Charter Court Financial Services Group plc

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PILLAR 3 DISCLOSURES

31 December 2017

Contents

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1. Introduction

1.1 Overview

The Capital Requirements Directive ("CRD") and the Capital Requirements Regulation ("CRR"), collectively referred to as CRD IV, which came into effect on 1 January 2014 is the framework for implementing Basel III in the European Union (the Basel Framework).

The Basel capital framework consists of three 'Pillars'. Pillar 1 sets out the minimum capital firms are required to hold for credit, market and operational risk. Under Pillar 2, firms and supervisors have to assess whether a firm should hold additional capital against risks not covered in Pillar 1.

The aim of Pillar 3 is to encourage market discipline by developing a set of disclosure requirements which will allow market participants to assess key pieces of information on a firm's capital, risk exposures, risk assessment processes and remuneration approach.

1.2 Scope

This document represents the consolidated Pillar 3 disclosures by Charter Court Financial Services Group Plc ("CCFSG") as at 31 December 2017. CCFSG is subject to consolidated regulatory supervision by the Prudential Regulation Authority ("the PRA"). The scope of consolidation for accounting and regulatory purposes comprises the company and all of its subsidiaries, the most significant of which is Charter Court Financial Services Limited ("the Bank") (PRA firm reference number 494549) ("together the Group"). There are no difference between the basis of consolidation for the Group for financial reporting, accounting and prudential purposes. All of the Group's subsidiary undertakings are included in the Pillar 3 disclosure data.

The regulatory consolidation has been produced in accordance with the requirements established under CRD IV.

This document has been prepared for the purposes of: explaining the basis on which the Group and Bank has calculated capital requirements and leverage; disclosing levels of encumbrance and liquidity coverage in accordance with CRD IV; providing information on risk management, objectives and policies; governance arrangements; and presenting remuneration information as required by CRD IV and the PRA Prudential Rulebook. This disclosure does not constitute any form of financial statement of the Group nor does it constitute any form of contemporary or forward looking record or opinion of the Group.

Disclosures in this document relate to the Group, with the exception of Appendices 1, 2 and 3 which contain disclosures required for the Bank as a solo entity.

1.3 Disclosure Policy

The Group has established a policy for Pillar 3 Disclosures to ensure the Group is compliant with the disclosure requirements prescribed within Part Eight of the CRR. The policy sets out the internal controls and procedures to be applied when assessing the appropriateness of disclosures.

This document should be read in conjunction with CCFSG's Annual Report and Accounts for the year ended 31 December 2017 ("ARA") available at www.chartercourtfs.co.uk, which contain a complete list of entities included within the regulatory consolidation (see Note 50 to the Company financial statements included in the ARA).

Pillar 3 Disclosures will be prepared and published on an annual basis, or more frequently in line with the guidelines or if there is a material change to the previously disclosed data or information.

1.4 Verification

The Pillar 3 Disclosures have been subject to review and internal verification, and have been attested in writing by the management body of the Group.

These disclosures have not been externally audited. However, certain information has been extracted from CCFSG's ARA, which is subject to external audit. Other Information has been sourced from the 2017 Internal Capital Adequacy Assessment document ("ICAAP"), the 2017 Internal Liquidity Adequacy Assessment document ("ILAAP"), Payroll Files and Remuneration Committee reports, and the Group's Common Reporting ("COREP") returns.

1.5 Non-material, Proprietary or Confidential Information

Due to having a small amount of code staff the Group has not provided a breakdown of remuneration by business area as required by Article 450.1(g) of the CRR. This is due to confidentiality as the breakdown would result in single individual's remuneration being disclosed. The Group has provided a breakdown of remuneration split by Executive and Non-Executive staff which can be found in Section 10.

The Group has not sought any exemption from its disclosure on the basis of materiality or on the basis of proprietary or confidential information other than as described above.

1.6 Management Declarations

The Group is exposed to credit and liquidity risk which arise through mortgage lending and banking activities. Risks are managed in strict accordance with the Board approved risk appetites, as well as through credit policies and mortgage arrears management. The Group holds management capital buffers above the minimum regulatory capital requirements.

The Group has a sound risk management function, which includes the liquidity risk management function, with adequate risk management and liquidity management systems in place with regard to the institution's profile and strategy. Further information on the Group's risk management framework is provided in Section 2.

Key Ratios

Key ratios and metrics in relation to the Group are detailed below along with Liquidity Coverage Ratios and Asset Encumbrance Ratios for the Bank.

Key Metrics	2017 £m	2016 £m
Total Risk Weighted Assets	2,118.9	1,475.0
Capital Resources Requirement - Pillar 1[2]	169.5	118.0
Capital Resources		
CET 1	331.4	232.7
Additional Tier 1	-	-
Tier 2	0.5	0.5
Total Capital	**331.9**	**233.2**
Key Ratios		
Common Equity Tier 1 Capital Ratio	15.6%	15.8%
Total Tier 1 Capital Ratio	15.6%	15.8%
Total Capital Ratio	15.7%	15.8%
CET 1 Available To Meet Buffers	7.6%	7.8%
Liquidity Coverage Ratio[1]	222.3%	225.8%
Asset Encumbrance Ratio[1]	25.4%	20.6%

The Group's Audit Committee ("BAC") has approved the above statement and declaration.

[1]Liquidity Leverage Ratios and Asset Encumbrance Ratios are average values over the period, calculated in accordance with standards issued by the EBA.

[2]At 8% of RWAS

2. Risk Management

2.1 Introduction

The CCFSG Board of Directors is responsible for the Group's overall business model and control framework as articulated through business objectives, corporate strategy and risk appetites. The Board discharges its responsibilities for risk management through the Board Risk Committee and the extended governance framework, as described in further detail in this Section 2.

2.2 Risk Assessment

2.2.1 Risks present

The Corporate Risk Register ("CoRR") is used to capture and categorise the risks which the Group considers as the most material to the business. The CoRR is an integral part of the Enterprise Risk Management Framework ("ERMF").

- There are currently over 30 material risks on the CoRR which are summarised below; and
- The CoRR is reviewed on a regular basis and where additional risks are identified, these are recorded for consideration, review and approval by Executive Management. Where risks are not considered either material or relevant a record of these risks is maintained.

The table below links the risk exposures to the risk appetite statements and the management committee which has responsibility for risk oversight. Key management committees are: Risk Management Committee ("RMC"); Credit Management Committee ("CMC"); Conduct Risk Management Committee ("CRMC"); Assets and Liabilities Committee ("ALCO"); Operational Risk Working Group ("ORWG") and Product Management Committee ("PMC").

Risk Exposure	Risk Appetite Statement	Executive Committee
Credit Risk The risk that failure or poor performance of credit management techniques and processes results in exposure to customer defaults and loss.	Credit Risk	RMC via CMC
Concentration Risk The risk arising from a lack of diversification of the Group's business. Key exposures are: geographical distribution of lending; large exposures; proportion of lending in each asset class; credit exposure to a single counterparty. Concentration Risk is also generated by over reliance on one source of funding; this is dealt with in Funding Risk below.	Credit Risk	RMC via CMC
Liquidity Risk The risk financial obligations are not met as they fall due. Funding Risk, including execution risk on securitisation transactions, is a component of Liquidity Risk.	Treasury Risk	ALCO
Interest Rate Risk The risk that movement in interest rates adversely impacts net income or net worth.	Treasury Risk	ALCO
Counterparty Risk The risk of failure of a counterparty to fulfil its contractual obligations by failing to pay. The main exposure is to counterparties of Treasury transactions.	Treasury Risk	ALCO
Business Risk The risk that the Business Plan is not delivered due to selection of the wrong strategy or its improper implementation, a lack of responsiveness to external business developments or through changes in the business environment forcing deviation from the plan.	Business Risk	RMC via ORWG
Operational Risk The risk of financial loss, impairment of reputation or regulatory failure resulting from: poor governance structures (e.g. over material outsourcing); inadequate or failed internal processes or systems; inadequate people resource; financial crime; failure to protect information; or failure to manage change.	Operational Risk	RMC via ORWG
Conduct Risk The risk arising from a failure to treat customers fairly or the failure to deliver an appropriate outcome for them.	Conduct Risk	RMC via CRMC

2.2.2 Risks Not present at CCFSG

The Group does not believe that the following commonly occurring risks are relevant to it, or that where relevant, they have already been considered in the risk exposures above.

Risk	Rationale
Market Risk	The Group will not hold any assets for trading purposes and will not have any foreign currency denominated assets or liabilities. Treasury investments held for liquidity and/ or investments purposes are Held To Maturity and are therefore not subject to fair value accounting.
Insurance Risk	The Group does not have any exposure to insurance risk as it is not involved in any direct insurance activities and therefore does not have any insurance liabilities. Insurance cover for Group risks is considered under Operational Risk.
Securitisation Risk	The Group sells mortgage assets to a securitisation company which in turn issues residential mortgage-backed securities ("RMBS"). As part of the RMBS transactions certain reps and warranties are provided which, if breached, could result in it having to buy back loans from the RMBS structure. This risk is not determined to be material, with any such loan buy backs being discussed at ALCO and reported in the KRIs. The Group has also reviewed its potential exposure to the related step-in risk and determined it has none. Transaction execution risk is a component of Funding Risk. Further information on Securitisation Risk can be found in Section 9.
Pension Obligation Risk	Pension Obligation Risk is the risk that there is a shortfall in respect of defined benefit pensions. The Group does not have such a pension scheme.
Group Risk	The Bank is part of a simple group, all parts of which are wholly owned by CCFSG. The Bank does not provide and is not subject to liquidity support from other entities within the Group. Within the Group is the service company Exact Mortgages Experts ("EME") which manages some operational contracts and employs staff. A service contract between EME and other Group entities was put in place on 6th December 2013, effective from 1st January 2014 which defines roles, responsibilities and financial arrangements. The contract is structured on the basis that EME will be obliged to continue to provide essential staff and services in the event of CCFS' insolvency to facilitate its Recovery Plan and Resolution Pack ("RPRP").
Remuneration Risk	CCFSG variable pay structure and prudent risk appetite ensure that staff are not rewarded by taking additional risks outside of the agreed appetite and risk framework.

2.3 Risk Management

2.3.1 CCFSG overall approach to managing risk

An Enterprise Risk Management Framework ("ERMF") is used within the Group to set out the high level risk management components and standards. The purpose of the framework is to provide a single, consistent view of the various components and tools within the framework and to aid the periodic review of the framework and its effectiveness.

2.3.2 Risk Appetite Framework

The Group has created a Risk Appetite Framework ("RAF") to enable risk capacity, risk appetite, risk limits, and risk profiles to be considered for business lines and legal entities as relevant, and within the Group context in line with Financial Stability Board ("FSB") best practice guidelines. The Framework is illustrated below to provide an overview of the structure, and how the various components align and are embedded within the business, through committees supporting appetite statements, policies and procedures and suites of KRIs.

Risk Appetite Framework

Business Strategy and Objectives

Corporate Risk Appetite Statement

Business Risk Appetite Statement	Credit Risk Appetite Statement	Treasury Risk Appetite Statement	Operational Risk Appetite Statement	Conduct Risk Appetite Statement

Policies and Procedures

Selected KRI coverage at Board Risk Committee

Business Risk KRIs	Credit Risk KRIs	Treasury Risk KRIs	Operational Risk KRIs	Conduct Risk KRIs

Full KRI coverage across Executive Committees

Business Risk KRIs	Credit Risk KRIs	Treasury Risk KRIs	Operational Risk KRIs	Conduct Risk KRIs

2.3.3 Three Lines of Defence ("3LOD") Organisation

CCFSG has established and adopted a 3LOD organisational model in line with best practice financial services risk management. The senior management of each business line or unit are the first line of defence and are responsible for risk identification and risk management; a 2nd line of defence ("2LOD"), challenge and oversight is provided by Risk, Compliance and Legal functions together with Executive Committees. Internal Audit and the Board and Board Committees provide a 3rd line of defence.

As the business has grown it has strengthened the implementation of the 3LOD model. Examples include:

- In the lending business, a lending mandate structure with the operational areas for case underwriting is in place. The 2LOD Credit Risk team controls this mandate structure. In addition the Credit Risk team own Credit Policy, a case level Quality Assurance review process, the development and monitoring of credit scorecards and the Credit Risk management information and reporting suites;
- In the Savings business, the day to day operations are outsourced to Newcastle Building Society and the Savings Team manage the outsourcing relationship. The 2LOD Risk, Financial Crime and Legal and Compliance teams provide an additional level of oversight and challenge. Oversight is provided in key controls such as customer account terms and conditions, the Single Customer View file and Anti Money Laundering ("AML") processes;
- The 2LOD teams cover the main Risk disciplines, Operational, Legal and Compliance, Credit, Prudential and Models and Ratings. In each case frameworks have been enhanced to provide structure, challenge and oversight of the business;

- The Compliance team continues to be strengthened with the recruitment of additional team members to support delivery of the compliance plan; and
- The Prudential Risk team oversee treasury operations and also have a purview of reviewing and disseminating new regulation to the business. The team comprises the Head of Prudential Risk, a Stress Testing Manger and a Prudential Risk Analyst who are tasked with prudential regulation monitoring, and provide oversight of financial risk.

2.4 Risk Policies and Procedures

2.4.1 Risk Policies

The Group has created a suite of policies and minimum standards to provide best practice guidelines, clarify principles, define minimum standards and resolve conflicts. These policies cover all of the key risk exposures and are aligned for the purpose of challenge and recommendation/approval by at least one of the four executive management committees.

2.4.2 Risk Register (CoRR)

CCFSG works to a Risk Taxonomy comprised of five key risk exposures: Business, Credit, Prudential, Operational and Conduct. The top level risks are categorised against these exposures within the Corporate Risk Register, which is submitted for quarterly review and approval within each of the associated executive management committees.

The Risk Control Self-Assessment ("RCSA") process undertaken in the first line and overseen by the second line supports the identification of Operational Risks and maps these risks to the CoRR.

2.4.3 Risk Process and Infrastructure

The Group has defined and implemented a number of risk processes and has established a supporting infrastructure. Top level processes include the Strategic Business Plan Risk Assessments, ICAAP, ILAAP Recovery Plan and Resolution Pack documents. In addition to these processes regular working groups have been established for Liquidity ("LWG"), Operational Risk ("ORWG") and as part of the ICAAP planning process, the Capital Working Group ("CWG").

