bank Rate was stable throughout FY24, following increases throughout FY23; however, they continue to remain high. Whilst underwriting and affordability assessments capture the impact of high interest rates for new lending, existing customers may have difficulty refinancing in a high-interest rate environment if the loan was originated on a significantly lower interest rate.

This creates additional financial risk, which has been addressed through a PMA applied to mortgage accounts maturing in the next 12 months. The cure rate for these accounts has been reduced, to reflect the increased difficulties customers may face in refinancing at maturity.

25.1.4 Staging overview

Significant increase in credit risk ('SICR') (composition of Stage 2)

The Group's transfer criteria as described below, determine what constitutes a significant increase in credit risk, which results in an exposure being moved from Stage 1 to Stage 2.

Analysis of Stage 2 loans	Backstop only		Missed payment in the past		Watchlist		Forborne / Extensions		Other qualitative		Multiple criteria		Total
	31-60	61-90	<30	>30	<30	>30	<30	>30	<30	>30	Qualitative		
	DPD's £'000	DPD's £'000	DPD's £'000	DPD's £'000	DPD's £'000	DPD's £'000	DPD's £'000	DPD's £'000	DPD's £'000	DPD's £'000	Qualitative Only £'000	& >30 DPD's £'000	
Consumer Loans	1,999	1,040	1,897	-	-	-	4,952	-	2,267	-	-	-	12,155
Property Loans	1,331	416	5,043	-	10,459	-	11,853	-	11,050	-	2,154	14,830	57,136
Total	3,330	1,456	6,940	-	10,459	-	16,805	-	13,317	-	2,154	14,830	69,291

The Group constantly monitors the ongoing appropriateness of the transfer criteria, where any proposed amendments will be reviewed and approved by the Group's Management Committees and the Risk and Audit Committees at least semi-annually or more frequently if required.

IFRS 9 includes a rebuttable presumption that if an account is more than 30 days past due it has experienced a significant increase in credit risk. The Group considers more than 30 days past due to be an appropriate back stop measure and has not rebutted this presumption.

For mortgages and RDF, other credit related criteria are considered in assessing whether a significant increase in credit risk has occurred. This includes changes to a customer's credit profile through reference to external credit agencies, changes to the current product terms offered to the customer, payment holidays, and extension of term. Customers who have no outstanding arrears but who have fallen more than 30 days in arrears within the last 12 months, continue to be classified as having a significantly increased credit risk and will remain within Stage 2.

Within consumer loans, customers who have no outstanding arrears but who have fallen more than 30 days in arrears within the last 12 months, continue to be classified as having a significantly increased credit risk and will remain within Stage 2. In addition, external bureau data is used to identify deterioration in credit risk, and used to inform which accounts are to be moved from stage 1 to stage 2 for provisioning purposes under IFRS 9. The criteria used on the bureau data includes customers who have seen a significant deterioration in credit score or a significant increase in arrears.

A borrower will move back into Stage 1 where the SICR definition is no longer satisfied (for example, where no missed payments for a period of 12 consecutive months has been observed and/or the account is not in forbearance or other non-paying status).

Definition of default (movement to Stage 3)

The Group uses a number of quantitative and qualitative criteria to determine whether an account meets the definition of default and therefore moves to Stage 3.

The rebuttable assumption is that more than 90 days past due (for property - on either primary or secondary mortgage) is an indicator of default. The Group has not rebutted this assumption and therefore deems that more than 90 days past due is an indicator of default. This acts as an appropriate back stop measure as it agrees with the observed performance and known behaviour of accounts reviewed.

For mortgages and RDF, additional criteria are considered in the assessment as to whether a loan meets the definition of default. This includes increased likeness of repossession, defaulted arrangements on other properties the customer may hold, significant fall in the valuation of a property, reduced or frozen interest charges and other criteria assessed by management which indicate an increased likelihood of default.

For consumer loans, any loan where a fraud allegation has been raised is immediately classified as Stage 3.

A borrower will move out of Stage 3 when their credit risk improves such that any outstanding payments on the loan are less than 90 days in arrears. The borrower will move to Stage 1 or Stage 2 dependent on whether the SICR applies.

The following table shows the maturity profile of the Group's past due or impaired financial assets.

	Total	ECL	<30 days	30-60 days	61-90 days	91-120 days	>120 days
As at 30 September 2024	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Financial assets							
Cash and cash equivalents	121,371	-	121,371	-	-	-	-
Amounts due from credit institutions	12,254	-	12,254	-	-	-	-
Debt instruments	63,810	-	63,810	-	-	-	-
Trade and other receivables	914	(66)	980	-	-	-	-
Loans to customers							
At amortised cost							
- Consumer loans	210,023	(9,844)	207,961	2,000	1,040	837	8,029
- Property loans	648,405	(12,301)	556,818	2,840	14,286	33,672	53,090
- Wholesale loan	19,933	(42)	19,975	-	-	-	-
Derivative financial instruments	1,637	-	1,637	-	-	-	-
	1,078,347	(22,253)	984,806	4,840	15,326	34,509	61,119

The following table shows the maturity profile of the Group's past due or impaired financial assets.