2.4.4 Risk Data Management of Information and Reporting

The Group has developed a suite of detailed management information reports to support the business.

There has also been a move towards a two tier governance structure at Board and Executive levels who receive more concise summary information dashboards, developed in support of these requirements.

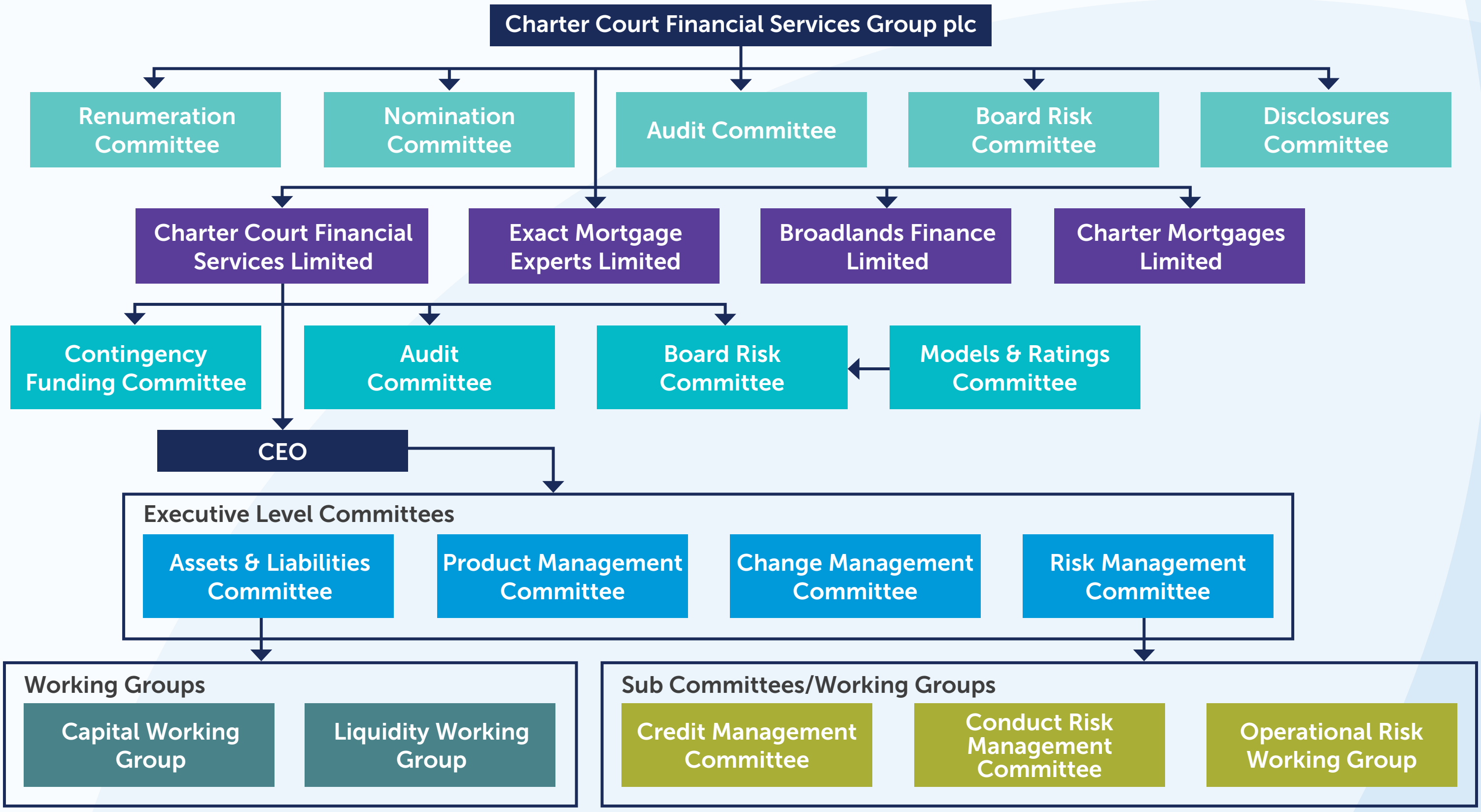
The Group uses a stratified approach to reporting risks through its governance structure. A suite of Key Risk Indicators and measures have been embedded through the committee structure to provide information around past and planned performance and the external environment in which CCFSG operates. Through this process key risks are allocated a red, amber or green ("RAG") indicator according to pre-specified criteria which are then monitored and reported through to the relevant committees. Where appropriate there is an escalation process to ensure the relevant notification occurs outside of the regular meeting schedule.

ALCO, BRC and Board, the key governance committees overseeing Capital Management and the ICAAP are supported by two management working groups, the ORWG and the CWG.

This governance structure provides frequent reviews of CCFSG risks positions and financial resources including the review of the Group's current and forecast liquidity and capital position ensuring that they remain within the Board Risk Appetite. Risk, as the Second line of defence, is represented throughout this structure and provides independent assurance of the reporting and risk management activities.

2.5 Governance Structure and Developments

The chart below provides an overview of the governance structure referred to throughout Section 2.



The Group and Bank Risk Committees and Audit Committees have common membership and Terms of Reference facilitating the efficient and consistent conduct of business.

2.5.1 Developments

Since 2016, CCFSG has changed its governance committee structure to drive efficiency gains and augment focus on the key risks across the business. Specifically it has:

- Developed the mandate and operation of the Models and Ratings Committee ("MRC") – a Board Committee – established in June 2016 to oversee IRB preparation and the IFRS9 project and to ensure appropriate and proper preparation for an anticipated IRB waiver application. MRC is a sub-committee of the Board Risk Committee ("BRC") and undertakes on behalf of BRC;
- Oversight of the regulatory and risk model and system requirements associated with IRB and IFRS9 accounting standards;
- Act as the designated committee for the purposes of material aspects of the rating and estimation processes (as articulated in Article 189 of the EU Capital Requirements Regulation) and oversee the implementation of International Financial Reporting Standards (IFRS9);
- Obtain and retain a reasonable understanding of the firm's rating systems' design including its key features and operation, the implementation of appropriate assurance frameworks in relation to rating and estimation;
- Adoption and implementation of IFRS9 processes to ensure the proper operation, performance and effectiveness of adherence to financial and control standards and policies, associated risk models and their ongoing review and refresh and general maintenance;
- Established a Risk Management Committee ("RMC"), which adopts an enterprise-wide approach to risk management with both a strategic outward looking and holistic mandate, and engages more directly with the BRC. RMC has reporting to it individual committees or working groups for operational risk, conduct risk and credit risk. RMC in concert with these three risk groups effectively absorbs the activities of the former Credit Management Committee ("CMC") and Operation and Conduct Risk Committee ("OCRC") and provides for separate independent focus and oversight of regulatory and

internal compliance and conduct risk whilst enabling the specific risk managers and directors to set and manage agendas and chair their own forums;

- Established a Change Management Committee ("ChMC") to oversee all projects and change related activity including key strategic change projects (e.g. Charter Savings Bank, IRB). It introduces more rigour and control to change activity: greater financial cost/benefit analysis, more informed change prioritisation and improved overall business change planning and control; and
- Two non-executive directors have been added to the Board: a new Chairman, Sir Malcolm Williamson and a new senior independent director, Noël Harwerth.

2.6 Board of Directors

CCFSG is headed by a Board of Directors which meets regularly and directs and controls the company. There is a clear division of responsibility which ensures a balance of power and authority between the Chairman, who controls and directs the CCFSG Board meetings and the Chief Executive Officer, who carries responsibility for running CCFSG's business.

The CCFSG Board consists of both executive and non-executive directors. The members of the CCFS and CCFSG Boards are detailed below along with number of other principal directorships held by each member. Details of the names of other Directorships held by the management body can be found in the Company's Annual Report under the Corporate Governance section sub heading Board of Directors.

Name	Role	Position	Number of Other Directorships held
Sir Malcolm Williamson	Chairman	Non-Executive	3
Philip Jenks	Deputy Chairman	Non-Executive	1
Noël Harwerth	Senior Independent Director	Non-Executive	6
Ian Ward	Independent Director	Non-Executive	2
Timothy Brooke	Independent Director	Non-Executive	5
Rajan Kapoor	Independent Director	Non-Executive	0
Ian Lonergan	Executive Director and Chief Executive Officer	Executive	0
Sebastien Maloney	Executive Director and Chief Financial Officer	Executive	0
Peter Elcock	Executive Director and Chief Risk Officer	Executive	1

The CCFSG Board is provided with any information required to facilitate the discharge of its responsibilities. A monthly Board pack is distributed to directors and senior management. Financial information (management accounts, budgets and forecasts etc.) is provided on a Group basis and other reports include management information for, and commentary on, liquidity, lending analysis, arrears and updates on regulatory and compliance matters.

The Group does not foresee any change in the overall composition of the management body.

2.6.1 Management recruitment policy and diversity

Disclosures required by Article 435.2(b) of the CRR relating to the Recruitment Policy of the management body and their actual knowledge, skills and expertise can be found in the Company's Annual Report, Corporate Governance section sub heading Board of Directors.

The Nomination Committee is responsible for making recommendations to the Group Board regarding the appointment of new directors. Such recommendations are provided taking into account the structure and composition of the Board with regard to the balance of skills, board diversity, knowledge and experience.

Disclosures required by Article 435.2(c) of the CRR relating to the Diversity Policy with regard to the selection of the management body and details of any objectives and targets met can be found in the company's Annual Report, Corporate Governance section, sub heading Nomination Committee Report.

2.7 Audit Committee

The CCFSG and CCFS Boards empower the Audit Committees to oversee, review and advise the relevant Boards on the adequacy and effectiveness of the framework of internal control, ensuring that appropriate levels of external and internal audit are maintained.

The Committees consists of the same non-executive directors, who receive reports and meet at least four times annually.

Amongst other responsibilities, it oversees the work and considers the reports of the outsourced internal audit function, overseeing the implementation of its recommendations where appropriate, and giving due consideration to the effectiveness of internal controls and compliance checks. The AC monitors and reviews:

- The integrity of the financial statements and any formal announcement relating to the Groups financial position;
- The adequacy and effectiveness of the Groups financial crime controls and fraud risk management systems;
- The effectiveness of the internal audit function in the overall context of the Groups internal control and risk management systems;
- The effectiveness of the Groups statutory year-end financial audit and its external auditor; and
- The adequacy and security of the Groups arrangements for staff to raise concerns about possible wrongdoing in financial reporting or other matters.

2.8 Board Risk Committee

The CCFSG and CCFS Boards empower the Board Risk Committee to:

- Oversee, understand and review on behalf of each Board the risk profile and advise on current risk exposures and future risk strategy, including recommending the risk appetite. This includes challenging management's understanding and management of risk, especially related to strategy and major initiatives, and ensuring suitable risk management techniques and disciplines are applied;
- Review the capital and liquidity plans to ensure that capital held supports the risk profile of the business and meets current capital adequacy and future solvency requirements, and that liquidity is held in sufficient quantity and quality to support future liquidity requirements;
- Oversee and receive reporting from the Models and Ratings Committee (MRC) – the CCFS BRC oversees CCFS' IRB and IFRS9 programmes and IRB waiver preparation;
- Oversee and ensure the robustness and adequacy of the ICAAP and ILAAP, ensure relevant risk management disciplines are embedded in planning and decision making, and issues are escalated to the Boards or actions taken as appropriate;
- Oversee the implementation of a culture that emphasises and demonstrates the benefits of a risk-based approach to internal control and management of the business, and encourage greater awareness of risk management at all levels; and
- Review and report to the Boards on the risk management framework, anticipating changes in business conditions and operations.

The members of the Board Risk Committees are non-executive Board members.

The Board Risk Committee have met five times during 2017.

2.9 Executive Directors

The Chief Executive Officer, supported by the Chief Financial Officer and Chief Risk Officer, is responsible for carrying out the management of the conduct of the whole business, the allocation of responsibilities, and for the development and maintenance of the business model.

The Chief Financial Officer, supported by the Finance team, is responsible for management of financial resources, the production and integrity of financial information and regulatory reporting, management of the allocation and maintenance of capital, funding and liquidity, treasury management systems, and for managing the internal stress-tests and ensuring the accuracy and timeliness of information provided to the PRA and other regulatory bodies for the purposes of stress-testing.

The Chief Risk Officer, supported by the Risk, Legal and Compliance teams, is responsible for overall management of risk controls, including the setting and managing of risk exposures, reporting in relation to risk management arrangements, for policies and procedures for countering financial crime risk, for assessing the adequacy and effectiveness of policies and procedures designed to detect any risk of failure by the Group to comply with its obligations under the regulatory system, the RPRP, and overseeing internal processes regarding their governance.

2.10 Executive Committees

The Chief Executive Officer has established four executive committees as follows:

2.10.1 Risk Management Committee ("RMC")

Established to review management recommendations on operational, credit and conduct risk management, including proposed strategies, frameworks and policies prior to recommending to the Board Risk Committee, and to monitor, evaluate and address significant risk matters on a day to day basis. Other committee's and working groups reporting into RMC are as follows;

2.10.1.1 Credit Management Committee ("CMC")

Established to develop and provide oversight of the risk management framework for controlling credit risks arising from on-going residential lending activities, and administer credit-related policies.

2.10.1.2 Operational Risk Working Group ("ORWG")

Established to review on behalf of the Executive and Senior Management, management's recommendations on operational risk management matters, including proposed strategies, frameworks, risk events, risk acceptance proposals and policies, prior to approval by the Risk Management Committee, Board Risk Committee or Board (as appropriate). The committee also supports the Chief Risk Officer in monitoring, evaluating and addressing significant matters relating to operational risk on a day to day basis, and promote the Company's agreed culture and values.

2.10.1.3 Conduct Risk Management Committee ("CRMC")

Established to oversee on behalf of the Executive and Senior Management, management's recommendations on conduct risk management, including proposed strategies, frameworks and policies prior to approval by the RMC, BRC or Board (as appropriate). The committee supports the Chief Risk Officer in monitoring, evaluating and addressing significant matters relating to conduct risk on a day to day basis and promotes the Group's agreed compliance culture and values.