	Total	ECL	<30 days	30-60 days	61-90 days	91-120 days	>120 days
As at 30 September 2023	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Financial assets							
Cash and cash equivalents	109,713	-	109,713	-	-	-	-
Amounts due from credit institutions	3,900	-	3,900	-	-	-	-
Debt instruments	40,495	-	40,495	-	-	-	-
Trade and other receivables	1,068	(293)	1,361	-	-	-	-
Loans to customers							
At amortised cost							
- Consumer loans	224,366	(15,583)	223,393	2,123	1,012	732	12,689
- Property loans	546,990	(12,097)	484,769	480	7,524	23,325	42,989
Designated at fair value through profit or loss	4,083	-	-	-	-	-	4,083
Derivative financial instruments	3,119	-	3,119	-	-	-	-
	933,734	(27,973)	866,750	2,603	8,536	24,057	59,761

The current year has seen an increase in Property loans aged greater than 120 days. This is typically maturity defaults of the legacy 2nd charge book which is in wind down and is reflected in the higher cost of risk experienced in the year.

The consumer loan balance greater than 120 days has fallen due to large volumes of old defaulted accounts sold in the current year.

25.1.5 Forbearance

The Group sometimes makes other concessions to borrowers with respect to the original terms of mortgages as a response to a borrower's financial difficulties. All forbore loans will be classified as either Stage 2 or Stage 3.

Within property, forbearance may take the form of a change of contractual terms (e.g. transfer to interest only, extension of term, payment holiday or further advance) made as a concession to a borrower who is unable to meet the original contractual terms of the mortgage. In addition, other activities are also considered to be indicative of forbearance such as paying costs to support a voluntary sale of the property, waiving of Early Redemption Charges and providing a reduced concessionary interest rate that would not normally have been done had the borrower not been in financial difficulties. Forbearance offered by the primary mortgage provider does not necessarily result in the Bank's mortgage being forborne.

Forbearance provided by the Group is considered to be an indicator of impairment. Forbearance provided by other lenders to the Group's borrowers is not automatically considered to be an indicator of impairment of the Group's mortgage but is considered on a case-by-case basis if further information is available.

For consumer loans, forbearance may involve an amendment to the original terms of a loan as a response to a customer's financial difficulties. Indicators of financial difficulties considered by the Group that trigger consideration of forbearance are the aggregate arrears status, which considers both the number of missed payments and the months elapsed since the date of the contractual maturity. Forbearance may involve extending the payment arrangements and the agreement of new loan conditions, such as freezing interest, a reduced payment arrangement, or debt management plan arrangement.

Once the terms have been amended on a consumer loan, any impairment is measured using a collectively modelled provision. Additional impairment calculated as part of the Significant Increase in Credit Risk is modelled on a collective basis as each loan advanced by the Group is individually not significant.

The forbearance classification on property is discontinued when all the following conditions are met:

- the contract is considered as performing, including if it has been reclassified from the non-performing category after an analysis of the financial condition of the debtor showed it no longer met the conditions to be considered as nonperforming.
- a minimum 1-year period has passed from the date the forbore exposure was considered as performing.
- none of the exposures to the debtor is more than 30 days past-due at the end of the probation period.

The following tables show the loans in forbearance at the year end.

	Stage 1		Stage 2		Stage 3		ECL	Total Forborne	%
	Performing	Forborne	Not forborne	Forborne	Not forborne	Forborne			
As at 30 September 2024	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Financial assets									
Loans to customers									
At amortised cost									
- Consumer loans	198,847	-	11,400	755	5,160	3,705	(9,844)	210,023	2.03%
- Property loans	512,737	-	51,976	5,160	76,664	14,169	(12,301)	648,405	2.93%
- Wholesale loan	19,975	-	-	-	-	-	(42)	19,933	0.00%
	731,559	-	63,376	5,915	81,824	17,874	(22,187)	878,361	-

	Stage 1		Stage 2		Stage 3		ECL	Total	Forborne %
	Performing	Forborne	Not forborne	Forborne	Not forborne	Forborne			
As at 30 September 2023	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Financial assets									
Loans to customers									
At amortised cost									
- Consumer loans	218,141	-	7,684	691	10,065	3,368	(15,583)	224,366	1.69%
- Property loans	440,613	-	38,058	10,022	51,611	18,783	(12,097)	546,990	5.15%
Designated at fair value through profit or loss	-	-	-	-	4,083	-	-	4,083	-
	658,754	-	45,742	10,713	65,759	22,151	(27,680)	775,439	-

25.1.6 Modelling assumptions and approach

The modelling assumptions and approach are defined by the accounting policy as shown in Note 2.5.6. In the prior year, all stage 3 mortgage cases were individually assessed. During the current year a stage 3 mortgage collective model was adopted with only the large and complex cases being individually assessed.

During the financial year, the macroeconomic parameter values used in the model were updated on a quarterly basis, with the results reflected in the quarterly financial results. All parameters were individually recalibrated as at 30 September 2024. The results of the recalibration, significant modelling changes and post model adjustments (PMAs) and overlays are reviewed by an internal review followed by review and challenge through governance committees. The final outcome is reviewed by the Impairment Committee and Audit Committee prior to any updates being adopted.

25.1.7 Forward looking macroeconomic scenarios

IFRS 9 requires firms to consider the risk of default and impairment loss taking into account expectations of economic changes that are reasonable.

The Group uses a bespoke macroeconomic model to determine the most significant factors which may influence the likelihood of an exposure defaulting in the future. At present, the most significant macroeconomic factors for property loans relate to the House Price Index ("HPI"), long term UK gilt rates and unemployment. For consumer loans the unemployment rate and interest rate are the key drivers.

The Group has derived an approach for factoring probability weighted macroeconomic forecasts into the ECL calculations, adjusting PD and LGD estimates. The macroeconomic scenarios feed directly into the ECL calculation, as the adjusted PD, lifetime PD and LGD estimates are used within the individual account ECL allowance calculations.

The Group currently does not have an in-house economics function and therefore sources the economic forecast from an appropriately qualified third party. The Group considers five probability weighted scenarios; base, upside, mild upside, downside and severe downside scenarios.

The models are then weighted to the scenarios based on the severity of the modelled outcomes and underlying parameters. A benchmarking assessment is undertaken considering the economic parameters and related scenario weightings to provide additional support to the final weightings applied.

The base case is also utilised within the Group's impairment forecasting process which in turn feeds the wider business planning processes, capital projections and liquidity forecasts. This economic forecast is also used within analysis to set the Group's credit risk appetite thresholds and limits.

The Group's approach to macroeconomic scenarios is to rely upon its third-party supplier which provides quarterly forecasts aligned to quarter ends; it should only deviate from this approach when there has been a severe macro-economic shock.

Analysis of inputs to the ECL model under multiple economic scenarios

An overview of the approach to estimating ECLs is set out in Note 2.5.6. To ensure completeness and accuracy, the Group obtains the data used from third party sources and the Credit Risk group verifies the accuracy of inputs to the Group's ECL models including determining the weights attributable to the multiple scenarios. The following tables set out the key drivers of expected credit loss, the number of scenarios utilised, and the weightings applied to each scenario at 30 September 2024 and 30 September 2023.

The tables show the key forward looking economic variables/ assumptions at the end of the calendar year (31 December) as used in each of the economic scenarios for the ECL calculations. Subsequent years are calculated by taking the average of the calendar year end values for the outer years provided within the forecast data set.

As at 30 September 2024

Key Drivers	ECL Scenario	Assigned	2024	2025	2026	2027	2028	Subsequent
		Probabilities	%	%	%	%	%	years
		%	%	%	%	%	%	%
Unemployment rates %	Upside	10%	3.9%	2.8%	2.2%	2.0%	2.1%	2.4%
	Mild Upside	10%	4.2%	3.7%	3.6%	3.6%	3.6%	3.7%
	Base Case	60%	4.4%	4.2%	4.0%	3.8%	3.8%	3.7%
	Downside	10%	4.8%	5.8%	6.7%	6.8%	6.5%	5.9%
	Severe Downside	10%	4.9%	6.1%	7.1%	7.2%	6.9%	6.2%
10-Yr UK Government Bond Yield %	Upside	10%	4.2%	4.7%	4.4%	3.9%	3.8%	3.8%
	Mild Upside	10%	4.1%	4.2%	3.9%	3.4%	3.3%	3.3%
	Base Case	60%	3.9%	3.7%	3.3%	2.9%	2.9%	2.9%
	Downside	10%	3.8%	3.0%	2.4%	2.3%	2.3%	2.3%
	Severe Downside	10%	3.8%	2.4%	1.6%	1.6%	1.6%	1.6%
House Price Index	Upside	10%	5.9%	3.2%	6.5%	6.6%	4.0%	2.9%
	Mild Upside	10%	4.9%	1.6%	4.8%	5.4%	4.1%	3.0%
	Base Case	60%	3.8%	0.9%	2.4%	3.5%	4.2%	3.1%
	Downside	10%	1.3%	-7.1%	-2.4%	-0.3%	4.7%	3.5%
	Severe Downside	10%	0.1%	-10.6%	-5.3%	-2.7%	4.9%	3.8%