2.10.2 Assets and Liabilities Committee ("ALCO")

Established to develop a strategy for financial risk management, implement financial risk management controls, monitor financial performance within agreed parameters and report on the status and prioritisation of financial risk management issues.

ALCO's duties focus on maximising net interest income whilst operating within agreed CCFSG Board approved appetites for credit risk, liquidity risk, interest rate risk and capital. Other working groups reporting into ALCO are detailed as follows;

2.10.2.1 Capital Working Group ("CWG")

Established to support ALCO in all matters pertaining to Capital Management and focuses on the capital position of the Group by assessing capital requirements against capital resources. CWG includes representatives from Risk and Finance and an open invitation to the CRO and CFO. The CWG plays an important part in conducting the Group's ICAAP.

2.10.2.2 Liquidity Working Group ("LWG")

Established to support ALCO in all matters pertaining to Liquidity Management and focuses on the liquidity position of the Bank remaining at all time within the boards liquidity risk appetite by assessing liquidity requirements against liquidity resources. The LWG plays an important role in conducting the Group's ILAAP.

2.10.3 Product Management Committee ("PMC")

Established to develop, approve and implement product and pricing strategies, and monitor conduct risk as it relates to products and pricing.

2.10.4 Change Management Committee ("ChMC")

Established to develop, approve and implement material change projects.

2.11 Oversight Arrangements for Key Strategies and Internal Controls

To ensure prudent management of the business, CCFSG has established a range of internal controls, which have continued to operate effectively.

2.11.1 Strategy, Plans and Budgets

Business strategy, plans and budgets are the responsibility of the Chief Executive Officer. These are prepared and recommended to the CCFSG and CCFS Boards for approval. Rolling plans, including quarterly reforecasting are provided to Board.

2.11.2 Capital and Liquidity Planning

Capital and liquidity planning is the responsibility of the Chief Financial Officer. The capital plan is linked to the strategic planning process and budget.

Capital and liquidity plans are prepared annually and are reviewed by the BRC before being recommended to the CCFSG Board for approval.

Two management level sub-committees report through to ALCO, these are LWG and CWG.

2.11.3 Stress Testing Process and Oversight

Stress Testing is the responsibility of the Chief Financial Officer. The Stress tests and assumptions are driven from the ICAAP and ILAAP plans and are linked to the strategic planning process.

Stress Tests are reviewed at CWG, ALCO, Board Risk Committee and CCFS Board, including the results and output and model calibrations, and assumptions.

2.11.4 Risk Management

Risk management strategy and policies are the overall responsibility of the Chief Executive Officer and have been developed and managed in conjunction with the Chief Risk Officer.

The key elements of the Group's approach to risk management are documented within the EMRF. Overall, the ERMF comprises eight core elements being; Risk Appetite, Governance and Committees, Three Lines of Defence Organisation, Risk Policies, Risk Register, Risk Processes and Infrastructure, Risk Data, Management Information and Reporting. The ERMF is maintained by the Chief Risk Officer and reviewed annually by the Risk Committee.

Key risks are identified and monitored by the CRO in conjunction with the Director of Credit Risk, the Director of Legal and Compliance, the Head of Prudential Risk, the Director of Models and Ratings and the Head of Operational Risk using a Corporate Risk Register ("CoRR"). The CoRR is a central tool in the 'top down' risk management process being used in the following ways:

- The CoRR is considered quarterly by the Board Risk Committee and monthly by the CRO;
- The CRO presents a monthly Risk Summary to the CCFS Board giving their view of risk across the business against each of the risk categories identified in the CoRR; and
- The CoRR is used as the basis of risk assessment for key new initiatives, such as material outsourcing arrangements.

Currently the top five risks on a net basis are agreed as:

- Business Risk – Market Risk – the risk of adverse changes in the macro-economic environment negatively impacting business performance;
- Operational Risk – IT systems Risk – the risk of a failure or sub-optimal performance of IT systems, risk of non-maintenance and investment in systems and IT infrastructure;
- Business Risk – Regulatory Risk – the risk of regulatory changes adversely affecting the Group's business model;
- Operational Risk – Information Security Risk – the risk of a damaging cyber-attack, data leakage, data misuse, fraudulent systems access; and
- Operational Risk – Outsourcing Risk (NBS) – failure of Newcastle Building Society to whom the savings platform is outsourced to deliver savings originations, account administration and customer service.

2.11.5 Financial Risk Management

Financial risk management strategies are the responsibility of the Chief Financial Officer. These are prepared and reviewed by ALCO before being recommended to the Board for approval.

The Audit Committee monitors the adequacy and effectiveness of the financial risk management framework, reviewing and challenging (where necessary) significant financial reporting issues and judgements, and reviewing significant accounting policies.

2.11.6 Non-Financial Risk Management

Non-financial risk management strategies are the responsibility of the CRO. These are prepared and reviewed by the ORWG, CRMC and the BRC before being recommended to the Board for approval.

A high level summary of CCFSG's approach to operational risk management is documented within the Operational Risk Management Framework ("ORMF"). The purpose of this framework is to set out the activities, tools, techniques and organisational arrangements to ensure that all material operational risks facing the Group are identified and understood, and that appropriate responses are in place to protect the Group and prevent detriment to its customers and colleagues enabling it to meet its objectives and plans, and enabling our ability to respond to new opportunities.

The primary purpose of ORMF is to provide a single, consistent view of the core features of:

- Risk Appetite is the level of risk that CCFSG is prepared to accept whilst pursuing its business strategy, recognising a range of possible outcomes as plans are implemented.
- CCFSG has a Risk Appetite Framework to provide risk capacity, risk appetite, risk limits and risk profile to be considered for business lines documenting the Operational Risk Management process from the initial identification of risks through to mitigation;
- CCFSG has a governance structure of Committees and Working Groups which aligns in a proportionate manner to the UK Corporate Governance Code and recognised financial services organisation best practice;
- CCFSG has adopted a 3 Lines of Defence (3LOD) organisational design and operational model in line with best practice financial services risk management. A 2nd line of defence, challenge and oversight is provided by Operational Risk together with the Executive Committees and the wider Risk Teams. Internal Audit and the Board provide a 3rd Line of Defence;
- Operational Risk has a number of procedures and standards which are used to document the control objectives, principles, define minimum standards and provide more granular detail;
- CCFSG categorises Operational Risks identified across the business and these are mapped back to one of the five principal corporate risk exposures which align to the Second Line Risk areas, Business, Conduct, Credit, Operational and Prudential; and
- MI is captured and reported by way of monthly reports for the CRO and the ORWG and any other ad-hoc reports when required. Review and challenge of risks within the CoRR occurs at the ORWG and the BRC.

The BRC oversees and advises the Board on current risk exposures and future risk strategies.

2.11.7 Assurance

The Audit Committee monitors assurance, audit and compliance, providing assurance evaluation to the Board. The Legal and Compliance team produces a quarterly report to the CCFSG BRC which reports on current regulatory issues and compliance checks. In addition there are two principal sources of information for identifying potential problems and considering recommendations for improvement:

- Internal Audit: reviews undertaken by the Internal Auditor to identify any weaknesses in CCFSG's risk management policies, systems and controls, and any breaches in compliance; and
- External Audit: financial audits undertaken by the external auditors to approve the validity of financial statements.

2.11.8 ICAAP

The preparation of the ICAAP is the responsibility of the Chief Risk Officer, in conjunction with the Chief Financial Officer, CCFSG Board members and the Risk, Finance, and other business functions. Key ICAAP responsibilities are outlined below:

Stakeholder	ICAAP Responsibility
Finance Function (1st Line of Defence*)	• Preparation of budgets in accordance with the strategic plan approved by the Board • Preparation of the capital plan • Application of stress testing scenarios and results analysis • Proposal of capital allocation
All functions (1st Line of Defence*)	• Provision of data for preparation and implementation of the ICAAP • Identification of risks.
Prudential Risk Management Function (2nd Line of Defence*)	• Design of the risk management framework • Preparation of risk management policies • Stress Testing Framework and Stress Tests • Establishment of risk monitoring and measurement methodology • Preparation of the ICAAP
Internal Audit Function (3rd Line of Defence*)	Independent assessment of: • the risk assessment, stress testing and capital allocation processes and their compliance with regulatory obligations; • financial data and consistency with financial records; and • that the ICAAP process is followed according to the Board's requirements.
Board of Directors (3rd Line of Defence)	• Definition of business strategy and objectives, and of the risk profile • Establishment of an appropriate internal control system, especially in relation to the ICAAP • Review, approval and understanding of ICAAP

The BRC oversees the ICAAP process and ensures its robustness and adequacy prior to approval by the Board.

As part of the Group's obligations under the general stress and scenario testing rules (as described in the PRA Rulebook) which state a firm must, for the major sources of risk, carry out stress tests and scenario analyses that are appropriate to the nature, scale and complexity of those major sources of risk and to the nature, scale and complexity of the firm's business.

The Group undertakes a number of stress tests which are documented in the ICAAP, and uses the results of this stress testing to assess capital needs, including reviewing the output of the stress tests, and if the scenario was appropriate.

Stress tests are carried out annually as part of the ICAAP cycles and include a projection of the capital resources and capital requirements over a three year horizon, taking account of its business plan and the impact of relevant stress scenarios.

2.11.9 Recovery Plan and Resolution Pack

The Recovery Plan and Resolution Pack ("RPRP") is prepared alongside both the ILAAP and immediately following finalisation of the ICAAP. The latter is used to guide the development of the recovery triggers described in the Recovery Plan and in particular, the Crisis Management Governance Framework ("CMGF").

The CMGF identifies stresses early through a range of current and forward-looking metrics related to capital, liquidity, funding, profitability and asset quality. Indicators and triggers are both qualitative and quantitative in nature, and are consistent with the indicators monitored in the ICAAP 2017 and the ILAAP 2017. The triggers are divided into:

- Early Warning Indicators ("EWIs") which prompt early actions by CCFSG designed to prevent a stress from materialising; and
- Recovery Triggers ("RTs") which prompt a notification requirement to the PRA, but not automatic invocation of the Recovery Plan (although in some cases, it may be decided that recovery actions are necessary).

Once triggered, a Trigger Process is then followed. This effectively describes the steps to deal with an 'amber' or 'red' event. In the event the actions to deal with the recovery are ineffective the Resolution Pack will be invoked.

The results from both the ICAAP and ILAAP processes can then be compared to the EWIs and RTs to determine the likelihood of having to invoke the RPRP.

3. Capital Resource and Adequacy

Charter Court Financial Services Group plc

3.1 Capital Metrics and Ratios

The Group's capital metrics and ratios at 31 December were as follows:

Capital Metrics and Ratios	2017 £m	2016 £m
Capital Resources Requirement - Pillar 1	169.5	118.0
Capital Resources		
Common Equity Tier 1 ("CET 1")	331.4	232.7
Additional Tier 1	-	0.0
Tier 2	0.5	0.5
Total Capital	**331.9**	**233.2**
Total Risk Weighted Assets	2,118.9	1475.0
Common Equity Tier 1 Capital Ratio	15.6%	15.8%
Total Tier 1 Capital Ratio	15.6%	15.8%
Total Capital Ratio	15.7%	15.8%
CET 1 Available To Meet Buffers	7.6%	7.8%

3.2 Capital Composition

The following table sets out the regulatory capital resource of the Group as at 31 December.

Common Equity Tier 1	2017 £m	2016 £m
Share Capital	2.4	0.0
Share Premium	19.0	195.1
Retained Earnings	313.6	38.4
Regulatory Adjustments to CET1:		
Intangible Assets	(1.4)	(0.6)
Deferred Tax Asset	(2.2)	(0.2)
Common Equity Tier 1 Capital	**331.4**	**232.7**

Tier 2	2017 £m	2016 £m
Share Capital	-	-
Share Premium	-	0.0
General Credit Risk Adjustments	0.5	0.5
Total Tier 2 Capital	**0.5**	**0.5**

Total Capital	**331.9**	**233.2**

3.3 Capital Detail

Tier 1 Capital

The Group's Tier 1 Capital consists of issued ordinary share capital, share premium and retained profits. In accordance with Article 36 of the CRR, adjustments are made to CET1 for intangible fixed assets and deferred tax assets.

Changes in Tier 1 Capital

Prior to the Initial Public Offering ("IPO") in October 2017, the Group reorganised its Share Capital in order to prepare for the public listing. See Note 31 to the company's financial statements included in the ARA, which details the changes in share classes within the year.

On 27 June 2017, the Group passed a special resolution to cancel its entire share premium account. Accordingly, the share premium balance was transferred to retained earnings on that date. This is permitted under the Companies Act and was subject to PRA approval.

Tier 2 Capital

The Group's Tier 2 Capital consists of general credit risk adjustments. The general credit risk adjustments are recognised subject to the cap of 1.25% of RWAs imposed under Article 62 of the CRR. This cap was not exceeded at 31 December 2017 or 31 December 2016.

3.4 Reconciliation of Equity to Regulatory Capital

Set out below is a reconciliation of Group Total Equity, per the Consolidated Statement of Financial Position included in the ARA, and Regulatory Capital.

Reconciliation of Equity to Regulatory Capital	2017 £m	2016 £m
Regulatory Capital	331.9	233.2
General Credit Risk Adjustments	(0.5)	(0.5)
Intangible Fixed Asset Deduction	1.4	0.6
Deferred Tax Asset Deduction	2.2	0.2
Total Equity	**335.0**	**233.5**

3.5 Capital Requirements

An overview of Risk Weighted Assets ("RWAs") and Pillar 1 requirements for the Group as at 31 December are as follows:

Exposure Class	£m RWAs 2017	£m 2016	£m Minimum Capital Requirements 2017
Credit Risk – Standardised Approach			
Central Government or Central Bank	-	-	-
Institutions	22.9	16.0	1.8
Retail	4.0	-	0.3
Secured by Mortgages on Immovable Property	1,903.7	1,372.5	152.3
Exposures in Default	5.5	2.3	0.4
Items Associated with Particularly High Risk[1]	50.7	-	4.1
Other Exposures	5.7	7.6	0.5
Counterparty Credit Risk			
Mark to Market Derivitives	5.9	2.4	0.5
Credit Value Adjustments ("CVA")	3.0	1.5	0.2
Securitisation Exposures in the Banking Book – Standardised Approach	**15.7**	**23.9**	**1.3**
Operational Risk – Basic Indicator Approach ("BIA")	**101.8**	**48.8**	**8.1**
Total	**2,118.9**	**1,475.0**	**169.5**

[1]During the year a proporation of bridging lending was reclassified as "Items Associated with Particularly High Risk" in accordance with Article 128(d) of the CRR "Speculative immovable property financing".