As at 30 September 2023

Key Drivers	ECL Scenario	Assigned	2023	2024	2025	2026	2027	Subsequent
		Probabilities	%	%	%	%	%	years
		%	%	%	%	%	%	%
Unemployment rates %	Upside	10%	4.0%	3.2%	2.5%	2.2%	2.3%	2.5%
	Mild Upside	10%	4.3%	4.2%	3.9%	3.8%	3.7%	3.7%
	Base Case	60%	4.4%	4.6%	4.2%	3.9%	3.8%	3.8%
	Downside	10%	4.9%	6.3%	7.0%	7.0%	6.7%	6.0%
	Severe Downside	10%	5.0%	6.6%	7.3%	7.4%	7.1%	6.3%
10-Yr UK Government Bond Yield %	Upside	10%	4.6%	5.4%	5.3%	4.4%	3.5%	3.3%
	Mild Upside	10%	4.5%	4.9%	4.7%	3.8%	2.9%	2.7%
	Base Case	60%	4.3%	4.3%	4.0%	3.2%	2.4%	2.2%
	Downside	10%	4.2%	3.4%	2.5%	1.8%	1.7%	1.7%
	Severe Downside	10%	4.1%	2.7%	1.5%	1.0%	1.0%	1.0%
House Price Index	Upside	10%	-0.1%	-2.8%	0.7%	7.7%	6.8%	3.7%
	Mild Upside	10%	-1.1%	-4.7%	-0.8%	6.6%	6.9%	3.8%
	Base Case	60%	-2.8%	-7.1%	-2.9%	4.6%	7.1%	4.0%
	Downside	10%	-4.5%	-12.6%	-7.5%	1.0%	7.4%	4.4%
	Severe Downside	10%	-5.5%	-15.4%	-10.2%	-1.3%	7.7%	4.6%

In previous years, GDP growth has been disclosed as a key input into ECL models. This is no longer utilised within current models.

25.1.8 Sensitivity Analysis

The calculation of ECLs is complex and involves use of estimates in reaching the calculated results. Sensitivity analysis has been performed on the material estimates of PD and LGD as detailed in note 2.4 to illustrate the impact on ECLs of any changes to the main components of the calculation.

Within the Property portfolio, the Stage 1 and Stage 2 LGD calculations use a current blended cure rate for defaulted loans of c. 80%. An increase/decrease of 10% would result in a decrease/increase in impairment by c. £0.6m. The LGD calculations also use a time to sell for defaulted loan estimate of 20 months. An increase/decrease by 6 months would result in an increase/decrease in impairment of c. £0.6m. Within the LGD calculations a valuation haircut is also applied. A 5% increase/decrease in the haircut would result in an increase/decrease in impairment of c. £0.4m.

On the Mortgage Stage 3 loan assessments (excluding RDF loans), the key estimates relating to LGD are the collateral value, the valuation haircut applied and time to sell assumptions. Decreasing and increasing the collateral value by 10% on these loans increases and decreases impairment by £1.4m and £0.8m respectively. A 5% increase and decrease in the valuation haircut would result in an increase and decrease in ECL of £0.7m and £0.5m respectively. The LGD calculations also use a time to sell estimate for defaulted loans. An increase/decrease by 6 months would result in an increase/decrease in impairment of £0.7m and £0.4m respectively.

The Omni portfolio LGD is highly sensitive to the cure rate of defaulted loans. Increasing / decreasing the cure rate by 1% results in an increase / decrease in impairment of c. £0.1m.

The sensitivity percentages selected represent a sensible range based on experience in recent years through either house price movements or delays experienced in realising collateral. The 1% movement in cure rate is similar to levels experienced when model recalibrations are undertaken.

For PD, the key estimate relates to the macroeconomic scenarios and the associated weightings. The following table shows the ECL impact of 100% weighting to base/upside/downside in comparison to the weighted ECL. Weighting the scenarios accordingly, the baseline and upside scenarios reduce the ECL whereas the downside scenarios result in an increase. The impacts have been performed on a consistent staging basis.

	Property ECL Impact £'000	Customer Loans ECL Impact £'000	Total ECL Impact £'000
100% Base	253	21	274
100% Downside	(1,214)	(202)	(1,416)
100% Severe Downside	(2,138)	(251)	(2,389)
100% Mild Upside	584	104	688
100% Upside	1,127	226	1,353

Further sensitivity analysis has been performed on the post-model adjustments and overlays (refer to note 25.1.10).

25.1.9 Post-model adjustments and overlays

The Group reviews the modelled impairment outputs through a formal governance process. In some instances, adjustments to the model are applied when the modelled outputs may not fully reflect the underlying credit risk. This is achieved through the application of post-model adjustments and / or overlays.

The key post-model adjustments and overlays applied by management are detailed below:

PMA	Modelled impact	Post model adjustments and overlays
High-Interest Rate Environment	Cure rates for loans due to mature within the next 12 months are capped at a lower rate than current observed cure rates. This increases ECL by £0.04m.	In response to the continued high-interest rate environment, an additional PMA has been applied to the mortgage accounts originated prior to the rapid rise of interest rates that are due to mature in the next 12 months. The cure rate for these accounts has been reduced, to reflect the potential difficulties for customers may face refinancing to a significantly higher interest rate.
2nd-charge BTL loans	The estimated redemption and maturity default rates have been estimated using recent BTL equity performance data. This decreases ECL by £0.1m.	A subset of the All-other segment in the mortgages model, consisting of a cohort of legacy 2 nd -charge BTL loans in run-off. These loans are currently modelled using blended redemption and maturity default rates, due to limited performance data at maturity. Over the course of the year, these loans have started to mature. As such, a PMA has been applied to reflect the most recent performance data at maturity for this cohort of loans.
Bridging loans	The probability of default maturity curve for other 1 st -charge lending products has been applied to the bridge portfolio. This increases ECL by £0.04m.	Performance data for bridge loans or bridge-type lending is limited; however, the availability of bridge performance data will increase over time as lending continues and the portfolio matures. To address any current data and/or modelling limitations, a post-model adjustment has been introduced to ensure the appropriate level of provisioning for bridge loans is applied.
Omni deferred products	The probability of default and exposure of default were updated to better capture the performance of the Omni deferred products. This decreases ECL by £0.1m.	The deferred products allow customers to defer payments and interest. No interest is charged during the deferment period. Customers are allowed to make payments towards the balance during the deferment period, to reduce the balance or pay-off the balance. Accounts with a deferment period exhibit different payment profiles than standard amortising loans. In addition, customers that have not paid the balance in full by the end of the deferment period have a significantly different probability of default than standard amortising loans. A PMA has been introduced to better reflect the performance of loans with a deferment period.
Significant Increase in Credit Risk	Significant increases in credit risk are calculated based on additional criteria for both Property and consumer loans. This increases ECL by £0.2m.	Whilst arrears performance remains the key indicator of credit risk, additional criteria are considered in the assessment of significant increases in credit risk for customers currently within Stage 1 for both property and consumer loans.

PMA	Modelled impact	Post model adjustments and overlays
Omni LGD	LGD calculations have been overlaid for Omni due to the impact of aged debt sales. This has increased ECL by £0.9m.	There have been a series of debt sales in current year as part of an aged debt reduction programme. The existing model was not calibrated on data that is reflective of the impact of these targeted debt sales. A post-model adjustment is applied to address the model limitation. In addition, months in default segmentation for recovery rates was introduced to better reflect the differing recovery rates between newly defaulted accounts and aged accounts.
Stage 3 mortgages	Using an increased number of data points, revised valuation haircuts have been calculated along with additional default outcomes. This has resulted in a revised collective default model for accounts not subject to an individual assessment. This increases ECL by £0.9m.	A PMA has been applied to capture different outcomes for customers in default to capture cases that ultimately trigger a recovery or a write off. This unincorporates more sophisticated valuation haircuts which vary based on the expected time to sell of the underlying collateral.

The net impact of the adjustments and overlays detailed above as at 30 September 2024 is an additional ECL of £1.9m (2023: £1.2 m).

Sensitivity analysis has been performed on the high interest rate environment overlay, which uses a stressed cure rate. Increasing / decreasing the stressed cure rate by 10% results in a decrease / increase in ECL of £0.02m.

25.2 Liquidity risk

Liquidity risk is the risk that a firm is unable to meet its liabilities as they fall due, without incurring unacceptably large losses. In general, the risk arises from mismatches between the maturity profile of assets and liabilities and the ability of the firm to liquidate its holding in certain assets.

The Group is exposed to liquidity risk due to nature of its business activities. The exposure is monitored regularly and formally reviewed by the Board on an annual basis. The Group regularly conducts stress testing assessments of the balance sheet to measure its exposure. The exposure is controlled by active management of the amount, type and maturity profile of its assets and liabilities. In addition, the Group maintains a liquidity buffer to ensure it has adequate liquidity to meet its liabilities as they fall due.

The current political and macroeconomic uncertainty poses unique challenges for the banking sector and wider economy. The liquidity stress scenarios that are applied as part of the annual ILAAP assessment and ongoing liquidity monitoring capture downside scenarios in relation to potential macroeconomic outcomes. This includes a material reduction in the ability to source funding through deposits and reductions in loan repayments caused by affordability hardship to customers. The Group is able to maintain liquidity above Board prescribed limits through all periods assessed in these scenarios.

Please refer to Note 26 for details of the maturity profile of assets and liabilities.

25.3 Market risk

Market risk is the risk that the fair value of future cash flows from financial instruments will fluctuate as a result of changes in market variables. Interest rate risk is a type of market risk where variability arises from interest rates. Similarly, house price risk is a type of market risk where the variability arises from changes in house prices. The Group are not impacted by exchange rate fluctuations as all transactions are denominated in sterling.

The Group is exposed to market risk in the form of interest rate risk and house price risk. This exposure is monitored regularly and formally reviewed by the Board, as part of its ICAAP and ILAAP, on an annual basis. The Group's exposure to market movements is captured through macroeconomic forecasts and have been further assessed as part of the SICR process, specifically in the cost of living and affordability assessment performed.

Interest rate risk is the exposure which arises because of differences in the repricing profile of the Group's assets and liabilities. Primarily, Interest Rate Risk in the Banking Book (IRRBB) sensitives take the following forms:

- Valuation sensitivity measured by DV100, Economic value of Equity (EVE), or similar metrics
- Earnings exposure measured by Net Interest Income (NII) sensitivity metrics.