3.6 Capital Flows

Changes in the Group's Tier 1 Regulatory Capital during the year ended 31 December are set out below:

Capital Flows	2017 £m	2016 £m
At 1 January	232.7	165.4
Ordinary Share Capital	2.4	0.0
Share Premium	(176.1)	30.1
Other Reserves	193.9	0.1
Profit For The Year	81.3	37.3
Intangible Fixed Asset Deduction	(0.8)	(0.2)
Deferred Tax Asset Deduction	(2.0)	(0.0)
31 December	**331.4**	**232.7**

3.7 Capital Management Framework

Stakeholder	Responsibility
Finance Function (1st Line of Defence)	• Preparation of budgets in accordance with the strategic plan approved by the Board • Preparation of the capital plan • Application of stress testing scenarios and result analysis • Proposal of capital allocation
All functions (1st Line of Defence)	• Provision of data for preparation and implementation of the ICAAP • Identification of risks
Risk Management Function (2nd Line of Defence)	• Design of the risk management framework • Preparation of risk management policies • Establishment of risk monitoring and measurement methodology • Preparation of the ICAAP
Internal Audit Function (3rd Line of Defence)	Independent assessment of: • The risk assessment, stress testing and capital allocation processes and their compliance with regulatory obligations; • Financial data and consistency with financial records; and • That the ICAAP process is followed according to the Board's requirements.
Directors	• Definition of business strategy and objectives, and the risk profile • Establishment of an appropriate internal control system, especially in relation to the ICAAP • Review, approval and understanding of ICAAP

The Group's capital resources and requirements use the CRD IV framework as implemented locally by the PRA.

The Pillar 1 risk assessment is under the Standardised Approach for Credit Risk and Market Risk and the Basic Indicator Approach for Operational Risk. As part of the ICAAP a Pillar 2 assessment of risks not covered in Pillar 1 is undertaken. Following the annual SREP visit and review of the ICAAP the PRA confirms the Group and Bank's Individual Capital Guidance, which covers Pillar 1 and Pillar 2 requirements.

3.8 Capital Developments

The Basel Committee on Banking Supervision has issued final rules on its revisions to the standardised approach for credit risk – finalising post-crisis reforms. The Group has assessed the impact of the changes on the minimum Capital Requirement if implemented by the PRA is broadly neutral if adopted by the EBA, and it has a robust capital management framework in place in order to manage the impact of any changes.

The Group has completed the IFRS 9 project which will be implemented as of 1st January 2018. This impacts on capital management through changes to the requirements for the recognition and reporting of credit losses.

4. Regulatory Capital Buffers

Charter Court Financial Services Group plc

4.1 Capital Conservation Buffer (CCB)

The CCB ensures that banks build up capital buffers in order to absorb losses without breaching minimum capital requirements. The CCB was set at 0.625% in 2016 and will reach 2.5% by 2019. As at 31st December 2017 the applicable rate is 1.25%

4.2 Capital Countercyclical Buffer (CCYB)

Institutions are required to comply with the requirements for a countercyclical capital buffer referred to in Title VII, Chapter 4 of Directive 2013/36/EU (the CRD). The Group has assessed its CCYB requirement as zero for 31 December 2017. Following the Financial Policy Committees announcement on 27th June 2017 this will increase to 0.5% as of 27th June 2018, a further increase to 1% was announced in November 2017 which will be applicable as of November 2018. These rates are applicable to the United Kingdom only.

4.3 Geographical Distribution of Credit Exposures

Geographical distribution of credit exposures relevant for the calculation of the CCYB year ended 31 December 2017 are set out below:

	General Credit Exposure	Securitisation Exposures	Own Funds Requirements				
	£m	£m	£m	£m	£m		
Breakdown by Country	Exposure Value for SA	Exposure Value for SA	Of which: General Credit Exposures	Of which: Securitisation Exposures	Total	Own Funds Requirements Weights	Countercyclical Capital Buffer Rate
United Kingdom	5,920.5	78.4	157.6	1.3	158.8	1.00	0%
Total	**5,920.5**	**78.4**	**157.6**	**1.3**	**158.8**	**1.00**	**0%**

Geographical distribution of credit exposures relevant for the calculation of the CCYB year ended 31 December 2016 are set out below:

	General Credit Exposure	Securitisation Exposures	Own Funds Requirements				
	£m	£m	£m	£m	£m		
Breakdown by Country	Exposure Value for SA	Exposure Value for SA	Of which: General Credit Exposures	Of which: Securitisation Exposures	Total	Own Funds Requirements Weights	Countercyclical Capital Buffer Rate
United Kingdom	4,342.4	119.5	110.6	1.9	112.5	1.00	0%
Total	**4,342.4**	**119.5**	**110.6**	**1.9**	**112.5**	**1.00**	**0%**

4.4 Institution Specific Countercyclical Capital Buffer

Amount of Institution specific CCYB as at 31 December 2017 are set out below:

Institution Specific Countercyclical Buffer	2017
Total Risk Exposure Amount	£1,985.3m
Institution Specific Countercyclical Capital Buffer Rate (%)	0%
Institution Specific Countercyclical Capital Buffer Requirement	£nil

Amount of Institution specific CCYB as at 31 December 2016 are set out below:

Institution Specific Countercyclical Buffer	2016
Total Risk Exposure Amount	£1,406.3m
Institution Specific Countercyclical Capital Buffer Rate (%)	0%
Institution Specific Countercyclical Capital Buffer Requirement	£nil

5. Treasury Counterparty Credit Risk

Charter Court Financial Services Group plc

5.1 Treasury Counterparty Credit Risk

Counterparty Credit Risk is the risk of failure of a counterparty to fulfil its contractual obligations by failing to pay. Counterparty Credit Risk arises from Treasury operations in the management of liquidity, interest rate risk, and held to maturity investments.

5.2 Methods to Assign Credit Limits for Counterparties

The Group has a defined appetite for Wholesale Counterparty Risk. The minimum required Long Term counterparty rating is A-/ A3, as determined by at least two of Moody's, Fitch and Standard and Poor's. The minimum Short Term counterparty rating is P-2/A-2/F2 as rated by each of Moody's, Fitch and Standard and Poor's. Limits to maximum allowable exposures to single counterparties are specified in the Treasury Wholesale Credit Policy and are relative to total regulatory capital. This risk is considered to be inherently low from a capital perspective due to the quality of the counterparties the Group will do business with and the conservative limits that are in place.

5.3 Exposure Values by Credit Quality Step

The Group's Exposure values broken down by credit quality step calculated in accordance with Part Three Title II Chapter 2, 5 and 6 as at 31st December 2017 are:

Counterparty	2017 - £m						
	Central Banks and Institutions	RMBS	Less than 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	No stated maturity
Central Government and Central Bank	852.4	-	847.9	-	-	-	4.5
Other Credit Quality Step 1	58.7	78.4	58.6	1.3	77.2	-	-
Other Credit Quality Step 2	66.8	-	56.0	0.0	10.8	-	-
Other Credit Quality Step 3	0.9	-	-	-	0.9	-	-
Total	**978.8**	**78.4**	**962.5**	**1.3**	**88.9**	**-**	**4.5**

The Group's Exposure values broken down by credit quality step calculated in accordance with Part Three Title II Chapter 2, 5 and 6 of the CRR as at 31st December 2016 are:

Counterparty	2016 - £m						
	Central Banks and Institutions	RMBS	Less than 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	No stated maturity
Central Government and Central Bank	132.6	-	132.6	-	-	-	-
Other Credit Quality Step 1	71.8	119.5	69.6	-	121.7	-	-
Other Credit Quality Step 2	14.7	-	10.7	-	4.0	-	-
Total	**219.1**	**119.5**	**212.9**	**-**	**125.7**	**-**	**-**

5.4 Derivatives

The Group's derivatives are calculated using the mark to market method referred to in Part Three, Title II, Chapter 6 of the CRR, and as at 31st December 2017 are:

	£m Replacement Cost	£m Potential Future Credit Exposure	£m Exposure at Default post CRM	£m RWAs
Mark to Market	1.4	10.3	11.8	5.9

Market Risk arising from the origination of fixed rate retail assets and liabilities is managed through interest rate derivative contracts. The Bank trades in OTC derivative contracts under the terms of bilateral ISDAs. The ISDA arrangements in place provide for the netting of valuations and settlements due across all transactions covered by the contract. Under the terms of the ISDAs and Credit Support Annexes, the Bank will receive collateral for net exposures and post collateral for net liability positions. Collateral exchanges are normally in the form of cash. None of the Group's derivitives are currently centrally cleared.

Interest rate risk relating to securitised assets is managed through bilateral interest rate swap agreements entered in to by Group SPVs that are not subject to margining but have rating triggers that require the swap counterparties to be replaced in the event of a multiple notch rating downgrade.

	£m Gross Positive Fair Value or net carrying amount	£m Netting Benefit	£m Netted Current Credit Exposure	£m Collateral Held	£m Net Credit Exposure
Derivatives	11.9	6.5	5.4	4.6	0.9

6. Credit Risk and Credit Risk Mitigation

6.1 Loss Provisioning – Past Due and Impaired

At each Consolidated Statement of Financial Position date, as per the accounting policy detailed in Note 4 to the company's financial statements included in the ARA, the Group assesses whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Loans and advances on which repayments are overdue are classified as past due as per the Groups accounting policy.

Mortgage receivables are reviewed for indications of possible impairment throughout the year and at each Statement of Financial Position date, in accordance with IAS 39.

General Credit Risk

Loans are assessed collectively for potential impairment. They are grouped together by risk characteristics and account is taken of any impairment arising due to events which are believed to have taken place which have not specifically been identified at the Statement of Financial Position date.

Specific Credit Risk

Where individual loans exhibit objective evidence of impairment, specific provisions are calculated based on statistical models. This represents the difference between the carrying value of the loans and the net present values of their expected future cash flows, including the value of the potential security, discounted at the original Effective Interest Rates ("EIR").

Any loan which is 90 days past due, which is not forborne and performing, is presumed to be in default and is subject to specific provisioning.

6.1.1 Reconciliation of Changes in Provision

A reconciliation in the changes of specific and collective provisions for the Group as at 31 December 2017 are as follows:

Reconciliation of Changes in Provision	Specific Provision £m	Collective Provision £m
Opening Balance	0.0	0.5
Additions	0.5	0.0
Write Off	-	0.0
Other	-	-
Closing Balance	**0.5**	**0.5**

6.2 Credit Risk

Credit risk reflects the risk of loss because of failure of customers to fulfil their contractual obligations and arises from the failure or poor performance of credit management techniques and processes resulting in exposure to customer defaults and loss.

The Group is exposed to Credit Risk from the following areas of business activity:

- Residential First Lien Mortgage Lending;
- Buy-To-Let ("BTL") First Lien Mortgage Lending;
- Secured Second Lien Lending;
- First and Second Lien Bridging Finance;
- Held to Maturity Treasury Investments; and
- Treasury Operations.

Residential and BTL Credit Risk exposures consist of securitised and unsecuritised exposures. Except where Significant Risk Transfer and accounting derecognition has been achieved, Credit Risk is assessed for regulatory purposes under the Standardised Approach against the underlying risk exposures as if the securitisation had not taken place.

Held to Maturity Treasury Investments are made in accordance with a Board approved Treasury Investment Policy which specifies minimum credit ratings and permitted asset classes.

Exposures from Treasury Operations comprise of balances due from Financial Institutions representing cash balances, derivatives, Held To Maturity liquid assets.

6.3 Distribution of Credit Exposures

The distribution of net credit exposures after Coversion Factor ("CF") broken down by counterparty and exposure class at 31 December 2017 are as follows:

Exposure Class	£m United Kingdom	£m France	£m Ireland	£m United States	£m Australia	£m Germany	£m Luxembourg	£m Total
Central Governments or Central Banks	852.4	-	-	-	-	-	-	852.4
Institutions	46.4	-	19.3	19.5	-	16.0	13.4	114.6
Retail	5.4	-	-	-	-	-	-	5.4
Secured By Mortgages on Immovable Property	5,425.5	-	-	-	-	-	-	5,425.5
Of which: Securitised	*1,007.7*	-	-	-	-	-	-	*1,007.7*
Exposures in Default	5.5	-	-	-	-	-	-	5.5
Of which: Securitised	*2.5*	-	-	-	-	-	-	*2.5*
Items Associated with Particularly High Risk	33.8	-	-	-	-	-	-	33.8
Other Exposures	5.7	-	-	-	-	-	-	5.7
Credit Risk	**6,374.6**	**-**	**19.3**	**19.5**	**-**	**16.0**	**13.4**	**6,442.8**
Counterparty Credit Risk	**10.1**	**1.4**	**-**	**-**	**0.3**	**-**	**-**	**11.8**
Securitisation Positions	**78.4**	**-**	**-**	**-**	**-**	**-**	**-**	**78.4**
Total	**6,463.1**	**1.4**	**19.3**	**19.5**	**0.3**	**16.0**	**13.4**	**6,533.0**

The distribution of net credit exposures after CF broken down by counterparty and exposure class at 31 December 2016 are as follows:

Exposure Class	£m United Kingdom	£m France	£m Ireland	£m Total
Central Governments or Central Banks	132.6	-	-	132.6
Institutions	72.2	-	8.1	80.3
Retail Exposures	-	-	-	-
Secured By Mortgages on Immovable Property	3,911.2	-	-	3,911.2
Of which: Securitised	*950.4*	-	-	950.4
Exposures in Default	2.3	-	-	2.3
Of which: Securitised	*1.4*	-	-	1.4
Items Associated with Particularly High Risk	-	-	-	-
Other Exposures	7.6	-	-	7.6
Credit Risk	**4,125.9**	**-**	**8.1**	**4,134.0**
Counterparty Credit Risk	**6.0**	**0.2**	**-**	**6.2**
Securitisation Positions	**119.5**	**-**	**-**	**119.5**
Total	**4,251.4**	**0.2**	**8.1**	**4,259.7**

6.4 Maturity Profile

The Groups residual maturity of net exposures after CF by exposure class as at 31st December 2017 are as follows:

Exposure Class	£m On Demand	£m <= 1 year	£m >1 year <=5 years	£m >5 years	£m No Stated Maturity	£m Total
Central Governments or Central Banks	847.9	-	-	-	4.5	852.4
Institutions	114.6	-	-	-	-	114.6
Retail	-	5.1	0.1	-	0.2	5.4
Secured by Mortgages on Immovable Property	-	203.3	31.0	5,081.6	109.6	5,425.5
Of which: Securitised	*-*	*0.2*	*12.3*	*995.2*		*1,007.7*
Exposures in Default	-	0.8	0.0	4.7	-	5.5
Of which: Securitised	*-*	*-*	*-*	*2.5*	*-*	*2.5*
Items Associated with Particularly High Risk	-	26.9	5.5	-	1.4	33.8
Other Exposures	-	-	-	-	5.7	5.7
Credit Risk	**962.5**	**236.1**	**36.6**	**5,086.3**	**121.4**	**6,442.8**
Counterparty Credit Risk	**-**	**0.0**	**11.8**	**-**	**-**	**11.8**
Securitisation Positions	**-**	**1.3**	**77.1**	**-**	**-**	**78.4**
Total	**962.5**	**237.4**	**125.5**	**5,086.3**	**121.3**	**6,533.0**

The Groups residual maturity of net exposures after CF by exposure class as at 31st December 2016 are as follows:

Exposure Class	£m On Demand	£m <= 1 year	£m >1 year <=5 years	£m >5 years	£m No Stated Maturity	£m Total
Central Governments or Central Banks	130.0	-	-	-	2.6	132.6
Institutions	80.3	-	-	-	-	80.3
Retail	-	-	-	-	-	-
Secured by Mortgages on Immovable Property	-	199.2	28.5	3,578.2	105.3	3,911.2
Of which: Securitised	*-*	*-*	*9.7*	*940.7*		*950.4*
Exposures in Default	-	0.3	-	2.0	-	2.3
Of which: Securitised	*-*	*-*	*-*	*1.4*		*1.4*
Items Associated with Particularly High Risk	-	-	-	-	-	-
Other Exposures	-	-	-	-	7.6	7.6
Credit Risk	**210.3**	**199.5**	**28.5**	**3,580.2**	**115.5**	**4,134.0**
Counterparty Credit Risk	**-**	**0.4**	**5.8**	**-**	**-**	**6.2**
Securitisation Positions	**-**	**-**	**119.5**	**-**	**-**	**119.5**
Total	**210.3**	**199.9**	**153.8**	**3,580.2**	**115.5**	**4,259.7**

6.5 Credit Exposures by Geographical location

The Group's gross exposures by geographical location breaking down impaired and past due exposures including specific and general credit risk adjustments as at 31 December 2017 are as follows:

	£m	£m	£m	£m	£m
	Gross Carrying Values of				
Geographical Area	Defaulted Exposures	Non-Defaulted Exposures	Specific Credit Risk Adjustment	General Credit Risk Adjustment	Net Values
United Kingdom	6.4	6,901.8	0.5	0.5	6,907.2
France	-	1.4	-	-	1.4
Ireland	-	19.3	-	-	19.3
United States	-	19.5	-	-	19.5
Australia	-	0.3	-	-	0.3
Germany	-	16.0	-	-	16.0
Luxembourg	-	13.4	-	-	13.4
Total	**6.4**	**6,971.7**	**0.5**	**0.5**	**6,977.1**

The Group's gross exposures by geographical location breaking down impaired and past due exposures including specific and general credit risk adjustments as at 31 December 2016 are as follows:

	£m	£m	£m	£m	£m
	Gross Carrying Values of				
Geographical Area	Defaulted Exposures	Non-Defaulted Exposures	Specific Credit Risk Adjustment	General Credit Risk Adjustment	Net Values
United Kingdom	2.3	4,670.4	0.0	0.5	4,672.2
France	-	0.2	-	-	0.2
Ireland	-	8.1	-	-	8.1
Total	**2.3**	**4,678.7**	**0.0**	**0.5**	**4,680.5**

6.6 Impaired and Past Due Exposures by Exposure Class

The Groups breakdown of impaired and past due gross exposures by exposure class including specific and general credit risk adjustments as at December 2017 are as follows:

Exposure Class	£m Gross Carrying Values of Defaulted Exposures	£m Non-Defaulted Exposures	£m Specific Credit Risk Adjustment	£m General Credit Risk Adjustment	£m Net Values
Central Government or Central Banks	-	852.4	-	-	852.4
Institutions	-	114.6	-	-	114.6
Retail	-	6.1	-	0.0	6.1
Secured By Mortgages on Immovable Property	-	5,863.9	0.0	0.5	5,863.4
Of which: SME	*-*	*668.3*	*-*	*0.0*	*668.3*
Of which: Securitised	*-*	*1,007.7*	*-*	*0.2*	*1007.5*
Exposures in Default	6.0	-	0.5	0.0	5.5
Of which: Securitised	*2.6*	*-*	*0.0*	*-*	*2.6*
Items Associated with Particularly High Risk	0.4	38.8	0.0	0.0	39.2
Other Exposures	-	5.7	-	-	5.7
Credit Risk	**6.4**	**6,881.5**	**0.5**	**0.5**	**6,886.9**
Counterparty Credit Risk	**-**	**11.8**	**-**	**-**	**11.8**
Securitisation Positions	**-**	**78.4**	**-**	**-**	**78.4**
Total	**6.4**	**6,971.7**	**0.5**	**0.5**	**6,977.1**
Of Which: Loans	6.4	5,908.8	0.5	0.5	5,914.2
Of which: Debt Securities	0.0	78.4	0.0	0.0	78.4
Of which: Off Balance Sheet Exposures	0.0	555.8	0.0	0.0	555.8

The Groups breakdown of impaired and past due exposures by exposure class including specific and general credit risk adjustments as at December 2016 are as follows:

Exposure Class	£m Gross Carrying Values of Defaulted Exposures	£m Non-Defaulted Exposures	£m Specific Credit Risk Adjustment	£m General Credit Risk Adjustment	£m Net Values
Central Government or Central Banks	-	132.6	-	-	132.6
Institutions	-	80.3	-	-	80.3
Retail	-	-	-	-	-
Secured By Mortgages on Immovable Property	-	4,332.5	-	0.5	4,332.0
Of which: SME	*-*	*143.6*	*-*	*-*	*143.6*
Of which: Securitised	*-*	*950.4*	*-*	*0.2*	*950.2*
Exposures in Default	2.3	-	0.0	-	2.3
Of which: Securitised	*1.4*	*-*	*0.0*	*-*	*1.4*
Items Associated with Particularly High Risk	-	-	-	-	-
Other Exposures	-	7.6	-	-	7.6
Credit Risk	**2.3**	**4,553.0**	**0.0**	**0.5**	**4,554.8**
Counterparty Credit Risk	**-**	**6.2**	**-**	**-**	**6.2**
Securitisation Positions	**-**	**119.5**	**-**	**-**	**119.5**
Total	**2.3**	**4,678.7**	**0.0**	**0.5**	**4,680.5**
Of Which: Loans	2.3	4,332.5	-	0.5	4,334.3
Of which: Debt Securities	-	119.5	-	-	119.5
Of which: Off Balance Sheet Exposures	-	526.6	-	-	526.6

6.7 Exposures by Counterparty Type

The Group uses the Standardised Approach to determine regulatory capital requirements for credit risk exposures. There are no accounting off sets or credit risk mitigation applied, therefore exposure values remain the same. As at 31 December 2017 the Group's net exposure values after CF by class and counterparty type were as follows:

Exposure Class	£m Central Bank	£m Credit Institution	£m Financial Corporations	£m Non – Financial Corporations	£m Household	£m Total
Central Government or Central Banks	852.4	-	-	-	-	852.4
Institutions	-	86.6	28.0	-	-	114.6
Retail	-	-	-	0.7	4.7	5.4
Secured By Mortgages on Immovable Property	-	-	-	685.3	4,740.2	5,425.5
Of which: Securitised	*-*	*-*	*-*	*35.1*	*972.6*	*1,007.7*
Exposures in Default	-	-	-	0.0	5.5	5.5
Of which: Securitised	*-*	*-*	*-*	*-*	*2.5*	*2.5*
Items Associated with Particularly High Risk	-	-	-	7.7	26.1	33.8
Other Exposures	-	-	-	5.7	-	5.7
Credit Risk	**852.4**	**86.6**	**28.0**	**699.4**	**4,776.5**	**6,442.8**
Counterparty Credit Risk	**-**	**11.8**	**-**	**-**	**-**	**11.8**
Securitisation Positions	**-**	**-**	**78.4**	**-**	**-**	**78.4**
Total Exposures	**852.4**	**98.4**	**106.4**	**699.4**	**4,776.5**	**6,533.0**

As at 31 December 2016 the Group's net exposure values after CF by class and counterparty type were as follows:

Exposure Class	£m Central Bank	£m Credit Institution	£m Financial Corporations	£m Non – Financial Corporations	£m Household	£m Total
Central Government or Central Banks	132.6	-	-	-	-	132.6
Institutions	-	57.8	22.5	-	-	80.3
Retail	-	-	-	-	-	-
Secured By Mortgages on Immovable Property	-	-	-	143.6	3,767.6	3,911.2
Of which: Securitisation	*-*	*-*	*-*	*-*	*950.4*	*950.4*
Exposures in Default	-	-	-	-	2.3	2.3
Of which: Securitisation	*-*	*-*	*-*	*-*	*1.4*	*1.4*
Items Associated with Particularly High Risk	-	-	-	-	-	-
Other Exposures	-	-	-	7.6	-	7.6
Credit Risk	**132.6**	**57.8**	**22.5**	**151.2**	**3,769.9**	**4,134.0**
Counterparty Credit Risk	**-**	**6.2**	**-**	**-**	**-**	**6.2**
Securitisation Positions	**-**	**-**	**119.5**	**-**	**-**	**119.5**
Total Exposures	**132.6**	**64.0**	**142.0**	**151.2**	**3,769.9**	**4,259.7**

7. Interest Rate Risk in the Banking Book

Charter Court Financial Services Group plc

7.1 Interest Rate Risk in the Banking Book

Interest Rate Risk in the Banking Book ("IRRBB"), including Basis Risk, is the risk of losses arising from changes in interest rates for banking book items. The Group is exposed to IRRBB arising from Duration Risk, Basis Risk and Optionality Risk. The overall risk appetite for IRRBB in the banking book is expressed as a percentage of Group CET1 capital at risk from a 2% parallel shift in the yield curve and a tail risk stress on interest rate basis mismatch.

The Group monitors and maintains limits for Net Interest Income at risk from a 0.5% shift in the yield curve over a 12 month time horizon. An analysis of Interest Rate Sensitivity can be found in the Risk Management section of the strategic report detailed in the ARA.

The Group takes a prudent view of prepayments during fixed rate periods in its hedging assumptions and assumes earliest call date for non-maturing deposits.

7.2 Market Risk

The business does not carry out proprietary trading and High Quality Liquid Assets ("HQLA") held for Liquidity Coverage Ratio purposes comprise balances held at the Bank of England. Treasury Investments are also Held to Maturity. Furthermore, no business is carried out in a currency other than Sterling.

8. Leverage

8.1 Leverage Ratio

The Group calculates its Leverage Ratio as its Tier 1 Capital divided by the sum of its total exposures and expresses the result as a percentage in accordance with Article 429 of the CRR. The Leverage Ratio is calculated at quarter end dates and no adjustments to Tier 1 Capital, as permitted through the derogations under Chapter 1 and 2 of the CRR, are applied.

Reconciliation of Accounting Assets and Leverage Ratio Exposures	2017 £m	2016 £m
Tier 1 Capital	331.4	232.7
Total Assets per the Group Statement of Financial Position	6,424.4	4157.4
Derivative Exposure Items	(0.2)	(1.5)
Off Balance Sheet Exposures	111.2	105.3
Other Adjustments	(2.4)	(1.6)
Leverage Ratio Exposures	**6,533.0**	**4,259.6**

Leverage Ratio Common Disclosures	2017 £m	2016 £m
On balance Sheet Items	6,413.6	4,148.9
(Asset Amounts Deducted in Determining Tier 1 Capital)	(3.6)	(0.8)
Total on Balance Sheet Exposures	6,410.0	4,148.1
Replacement Cost Associated with all Derivatives	1.5	0.4
Add on Amounts Potential Future Exposure	10.3	5.8
Total Derivative Exposure	11.8	6.2
Other Off Balance Sheet Exposures Notional	555.8	526.6
(Adjustments for Conversion)	(444.6)	(421.3)
Other Off Balance Sheet	111.2	105.3
Tier 1 Capital	**331.4**	**232.7**
Total Leverage Ratio Exposures	**6,533.0**	**4,259.6**
Leverage Ratio	**5.1%**	**5.5%**
Choice of Transitional Arrangements For The Definition of The Capital Measure	**Fully**	**Fully**

An analysis of Group on Balance Sheet Exposures is set out below:

Split of On Balance Sheet Exposures	2017 £m	2016 £m
Banking Book Exposures:		
Exposures Treated as Sovereigns	852.4	132.6
Institutions	114.6	80.3
Secured By Mortgages on Immovable Property	5,315.9	3,805.9
Exposures In Default	5.5	2.3
Retail Exposures	5.2	-
Other Exposures	116.4	127.0
Total	**6,410.0**	**4,148.1**

The Group does not have a trading book.

8.2 Managing Excessive Leverage

As a supplementary measure to the risk-based capital requirements, the Basel III framework introduced a simple, non-risk based leverage ratio. The Basel Committee on Banking Supervision ('Basel') has advised that it is implementing a minimum leverage measure of 3% based on a Tier 1 definition of capital with planned effect from 1 January 2018. The PRA has however already established a minimum of 3.25% but only for firms with more than £50bn of deposits.