The organic business practices of the Group expose it to both valuation and earnings risk, which arise as repricing and basis risk mismatches develop.

The Group does not actively seek Interest Rate Risk; however, it acknowledges that this risk is inherent in its business model. The Group seeks to minimise exposure to this risk by designing complimentary asset and liability products which mitigate interest rate risk and through interest rate hedging.

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:

- Active hedging of the balance sheet using interest rate swaps to reduce the exposure to interest rate risk;
- Management of the asset and liability pricing 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; and
- Designing products which mitigate interest rate risk, for example by inclusion of early repayment charges in the products.

The Group manages its IRRBB to an agreed risk appetite, which is set out in the Group's ICAAP document. Balance Sheet Interest Rate Sensitivity Limit: The balance sheet's exposure to interest rate risk is managed so that the economic impact of a 100bp parallel shift in the yield curve must be less than the equivalent Pillar 2A capital allocation. This is reviewed at least annually as part of the ICAAP process and can only be changed with Board approval. The Group regularly monitors and reports its exposure to IRRBB, which consist of risk appetite metrics and a suite of Early Warning Indicators (EWIs) to senior management, including the ALCO, and the Board.

Following the sale of the house price derivatives relating to PM, BTL and IPS mortgages, the Group's direct exposure to house price risk is immaterial.

25.4 Climate change risk

Climate change risks include risks which relate to specific weather events, such as storms and flooding, or to longer-term shifts in the climate, such as rising sea levels. These risks could include adverse movements in the value of certain properties that are in coastal and low-lying areas, or located in areas prone to increased subsidence and heave. Other risks may arise from the adjustment towards a low-carbon economy, such as tightening energy efficiency standards for domestic and commercial buildings. These risks could include a potential adverse movement in the value of properties requiring substantial updates to meet future energy performance requirements. Further risks arise from a failure to meet changing societal, investor or regulatory demands.

The Board Risk Committee monitors emerging legislation and climate related risks on a periodic basis, with particular focus upon requirements for BTL landlords. Castle Trust Bank has, from time-to-time, launched price differentiated property products for collateral meeting specific EPC requirements. The Customer and Social Responsibility Committee oversees Castle Trust Bank's ESG programme.

26. Maturity profile of all financial assets and liabilities

Investments, trade and other receivables, cash and cash equivalents, trade and other payables are all carried at historic cost for maturity analysis purposes. As they are all short term items that will crystallise within one month or less, this is a close if not exact cash equivalent value.

Financial assets at fair value (mortgages) are discounted for up to 30 years, therefore the undiscounted cash values as at 30 September 2024 are significantly higher than the fair value. The timing of the cash flows also reflects the Group's contractual maturity dates. Amounts due to customers at amortised cost comprise principally of term deposits which are often reinvested upon maturity.

The analysis is based on the remaining period to the contractual maturity date based on undiscounted cashflows. The tables below indicate the maturity profile of the Group and Company's financial assets and liabilities as at 30 September 2024.

Group	Within 1	1-3 years	3-5 years	5-10 years	Over 10 years	Total
As at 30 September 2024	year					
	£'000	£'000	£'000	£'000	£'000	£'000
Financial assets						
Cash and cash equivalents	121,371	-	-	-	-	121,371
Amounts due from credit institutions	12,254	-	-	-	-	12,254
Debt instruments	63,810	-	-	-	-	63,810
Trade and other receivables	914	-	-	-	-	914
Corporation tax receivables	621	-	-	-	-	621
Loans to customers						
At amortised cost	415,578	159,753	84,782	477,756	5,751	1,143,620
Designated at fair value through profit or loss	-	-	-	-	-	-
Derivative financial instruments	323	1,218	95	-	-	1,636
	614,871	160,971	84,877	477,756	5,751	1,344,226

Group	Within 1 year	1-3 years	3-5 years	5-10 years	Over 10 years	Total
As at 30 September 2024	£'000	£'000	£'000	£'000	£'000	£'000
Financial liabilities						
Trade and other payables	9,307	-	-	-	-	9,307
Corporation tax payable	-	-	-	-	-	-
Amounts due to credit institutions	1,614	-	-	-	-	1,614
Lease liabilities	247	23	-	-	-	270
Amounts due to customers						
At amortised cost	812,779	137,636	7,428	-	-	957,843
At fair value through profit or loss	97	52	-	-	-	149
Derivative financial instruments	37	2,722	1,932	-	-	4,691
Subordinated liabilities	910	1,820	1,820	11,550	-	16,100
	824,991	142,253	11,180	11,550	-	989,974
Cumulative liquidity gap	(210,120)	18,718	73,697	466,206	5,751	354,252
Loan commitments	76,835	-	-	-	-	76,835
Company	Within 1 year	1-3 years	3-5 years	5-10 years	Over 10 years	Total
As at 30 September 2024	£'000	£'000	£'000	£'000	£'000	£'000
Financial assets						
Debt instruments	910	1,820	1,820	11,550	-	16,100
	910	1,820	1,820	11,550	-	16,100
Financial liabilities						
Subordinated liabilities	910	1,820	1,820	11,550	-	16,100
	910	1,820	1,820	11,550	-	16,100
Cumulative liquidity gap	-	-	-	-	-	-