The Group Board recognises that leverage is important for firms below the PRA threshold and at 31 December 2017 it has a leverage ratio of 5.1% (2016: 5.5%). The Group plans capital to be in excess of the 3.25% requirement throughout its forecast horizon. Furthermore, it monitors its leverage ratio relative to its regulatory requirements, as well as its peer group and the broader sector in which it operates.

8.3 Factors Impact on the Leverage Ratio during the period

Derivative exposure values are calculated in accordance with the Mark-to-Market Method and applicable rules set out in the CRR. Deferred Tax and Intangibles are excluded from Total Exposures as they are deducted directly from Tier 1 Capital.

Off Balance Sheet Exposures represent commitments to provide credit which are not unconditionally cancellable. Leverage Ratio Exposure values for off balance sheet items are determined after applying a credit conversion factor to the nominal value of the items.

The Group has a significantly higher Leverage Ratio than the PRA minimum requirement of 3.25%. The following items have impacted the Group’s Leverage Ratio in 2017:

- Increase in Reserves of £99m; and
- Increase in Assets to £6.5 bn from £4.3 bn.

9. Securitisations Exposures

9.1 Securitisation

CCFSG actively utilises securitisation to achieve four key objectives:

- Provide long term funding to its balance sheet, diversifying its funding mix and increasing the weighted average life of its liabilities;
- Opportunistically enable the acceleration of organic capital generation through the sale of residual positions;
- Provide contingent capital generation optionality by structuring its funding trades in such a way as to enable the future sale of residual positions and derecognition of the underlying assets; and
- Generate retained bonds to utilise as collateral for commercial and central bank sale and repurchase transactions.

Separately, CCFS has purchased Senior and Second Pay third party RMBS bonds (in each case being credit step 1, with a minimum ECAI rating of AA (or equivalent)) for liquidity and investment purposes.

Entities within the Group perform the roles of sponsor, originator, servicer and risk retention holder within the securitisation process. A Group entity will perform all of the above mentioned roles in each of eight transactions completed by the Group to December 2017. The Group has to date used Fitch Ratings, Moody's and Standard and Poors to rate its securitisations, with two of these three used on each transaction. The Group does not use particular agencies for particular transactions (all of which, for the avoidance of doubt, are RMBS transactions involving the securitisation of own originated UK residential and buy-to-let mortgages).

The Group calculates risk weighted exposures for its own issuance securitisations in accordance with Art 245 of the CRR. For third party bond positions, the Groups calculates risk weighted exposures in accordance with the standardised approach, utilising ECAI ratings as per Art 251 of the CRR.

The Group engages its auditor to provide a formal accounting opinion for each transaction that it engages in, and then follows that position through in its accounts. As the Group does not run a trading book, it typically does not need to value its securitisation positions, other than for assessing the liquidity value of any senior retained position for central bank repo purposes; a proxy for which is provided by the Bank of England. Details of accounting policies can be found under Note 4 to the company's financial statements included in the ARA.

To date, mortgage assets held prior to securitisation are held in the non-trading book. The Group has no exposure to synthetic securitisations or to synthetic securitisation positions. The Group does not provide hedging, contingent liquidity or other contingent financial support to its securitised assets, and thus does not have any such liabilities to recognise.

9.2 Risks Associated with Securitised Assets

As an issuer of RMBS transactions, the main risk faced by the Group is market risk at execution. The Group manages this risk by maintaining a diversified set of funding options, and typically only utilising the capital markets when they are relatively strong. Once a deal has closed, the Group maintains a contingent exposure to breaches in representations and warranties given at the closing of each transaction. To 2017 year end, of the 17,229 mortgages publically securitised, it has had to repurchase four loans as a result of a breach of warranty.

As a holder of third party RMBS positions, CCFS minimises liquidity risk and accounting volatility by holding such positions, and accordingly accounting for such positions, to maturity. As it has only purchased CRR compliant bonds at credit step 1, underlying credit risk is minimal. Nonetheless, it retains downgrade risk (being the risk that bonds will get downgraded below credit step 1, increasing the Group's capital requirements). The Group stresses for this risk within its Pillar 2b capital framework. To date, none of the bonds within its liquidity or investment portfolio have been downgraded.

The Group is exposed to risks in terms of seniority of underlying securitisation positions and in terms of assets underlying those latter securitisation positions assumed and retained with resecuritisation activity. As it relates to securitised exposures that the Group continues to recognise, a Group entity will typically maintain a subordinated 'first loss' piece, with all other positions sold to third party investors. The Group will then recognise the mortgage assets (rather than the RMBS positions) on its balance sheet, on a look through basis for capital purposes. In some circumstances CCFS Treasury will retain all or a part of the senior AAA rated positions for liquidity purposes.

Third party bonds acquired are all post crisis UK RMBS issued under the CRD IV risk retention regime. At the year end, all third party bonds held by CCFS were rated AAA by at least two rating agencies.

The Group has not, to date, engaged in any resecuritisation activity.

9.3 Risk Management

Positions in third party RMBS bonds are routinely monitored to ensure performance of underlying assets remains acceptable. They are annually stress tested through the ICAAP, for the purposes of determining Pillar 2a and 2b capital requirements.

Any changes to credit ratings are picked up in real time through the regular scanning of rating agency press releases. Month end positions are reported to ALCO.

From a liquidity standpoint, all third party bonds held at the 2017 year end are BoE Type C eligible collateral, and are pre-placed with the BoE. As a result of this, the Group receives an implied mark on each such bond from the BoE, which is monitored daily through treasury reporting. The Group does not operate a trading book, and these positions are held to maturity.

The Group does not utilise hedging or unfunded protection to mitigate the risks of retained securitisation exposures, other than hedging the underlying mortgage assets for interest rate risk in the ordinary course of business. It does not have any re-securitisation exposures.

9.4 Recent Securitisation Activity

CCFSG does not have a trading book therefore all activity relates to the banking book.

In April 2017, the Group securitised £300.0 million of buy-to-let mortgages through the SPV, Precise Mortgage Funding 2017-1B Plc. The residual rights to the cash flows were sold to a third party and management concluded that the criteria for derecognition were met. A gain on sale of £17.7 million was recognised.

In July 2017, the Group securitised £297.3 million of residential mortgages through the SPV, Charter Mortgage Funding 2017-1 Plc. The residual rights to the cash flows were retained by the Group and management concluded that the criteria for derecognition were not met and the related customer loans and receivables continue to be recognised on the Group's Consolidated Statement of Financial Position.

Details of other securitisations are included in Section 9.5 below.

9.5 Securitisation Positions

The Group utilises market standard bankruptcy remote special purpose vehicles for its securitisation transactions. The RMBS issuing SSPEs to which the Group was the seller or originator are listed below:

Public Securitisations

					Original	Outstanding Balances - 31st December 2017 - £m					%Held/Retained					
SSPE	Deal Type	Close Date	1st Call Date	Legal Final Maturity	Securitised Exposures	Exposure Value	Senior	Mezzazine	Junior	Uncollateralised	Senior	Mezzazine	Junior	Uncollateralised	Risk Transfer Status	Group RWAs
Precise Mortgage Funding No 1 Plc*	RMBS	05/12/2013	12/12/2018	12/03/2047	163.7	43.2	15.1	26.4	2.9	5.3	0.0%	0.0%	100.0%	100.0%	No	15.2
Precise Mortgage Funding 2014-1 Plc*	RMBS	22/07/2014	12/06/2019	12/09/2047	234.9	62.6	29.7	30.4	4.9	6.9	3.9%	13.8%	100.0%	100.0%	No	22.2
Precise Mortgage Funding 2014-2 Plc*	RMBS	25/11/2014	12/12/2019	12/12/2047	229.9	78.9	40.5	35.5	4.8	6.8	6.3%	26.8%	100.0%	100.0%	No	27.7
Precise Mortgage Funding 2015-1 Plc	RMBS	10/03/2015	12/06/2020	12/03/2048	205.5	86.0	52.2	33.7	4.3	6.0	0.0%	0.0%	100.0%	100.0%	No***	30.2
Precise Mortgage Funding 2015-2B Plc	RMBS	22/07/2015		12/06/2048	224.2	133.3	92.6	42.6	1.2	-	0.0%	0.0%	0.0%	0.0%	Yes	0
Precise Mortgage Funding 2015-3R Plc	RMBS	06/12/2015	16/12/2020	16/11/2050	517.8	355.8	281.2	27.9	60.1	0.0	100.0%	100.0%	100.0%	0.0%	No	125.7
Precise Mortgage Funding 2017-1B Plc	RMBS	28/04/2017		12/03/2054	300.0	289.4	243.5	43.2	4.8	-	0.0%	0.0%	0.0%	0.0%	Yes	0
Charter Mortgages Funding 2017-1 Plc	RMBS	27/07/2017	12/09/2021	12/06/2054	297.3	277.8	247.9	34.2	3.0	2.4	0.0%	0.0%	100.0%	100.0%	No***	97.4

Other Securitisations

SSPE	Deal Type	Close Date	Maturity Date	Legal Final Maturity	Securitised Exposures	Exposure Value	Senior	Mezzazine	Junior	Uncollateralised	Senior	Mezzazine	Junior	Uncollateralised	Risk Transfer Status	Group RWAs
CCFS Warehouse No 1 Plc	Warehouse	18/12/2015		16/02/2019	115.8	-	0.5	0.0	0.5	0.0	100%	0%	100%	0%	No	0
CML Warehouse Number 1 Limited	Warehouse	01/12/2017	03/12/2018		106.5	105.9	100.0	0.0	7.0	1.7	100%	0%	100%	100%	No	37.1

*These securitisations had a prefund, subject to a second tranche of loans being added in.

**During the year an SSPE used for warehousing was closed and was not utilised in the year.

***Derecognised by the Bank for accounting and capital purposes.

Further detail on the Groups Securitisations can be found in the ARA under Note 27 to the company's financial statements.

9.6 Capital Requirement

An overview of the Groups net exposures, RWAs and Pillar 1 requirements associated with securitised assets and securitised positions as at 31 December are as follows:

Exposure Class	£m Exposure 2017	£m Values 2016	£m RWAs 2017	£m 2016	£m Minimum Capital Requirements
Credit Risk – Standardised Approach					
Secured by Mortgages on Immovable Property - Securitised	1,007.7	950.4	352.9	332.8	28.2
Exposures in Default - Securitised	2.5	1.4	2.5	1.4	0.2
Securitisation Exposures in the Banking Book - SA	**78.4**	**119.5**	**15.7**	**23.9**	**1.3**
Total	**1,088.6**	**1,071.3**	**371.1**	**358.1**	**29.7**

9.7 Impaired and Past Due Exposures by Exposure Class

The Groups breakdown of impaired and past due exposures by exposure class including specific and general credit risk adjustments as at 31 December 2017 are as follows:

Exposure Class	£m Gross Carrying Values of Defaulted Exposures	£m Non-Defaulted Exposures	£m Specific Credit Risk Adjustment	£m General Credit Risk Adjustment	£m Net Values
Secured By Mortgages on Immovable Property – Securitised	-	1,007.7	-	0.2	1007.5
Of which: SME - Securitised	*-*	*35.1*	*-*	*-*	*35.1*
Exposures in Default - Securitised	2.6	-	0.1	-	2.5
Securitisation Positions	-	78.4	-	-	78.4
Total	**2.6**	**1,086.1**	**0.1**	**0.2**	**1,088.4**
Of Which: Loans	2.6	1,007.7	0.1	0.2	1,010.0
Of which: Debt Securities	-	78.4	-	-	78.4

The Groups breakdown of impaired and past due exposures by exposure class including specific and general credit risk adjustments as at 31 December 2016:

Exposure Class	£m Gross Carrying Values of Defaulted Exposures	£m Non-Defaulted Exposures	£m Specific Credit Risk Adjustment	£m General Credit Risk Adjustment	£m Net Values
Secured By Mortgages on Immovable Property – Securitised	-	950.4	-	0.2	950.2
Of which: SME - Securitised	*-*	*-*	*-*	*-*	*-*
Exposures in Default - Securitised	1.4	-	0.0	-	1.4
Securitisation Positions	-	119.5	-	-	119.5
Total	**1.4**	**1,069.9**	**0.0**	**0.2**	**1,071.1**
Of Which: Loans	1.4	950.4	0.0	0.2	951.6
Of which: Debt Securities	-	119.5	-	-	119.5

10. Remuneration

10.1 Introduction

The Remuneration Code (the "Code") sets out certain requirements and principles in relation to remuneration. Firms that fall within the scope of the Code must establish, implement and maintain remuneration policies, procedures and practices that are consistent with and promote sound and effective risk management proportionately depending on the size, internal organisation and the nature, the scope and the complexity of the activity of the company.

A firm must maintain a record of its Code Staff (being those staff whose professional activities have a material impact on the firm's risk profile) and take reasonable steps to ensure Code Staff understand the implications of their status.

The disclosure requirements of Pillar 3 are defined by CRR Article 450 and the Prudential Regulation Authority (the "PRA") supervisory statement SS2/17 "Remuneration". As the Bank falls within proportionality level three, the disclosure provides proportionate information for remuneration received by Code Staff for the year ending 31 December 2017.

During the year ending 31 December 2017, the Group identified a total of 15 individuals who were classed as Code Staff. This includes all Executive Directors, Non-Executive Directors and other staff performing selected roles, in control and central functions, which have a significant influence on the firms risk profile.

10.2 Approach to Remuneration

Remuneration policies are designed to comply with the Code and the Group is committed to adhering to the principles of the Code in respect of Code Staff. Remuneration policies reflect the Company's culture and support the delivery of its business strategy, whilst promoting sound and effective risk management and the long term interests of the Group.

The overall aim of remuneration policies is to attract, motivate and retain individuals of high quality who can deliver sustained performance consistent with strategic goals, appropriate risk management and to reward those individuals for enhancing value.

10.3 Decision making process for determining the Remuneration Policy

In line with the Code, decisions relating to remuneration are overseen by the Remuneration Committee, formerly the Remuneration and Nominations Committee. The Remuneration and Nominations Committee was separated in June 2017 into the Remuneration Committee and the Nominations Committee. Reference in this disclosure to the Committee includes both the Remuneration Committee and the former Remuneration and Nominations Committee.

10.4 Remuneration Committee

The Committee has responsibility for determining the overall remuneration policies and practices within the Group, taking into account applicable laws, regulations and the principles of good governance. The primary focus of the Committee during the year ending 31 December 2017 was as follows:

- setting the remuneration policy for all executive directors, the Chairman, and all employees who are designated as Code Staff under the Prudential Regulation Authority ("PRA") and/or the Financial Conduct Authority ("FCA") Remuneration Codes;
- approving their remuneration packages and service contracts;
- reviewing the ongoing appropriateness and relevance of the remuneration policy;
- review and approve the overall remuneration spend (fixed and variable) to ensure that evidence exists to demonstrate that awards have been adjusted where appropriate for risk and will not limit the ability to strengthen the capital base;
- approving the design of, and determining targets for, all performance-related incentive plans operated by the Group and approving the total annual payments made under such plans; and
- reviewing the design of all share incentive plans for approval by the Board and shareholders. For any such plans, the Committee determines each year whether awards will be made and, if so, the overall amount of such awards, the individual awards to Executive Directors and Code Staff and the performance targets to be used.

10.5 Composition of the Committee

During the year ending 2017, the Committee consisted of four members and was constituted in a way that enabled it to exercise its independent judgment and demonstrate its ability to make decisions which were consistent with effective risk management and the current and future financial interests of the Group. All members of the

Committee were independent Non-Executive Directors. The members of the Committee at 31 December 2017 were:

Ian Ward	Chairman of the Remuneration Committee
Noel Harwerth	Senior Independent Director
Tim Brooke	Non-Executive Director
Rajan Kapoor	Non-Executive Director

Within its terms of reference the Committee is obliged to arrange for periodic reviews of its own performance and, at least annually, review its constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board. The Committee's terms of reference were last reviewed, updated and adopted by the Board of Directors in June 2017 when the new Committee was formed under its new constitution.

The Committee meets as circumstances require, but at least two times a year to enable responsibilities to be discharged. During the year ending 31 December 2017, the Committee met ten times.

10.6 Role of Relevant Stakeholders

Only members of the Committee have the right to attend and vote at Committee meetings. However, other individuals (such as the Chief Executive Officer and the Director of HR and Central Operations) are invited to attend meetings when appropriate or necessary but are excluded from discussions relating to their own remuneration arrangements. The Committee may request the attendance of any executive or other individual as deemed appropriate to facilitate the review of remuneration recommendations and policy design to ensure that remuneration practices are consistent with effective risk management and appropriate financial measures.

The Committee may take external professional advice as appropriate. During the year ending 31 December 2017, the Committee obtained external remuneration advice from New Bridge Street.

10.7 The Link between Pay and Performance

During the year ending 2017, variable remuneration awards for Code Staff were awarded by the Committee in a manner which promoted sound risk management, did not encourage excessive risk taking and promoted the long term interests of the Group.

The Group aligned its remuneration policy to be consistent with and promote effective risk management by adopting the following principles:

- a rigorous governance structure was in place to promote sound and effective risk management which did not encourage risk taking that exceeded the Group's level of tolerated risk;
- performance assessment measures for all Code Staff included both financial and non-financial objectives and were weighted towards non-financial measures to ensure that any variable remuneration awards did not undermine effective risk management;
- the design, structure and performance assessment measures for Code Staff were reviewed and agreed by the Chief Risk Officer to ensure it reflected the Group's risk appetite and profile, that any current and future risks were considered and that any risk adjustment techniques were validated and assessed;
- the design, structure and performance assessment measures for Code Staff were reviewed and agreed by the Chief Financial Officer to ensure that it was based on appropriate measures of profit; and
- variable remuneration awards for Code Staff were at the discretion of the Committee and were subject to overall company and individual performance.

Remuneration decisions for all Code staff were reviewed by the Committee and recommended to the Board for approval. All remuneration decisions for non-Code Staff were approved by a member of the senior management team and HR before implementation.

10.8 Aggregate Quantitative Information on Remuneration for Code Staff

During the year ending 31 December 2017, there were a total of 15 Code Staff. This includes all Executive Directors, Non-Executive Directors and other staff performing selected roles, in control and central functions, which have a significant influence on the firms risk profile.

The following table shows the aggregate quantitative remuneration for Code Staff during the year ending 31 December 2017. The number of beneficiaries includes Code Staff with full and part year service.

Aggregate Quantitative Information on Remuneration for Code Staff.

Exposure Class	Executive	Non Executive	Non Executive Code Staff	Total
Total Fixed Remuneration	1,345	1,020	1,263	3,628
Variable Remuneration (Non-Deferred)	1,595	-	926	2,521
Deferred Variable Remuneration from Previous Years	42	-	28	70
Outstanding Deferred Variable Remuneration	1,682	-	936	2,618
Total Variable Remuneration	3,319	-	1,890	5,209
Total Remuneration	**4,664**	**1,020**	**3,153**	**8,837**
Number of Code Staff	**3**	**6**	**6**	**15**

Appendix 1
Charter Court Financial Services Limited (Bank) Capital Resource and Leverage

Charter Court Financial Services Group plc

This section sets out the Pillar 3 disclosures of the Bank, being the significant subsidiary of the Group, on a solo basis in accordance with Article 13 of the CRR.

The differences between the Bank and the Group relate to securitised asset portfolios that has been derecognised from the Bank's balance sheet but not the Group's for prudential and financial reporting purposes.

Capital Metrics

The Banks capital metrics and ratios at 31 December were as follows:

Common Equity Tier 1 (CET1)	2017 £m	2016 £m
Capital Resources Requirement - Pillar 1	154.8	112.7
Capital Resources:		
CET 1	289.2	219.3
Additional Tier 1	-	0.0
Tier 2	0.5	0.5
Total Capital	**289.7**	**219.8**
Total Risk Weighted Assets	1,934.6	1407.9
Common Equity Tier 1 Capital Ratio	14.9%	15.6%
Total Tier 1 Capital Ratio	14.9%	15.6%
Total Capital Ratio	15.0%	15.6%
CET1 Available to Meet Buffers	6.9%	7.6%

Capital Composition

The following table sets out the regulatory capital resource of the Bank at 31 December:

Common Equity Tier 1 (CET1)	2017 £m	2016 £m
Share Capital	2.9	2.9
Share Premium	18.0	157.3
Retained Earnings	269.7	59.7
Regulatory Adjustments to CET1:		
Intangible Assets	(1.4)	(0.6)
Deferred Tax Asset	-	(0.0)
Common Equity Tier 1 Capital	**289.2**	**219.3**

Tier 2	2017 £m	2016 £m
Share Capital	-	0.0
Share Premium	-	0.0
General Credit Risk Adjustments	0.5	0.5
Total Tier 2 Capital	**0.5**	**0.5**

Total Capital	**289.7**	**219.8**

Reconciliation of Equity to Regulatory Capital

Set out below is a reconciliation of Bank Total Equity per the Consolidated Statement of Financial Position included in the Annual Report and Regulatory Capital.

	2017 £m	2016 £m
Regulatory Capital	289.7	219.8
General Credit Risk Adjustments	(0.5)	(0.5)
Intangible Fixed Asset Deduction	1.4	0.6
Deferred Tax Asset Deduction	0.0	0.0
Total Equity	**290.6**	**219.9**

Capital Requirement

Overview of the Banks RWAs and Pillar 1 requirements.

	£m	£m	£m
	RWAs		
Exposure Class	2017	2016	Minimum Capital Requirements
Credit Risk – Standardised Approach			
Central Government or Central Banks	-	-	-
Institutions	8.0	7.8	0.6
Retail	4.0	-	0.3
Secured by Mortgages on Immovable Property	1,739.2	1,311.2	139.1
Exposures in Default	5.4	2.3	0.4
Items Associated with Particularly High Risk	50.6	-	4.1
Other Exposures	4.8	9.0	0.4
Counterparty Credit Risk			
Mark to Market Derivitives	5.0	2.4	0.4
CVA Risk	2.7	1.5	0.2
Securitisation Exposures in the Banking Book - SA	**15.7**	**23.9**	**1.3**
Operational Risk – BIA	**99.2**	**49.8**	**8.0**
Total	**1,934.6**	**1,407.9**	**154.8**

Capital Flow

Changes in the Bank's Tier 1 Regulatory Capital during the year ended 31 December are set out below:

	2017 £m	2016 £m
At 1 January	219.3	151.1
Ordinary Share Capital	0.0	0.0
Share Premium	(139.3)	34.7
Other Reserves	137.3	
Profit for the Year	72.7	33.8
Intangible Fixed Asset Deduction	(0.8)	(0.3)
Deferred Tax Asset Deduction	0.0	0
At 31 December	**289.2**	**219.3**

Countercyclical Capital Buffer

Institutions are required to comply with the requirements for a countercyclical capital buffer referred to in Title VII, Chapter 4 of Directive 2013/36/EU (the CRD). The Bank has assessed its countercyclical capital buffer requirement as zero for 31 December 2017. Following the Financial Policy Committees announcement on 27th June 2017 this will increase to 0.5% as of 27th June 2018, a further increase to 1% was announced in November 2017 which will be applicable as of November 2018.

Leverage Ratio At 31 December

Reconciliation of Accounting Assets and Leverage Ratio Exposures	2017 £m	2016 £m
Tier 1 Capital	289.2	219.3
Total Assets per the Bank Statement of Financial Position	5,926.1	3,983.3
Derivative Exposure Items	(1.5)	(1.5)
Off Balance Sheet Exposures	111.2	107.3
Other Adjustment	(49.9)	(52.5)
Leverage Ratio Exposures	5,985.9	4,036.6

Leverage Ratio

The Leverage Ratio Disclosures for Bank for 31 December are as follows:

Leverage Ratio Common Disclosures	2017 £m	2016 £m
On balance Sheet Items	5,866.1	3,923.7
(Asset Amounts Deducted in Determining Tier 1 Capital)	(1.4)	(0.6)
Total on Balance Sheet Exposures	5,864.7	3,923.1
Replacement Cost Associated with all Derivatives	1.0	0.4
Add on Amounts Potential Future Exposure	9.0	5.8
Total Derivative Exposure	10.0	6.2
Other Off Balance Sheet Exposures Notional	555.8	530.6
(Adjustments for Conversion)	(444.6)	(423.3)
Other Off Balance Sheet	111.2	107.3
Tier 1 Capital	**289.2**	**219.3**
Total Leverage Ratio Exposures	**5,985.9**	**4,036.6**
Leverage Ratio	**4.8%**	**5.4%**
Choice of Transitional Arrangements for the Definition of the Capital Measure	**Fully**	**Fully**

An analysis of Bank's on Balance Sheet Exposures is set out below:

Split of On Balance Sheet Exposures	2017 £m	2016 £m
Banking Book Exposures:		
Exposures treated as Sovereigns	852.4	132.6
Institutions	39.9	28.9
Secured By Mortgages on Immovable Property	4,846.3	3,630.8
Exposures In Default	5.4	2.3
Retail Exposures	5.2	-
Other Exposures	115.5	128.5
Total Exposure	**5,864.7**	**3,923.1**

The Bank does not have a trading book.

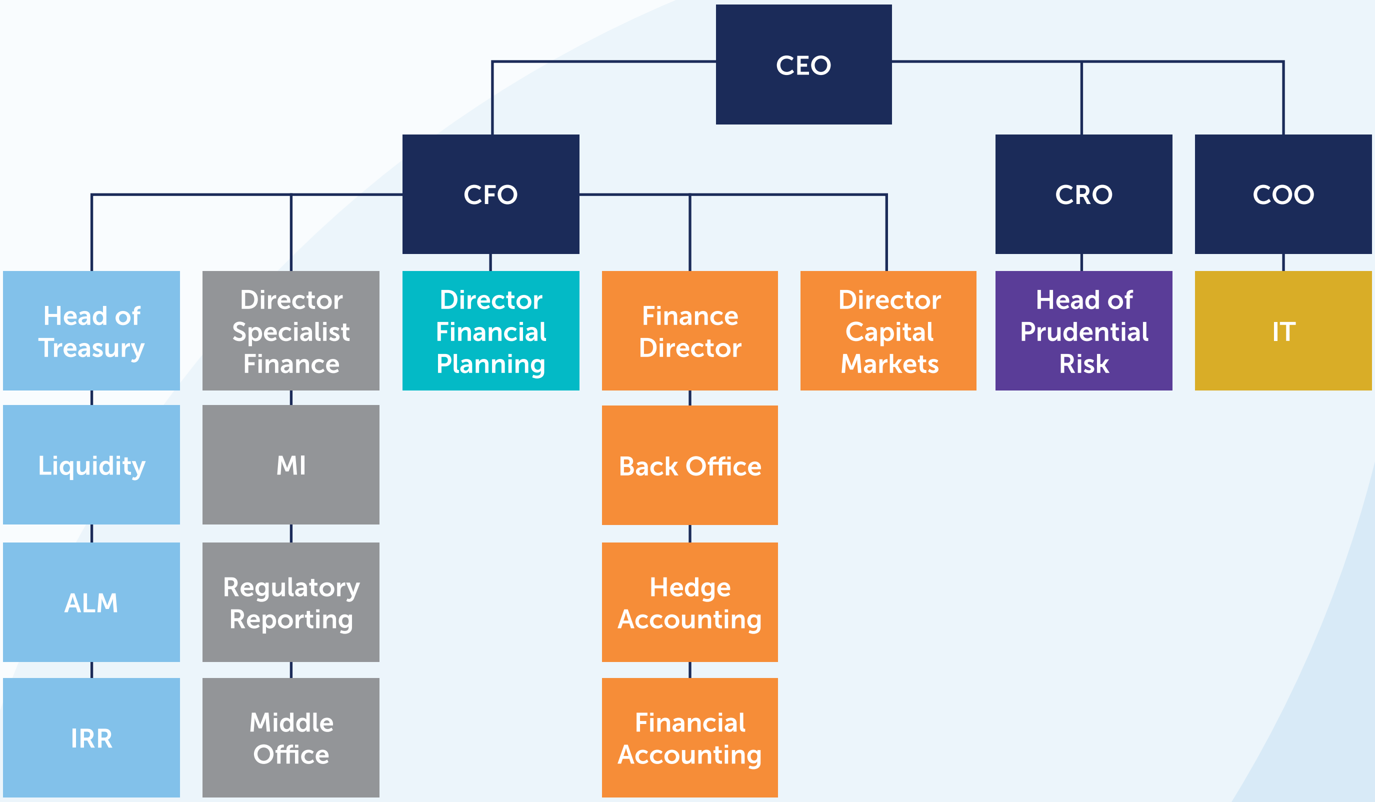
Appendix 2
Charter Court Financial Services Limited (Bank) Liquidity Risk Management

Charter Court
Financial Services Group plc

1 Structure and Organisation

The day to day management of Liquidity Risk is performed within CCFS Treasury under the Head of Treasury. This function is supported by Treasury Front Office, Middle Office and Back Office and a dedicated Prudential Risk function providing second line oversight.