Group	Within 1 year	1-3 years	3-5 years	5-10 years	Over 10 years	Total
As at 30 September 2023	£'000	£'000	£'000	£'000	£'000	£'000
Financial assets						
Cash and cash equivalents	109,713	-	-	-	-	109,713
Amounts due from credit institutions	3,900	-	-	-	-	3,900
Debt instruments	31,080	9,415	-	-	-	40,495
Trade and other receivables	1,068	-	-	-	-	1,068
Corporation tax receivables	958	-	-	-	-	958
Loans to customers						
At amortised cost	351,810	152,890	72,123	391,872	6,541	975,236
Designated at fair value through profit or loss	4,083	-	-	-	-	4,083
Derivative financial instruments	-	1,628	1,491	-	-	3,119
	502,612	163,933	73,614	391,872	6,541	1,138,572
Financial liabilities						
Trade and other payables	7,701	-	-	-	-	7,701
Corporation tax payable	599	-	-	-	-	599
Amounts due to credit institutions	2,940	-	-	-	-	2,940
Lease liabilities	548	229	-	-	-	777
Amounts due to customers						
At amortised cost	728,874	92,667	4,329	-	-	825,870
At fair value through profit or loss	766	123	-	-	-	889
Derivative financial instruments	-	11	431	-	-	442
	741,428	93,030	4,760	-	-	839,218
Cumulative liquidity gap	(238,816)	70,903	68,854	391,872	6,541	299,354
Loan commitments	62,755	-	-	-	-	62,755

Loans to customers at amortised cost as shown in the maturity profile is based on the contractual payment profile. Expected customer payments over time will differ due to early repayments prior to the maturity date. The table below shows the timing of the undiscounted cash flows that reflects expected customer payment behaviour.

	Within 1 year	1-3 years	3-5 years	5-10 years	Over 10 years	Total
As at 30 September 2024	£'000	£'000	£'000	£'000	£'000	£'000
Financial assets						
Loans to customers						
At amortised cost	420,112	238,218	246,706	130,765	209	1,036,010
	Within 1 year	1-3 years	3-5 years	5-10 years	Over 10 years	Total
As at 30 September 2023	£'000	£'000	£'000	£'000	£'000	£'000
Financial assets						
Loans to customers						
At amortised cost	228,703	134,898	193,014	83,759	568	640,942

27. Share capital

The following table sets out the movement in share capital of Castle Trust Holdings Limited during the year.

	2024	2023
	£'000	£'000
Issued and fully paid:		
At beginning and end of year 81,496,774,170 (2023: 81,496,774,170) ordinary shares of £0.10 each	81,497	81,497

The other reserve of £57,916,000 (2023 : £57,916,000) arose on the reconstruction of the group and is the difference between the nominal value and the fair value of the shares issued in exchange for the shares of the Group's previous parent.

28. Reconciliation of financing liabilities

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

	At 1 Oct 2023	Cash flows	Interest accretion	Other non-cash movements	Fair value changes	At 30 September 2024
Group	£'000	£'000	£'000	£'000	£'000	£'000
Lease liabilities	766	(575)	14	65	-	270
	At 1 Oct 2022	Cash flows	Interest accretion	Other non-cash movements	Fair value changes	At 30 September 2023
	£'000	£'000	£'000	£'000	£'000	£'000
Lease Liabilities	1,248	(550)	33	35	-	766

29. Commitments

In 2024, the Group had future aggregate minimum lease payments under non-cancellable operating leases that fell due as follows:

	2024 £'000	2023 £'000
Within one year	504	548
Between one and five years	1,166	229
	1,670	777

Non-cancellable mortgage and consumer loan commitments total £76,835,000 (2023: £62,755,000).

30. Ultimate controlling party

Castle Trust Holdings Limited's immediate and ultimate parent company is CTC Holdings (Cayman) Limited which is incorporated in the Cayman Islands. Castle Trust Holdings Limited is the smallest and largest group for which the results of the Company are consolidated. The registered address is disclosed on page 3. The ultimate controlling party of the Group is Mr James Christopher Flowers.

31. Long term incentive scheme

Castle Trust Bank operates a management incentive scheme.

Members of management were previously awarded B Ordinary shares of the Group's holding company, Castle Trust Holdings (Cayman) Limited (under "MIP 3"). The MIP 3 B shares vest at the grant date, which is the date that the award is communicated to the employee. The following table summarises the number of shares, brought forward, granted in the period, forfeited, cancelled/redeemed and carried forward. B shares were redeemed at nil value.

A new scheme ("MIP 4"), in addition to the prior scheme, was launched in January 2023. Shares are now awarded in the Castle Trust Holdings Limited via a nominee company, vest at 4 years at 5% per quarter from 1 January 2023 with the final 20% on Exit.

Year ended 30 September 2024 MIP 3	Brought Forward	Granted in the year	Forfeited, cancelled	Redeemed	Carried forward
Highest paid director	25,600	0	0	0	25,600
Directors	15,000	0	0	0	15,000
Other	39,246	0	0	0	39,246
Total	79,846	0	0	0	79,846

Year ended 30 September 2023 MIP 3	Brought Forward	Granted in the year	Forfeited, cancelled	Redeemed	Carried forward
Highest paid director	25,600	0	0	0	25,600
Directors	15,000	0	0	0	15,000
Other	39,246	0	0	0	39,246
Total	79,846	0	0	0	79,846

The fair value of all B shares granted in the period under MIP 3 was £ nil (2023: £nil). £ nil has been transferred to the tax authorities in respect of the issue of the shares. Based on the current valuation of Castle Trust Bank there would be no payment due in respect of the shares on an exit event. As such an independent valuation was commissioned which calculated the fair value based on a Black Scholes model using the current value of Castle Trust Bank and the volatility of comparative banks to calculate the option value of the shares.

There are 2 directors (2023: 2 directors) with interests in the MIP 3 scheme.

Year ended 30 September 2024 MIP 4	Brought Forward	Granted in the year	Forfeited, cancelled	Redeemed	Carried forward
Highest paid director	3,056,129,031	0	0	0	3,056,129,031
Directors	1,222,451,612	0	0	0	1,222,451,612
Other	4,908,143,214	36,673,548	(220,041,290)	0	4,724,775,472
Total	9,186,723,857	36,673,548	(220,041,290)	0	9,003,356,115

Year ended 30 September 2023 MIP 4	Brought Forward	Granted in the year	Forfeited, cancelled	Redeemed	Carried forward
Highest paid director	0	3,056,129,031	0	0	3,056,129,031
Directors	0	1,222,451,612	0	0	1,222,451,612
Other	0	4,908,143,214	0	0	4,908,143,214
Total	0	9,186,723,857	0	0	9,186,723,857

The fair value of shares granted in the year under MIP 4 was £1,000 (2023: £93,000). £ nil has been transferred to the tax authorities in respect of the issue of the shares and the related bonus.

The weighted average share price of shares granted was £ nil. The exercise price of shares is nil (2023: nil).

32. Related party transactions

Key management personnel

Key management personnel are those individuals who have the authority and responsibility for planning and exercising power to directly or indirectly control the activities of the Group and its employees. The Group considers the members of the Board of directors and the Executive Committee to be key management personnel for the purposes of IAS 24 Related Party Disclosures. Please refer to Note 6 for details of transactions with them.

During the year the Company issued a subordinated bond to its immediate parent immediate parent company CTC Holdings (Cayman) Limited as detailed in note 23. A back-to-back subordinated loan with matching terms was issued by Castle Trust Capital Plc (a wholly owned subsidiary) to the Company.

33. Capital management

The primary objectives of the Group's capital management policy are to ensure that the Group complies with externally imposed capital requirements and maintains an appropriate capital position, relative to its risk, in order to support its business.

Castle Trust Capital plc is subject to FCA and PRA regulation and is additionally subject to the requirements of the Capital Requirements Regulation which governs capital levels. Regulatory capital requirements of 8% of Risk-Weighted Assets (RWAs) are monitored as part of the overall management of capital, with Key Risk Indicators assigned and monitored for regulatory capital ratios. During the current and prior year the Group complied with all external regulatory capital requirements.

The Group manages its capital structure to reflect changes in the prevailing economic conditions and the risk characteristics of its activities. The Group may adjust the quantum, tenor or riskiness of its activities and hedging strategies in order to reduce the risk that it runs, including exposures to house price, credit, interest rate, and operational risk. The Group may also seek to issue additional capital instruments. The Group's Board regularly reviews its capital position and has instituted objectives, policies and procedures for the sound management of its capital position.

Regulatory capital consists of CET1 capital, which comprises share capital, share premium, retained earnings.

As at 30 September 2024, the Group's total equity was £120.1m (2023: £113.5m).

34. Contingent liabilities

The Group operates in a legal and regulated environment that exposes it to litigation and regulatory risks. As a result, the Group receives complaints, is subject to threatened or actual legal proceedings and manages regulatory enquiries and investigations, and is in continual dialogue with the Regulator, Financial Ombudsman and HMRC to ensure the compliance of its products. Where it is concluded that it is more likely than not that a payment will be made a provision is raised based on management's best estimate of the amount payable. All material matters, if any, are subject to periodic review to determine if they can be reasonably estimated. The Company does not expect the ultimate resolution of any matters to have a materially adverse impact on its financial statements except where already provided. Individual FOS fees and remediation costs where they are probable are provided for within provision for liabilities.

35. Events after the reporting date

As at the date of signing the financial statements no impact has been identified which would be deemed an adjusting or non-adjusting event, however it has been considered by the directors in their assessment of risk and the Group's ability to continue as going concern. There are no other adjusting or non-adjusting events after the reporting date.



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.