Each area of Treasury operations has separate reporting lines beneath the CFO to ensure independence and segregation of duties as shown below:



CCFS utilises FIS Quantum, Q Risk and Ambit Focus software as its core Treasury Management Systems (TMS). Treasury Front and Middle Offices are the primary users of the risk management system for deal capture, treasury product valuations (Quantum and Q Risk) and asset and liability management (Focus). The Treasury function within CCFS provides the 1st line of defence, the Prudential Risk function, which reports to the CRO, provides the 2nd Line of defence, with KPMG as Internal Audit providing the 3rd Line of defence.

2 Key Responsibilities

The following key responsibilities for each line of defence are provided to show the input in the management of liquidity risk.

Treasury Front Office ("TFO")

- Management of liquidity positions, investment of excess liquidity in accordance with both the Treasury investment Policy and Treasury Wholesale Credit Risk Policy contained within the Financial Risk Management Policy:
- Maintenance of medium term funding plans and liquidity planning;
- Execution of money market deals, repurchase agreements, bond purchases and Bank of England operations;
- Management of execution to agreed Treasury Dealing Mandates and counterparty limits;
- Undertaking the periodic realisation of Treasury Assets in line with the CCFS Liquidity Contingency Plan ("LCP");
- Production of the LWG planning MI; and
- Liquidity and Funding planning.

Treasury Middle Office ("TMO")

- Independent review of all Treasury positions and pricing of assets;
- Production of the Daily ILBR and LCR calculations and reporting compliance with agreed limits as approved by the Board;

- ALCO reporting, including ALM positions and KRIs;
- Approval of counterparty bank account set up;
- Input of limits into the TMS;
- Counterparty position reporting;
- Setting basis for pricing of positions;
- Report definitions:
  - Stresses;
- ALM system ledger maintenance:
  - Entity e.g. bank/firm, warehouse, other SPVs
  - Product/instrument;
- Data feed accuracy validations/reconciliation controls;
- Assumption calibrations:
  - CPR
  - Conversion Rates
  - Run offs (Retail Deposits);
- Assumption configuration in ALM System;
- Behavioural validation (e.g. amortisation, repricing);
- Valuation control definition and application;
- 1st line review and challenge of LWG planning MI and short/medium term liquidity and funding plans.

Regulatory Reporting Team

- Preparation and submission of all reports required by the PRA, FCA and the Bank of England (statistical data).

Treasury Back Office ("TBO")

- Static Data (Quantum TMS)
  - Setup and maintenance of counterparty information and counterparty bank accounts (validated and approved by Middle Office)
  - Setup and maintenance of CCFS and PMF bank accounts (validated and approved by Middle Office)
  - Setup and maintenance of instrument setup;
- Creation of Daily Account Balances;
- Reconciliation of bank accounts statements to Quantum transactions;
- Creation of Daily Cash flow Reports to reflect the day's cash movements on all CCFS and PMF accounts;
- Deal approval;
- Deal confirmation for money market deals and confirmation matching for all treasury instruments;
- Cash settlement of Treasury transactions and loan origination advances, including obtaining the required authorisations;
- Management of cheque issuances;
- Movements between clearing banks and Bank of England reserve account;
- CSA collateral management for cash margin calls and monthly interest statements;
- Settlement of repo cash margin calls;
- Custody trade notification and settlement and reconciliation of custody accounts;
- Trade notification of PMF money market funds and reconciliation of daily cash movements;
- Management of SWIFT broadcast messages; and
- Management of deal rate resets and rate set advices.

Prudential Risk

These are a selection of roles the Prudential Risk function perform in relation to liquidity management at the Bank:

- Design, development, implementation and maintenance of CCFS Financial Risk Management Framework which is focussed on the management of market funding, liquidity and interest rate risk;

- Serve as the 2nd line of defence in the management of the ILAAP, market and liquidity risk and all Treasury processes and activities;
- Recommend changes as appropriate in the Bank's liquidity and market risk appetite statements to the CRO as appropriate, for approval at ALCO and Board;
- Be a member of the LWG and provide independent analysis of market risk and liquidity positions and stresses; and
- Ensure compliance with policies and procedures taking into account up to date legislative and regulatory responsibilities.

Internal Audit

- The Treasury Function is audited by the Internal Auditors, KPMG, as part of the ongoing compliance and audit programme, KPMG provide the third line of defence.

1. Liquidity Risk Management and Reporting

Liquidity Risk Management

An Enterprise Risk Management Framework ("ERMF") is used within CCFS to set out the high level risk management components and standards. The purpose is to provide a single, consistent view of the various components and tools within the framework and to aid the periodic review of the framework and its effectiveness. Further details can be found in Section 2.2 of this document on Risk Management.

Liquidity Working Group ("LWG")

A sub-committee of ALCO, the LWG has been established which meets on a weekly basis, and has the following mandate:

- The LWG is responsible for regular monitoring of liquidity positions and forecasts in line with limits and the financial plan and any determining tactical actions (within existing authorities) to ensure that the Bank remains within the Board's Liquidity Risk Appetite;
- At each meeting, the LWG is responsible for assessing the EWIs as contained within the Liquidity Funding Plan section of the Recovery Plan and assessing the overall Liquidity Alert Level (LAL) for the Bank;
- The Chair is responsible for ensuring that any deterioration of the LAL is escalated to the CFO and CRO. Should the LAL be assessed as High, then the Chair is responsible for petitioning the CEO (or, in his absence, the CFO or CRO) to convene the Contingent Funding Committee (CFC); and
- The LWG is responsible for recommending stress scenarios to ALCO for inclusion in regular stress tests as well as analysing the impact of each stress scenario on the forecast cash flows of the Bank;

Hedging

To manage the interest rate risk in the balance sheet, CCFS offsets on-balance sheet assets (and off-balance sheet mortgage offers) and liabilities to the greatest extent possible and, where required, uses interest rate swaps to offset residual risks. The resulting swap portfolio may give rise to collateral requirements driven by market movements in interest rates. CCFS acknowledges that the derivative book is growing in size and tenure increasing the size of potential collateral calls under stress. CCFS is also exposed to changes in the mark-to-market of collateral posted creating a further liquidity drain.

To mitigate against the latter risk, Management has ISDA / CSA negotiated agreements such that collateral that can be posted or received is limited to GBP cash. For the former risk, the level of risk will be dependent on the total level of outstanding swaps and actual market rates. CCFS holds liquid assets to the value of the LCR HQLA measure within its ILBR to manage the derivative liquidity risk.

As CCFS does not plan to be rated, ISDA and CSA schedules do not contain rating trigger language so a deterioration of CCFS' position will not result in additional collateral requirements. The plan assumes that all positions are fully collateralised at all times.

Liquidity Coverage Ratio

Only the Bank is subject to the liquidity framework detailed in Part Six of the CRR. LCR metrics over the period, reported in accordance with EBA guidance was as follows:

Liquidity Coverage Ratio[1]	2017 £m	2016 £m
Liquidity Buffer	674.2	443.5
Total Net Cash Outflows	311.5	197.1
Liquidity Coverage Ratio %	222.3%	225.8%

[1]LCR metrics are average vibes over the period

Appendix 3
Charter Court Financial Services Limited (Bank) Asset Encumbrance

Charter Court Financial Services Group plc

The following disclosures are provided in accordance with Article 443 of the CRR "Unencumbered Assets" following guidance issued by the European Banking Authority on "disclosures of encumbered and unencumbered assets" in March 2017. The disclosures relate to the Bank only.

2017		£m Carrying Amount of Encumbered Assets 010	£m Fair Value of Encumbered Assets 040	£m Carrying Amount of Unencumbered Assets 060	£m Fair Value of Unencumbered Assets 090
010	Assets of the Reporting Institution	1,347.6		3,962.7	
030	Equity Instruments			-	
040	Debt Securities			145.5	137.2
060	Of which: Asset Backed Securities			145.5	137.2
120	Other Assets	1,347.6		3,796.0	

2016		£m Carrying Amount of Encumbered Assets 010	£m Fair Value of Encumbered Assets 040	£m Carrying Amount of Unencumbered Assets 060	£m Fair Value of Unencumbered Assets 090
010	Assets of the Reporting Institution	672.6		2,586.8	
030	Equity Instruments	-	-	-	-
040	Debt Securities	-	-	146.1	145.9
060	Of which: Asset Backed Securities			146.1	145.9
120	Other Assets	672.6		2,439.7	

Template B

Collateral received disclosures are not presented in accordance with Supervisory Statement SS11/14 issued by the PRA in December 2014, which provides a waiver from disclosures under Template B for firms that meet certain balance sheet value criteria.

Template C - Encumbered assets/collateral received and associated liabilities

2017		£m Matching Liabilities, Contingent Liabilities or Securities Lent 010	£m Assets, Collateral Received and Own Debt Securities Issued other than Covered Bonds and ABSs Encumbered 030
010	Carrying Amount of Selected Financial Liabilities	1,088.2	1,335.2

2016		£m Matching Liabilities, Contingent Liabilities or Securities Lent 010	£m Assets, Collateral Received and Own Debt Securities Issued other than Covered Bonds and ABSs Encumbered 030
010	Carrying Amount of Selected Financial Liabilities	414.9	670.5

Template D - Information on the importance of encumberance

The Bank encumbers its balance sheet through the securitisation of mortgage assets which are not derecognised from its balance sheet. In addition the Bank encumbers assets by pledging collateral with the Bank of England to access long term funding through the Term Funding Scheme ("TFS"). Whole loan portfolios and securities pledged to the Bank of England are subject to haircuts reflecting the underlying credit quality and liquidity of the collateral which creates a level of over collateralisation.

The Bank's encumbrance levels have increased since 2016, which is driven by the utilisation of the Term Funding Scheme offered by the Bank of England. The Scheme was introduced in 2016 to provide funding to banks at rates close to the bank rate, which would subsequently encourage lending at a cost effective source of funding.

Items included in other unencumbered assets that would not be available for encumbrance would include Intangibles, Other Fixed Assets, including Property and Equipment, and the market value of Derivative Assets.

Only the Bank is subject to encumbrance restrictions. The Bank maintains an overall level of asset encumbrance percentage below a PRA maximum expectation of 30%.

Appendix 4
Capital Instruments Main Features

	Capital Instruments Main Features	Tier 1
1	Issuer	Charter Court Financial Services Group plc
2	Unique Identifier (eg CUSIP ISIN Bloomberg identifier for private placement)	(ISIN: GB00BD822578; SEDOL BD82257)
3	Governing laws of the instrument	English law
	Regulatory Treatment	
4	Transitional CRR Rules	CET1
5	Post Transitional CRR Rules	CET1
6	Eligible at solo/(sub-)consolidated / solo & (sub-) consolidated	Consolidated
7	Instrument type	Common Equity
8	Amount recognised in regulatory capital	£21.4m
9	Nominal amount of instrument	£0.01
9a	Issue price	£2.30
9b	Redemption price	Not Applicable
10	Accounting classification	Shareholders Equity
11	Original date of issuance	28 September 2017 - 230,434,767 Ordinary Shares issued.
		4 October 2017 - 8,695,652 Ordinary Shares issued.
12	Perpeptual or dated	Perpetual
13	Original maturity date	Not Applicable
14	Issuer call subject to prior supervisory approval	No
15	Optional call date contingent call dates and redemption amount	No
16	Subsequent call dates if applicable	Not Applicable

Charter Court
Financial Services Group plc

	Capital Instruments Main Features Coupons/Dividends	Tier 1
17	Fixed or floating dividend / coupon	Floating
18	Coupon rate and any related index	Not Applicable
19	Existence of a dividend stopper	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary
21	Existence of step up or other incentive redeem	No
22	Noncumulative or cumulative	Non-Cumulative
23	Convertible or non-convertible	Non-Cumulative
24	If convertible, conversion triggers	Not Applicable
25	If convertible fully or partially	Not Applicable
26	if convertible conversion rate	Not Applicable
27	if convertible mandatory or optional conversion	Not Applicable
28	If convertible specify instrument type convertible into	Not Applicable
29	If convertible specify issuer of instrument converts into	Not Applicable
30	Write down features	No
31	If write down, write down trigger	Not Applicable
32	If write down full or partial	Not Applicable
33	if write down permanent or temporary	Not Applicable
34	if temporary write down description of write down mechanism	Not Applicable
35	Position in subordination hierarchy in liquidation	All liabilities
36	Non-compliant transitioned features	No
37	If yes specify non-compliant features	Not applicable

Appendix 5
Glossary

Charter Court Financial Services Group plc

Basic Indicator Approach (BIA)	Is a set of operational risk measurement techniques specified by BCBS and detailed in the CRR IV, used to calculate Capital required for Operational Risk
BCBS	Basel Committee on Banking Supervision
CCoB	Capital Conservation Buffer
CCYB	Countercyclical Buffre
CET1	Common Equity Tier 1
CF	Conversion Factor
CoRR	Corporate Risk Register
CPB	Capital Planning Buffer
CRR	Capital Requirements Regulation
CRD	Capital Requirements Directive also known as CRD IV (being the 4th update of the Basel Directives)
CWG	Capital Working Group
ECAI	External Credit Assessment Institution
EIR	Effective Interest Rate
EME	Exact Mortgage Experts
ERMF	Enterprise Risk Management Framework
FPC	Financial Policy Committee
FSB	Financial Stability Board
ICAAP	Internal Capital Adequacy Assessment Process
ILAAP	Internal Liquidity Adequacy Assessment Process
IRRBB	Interest Rate Risk in the Banking Book
ISDA	International Swaps and Derivatives Association
KRI	Key Risk Indicator
LCR	Liquidity Coverage Ratio
LWG	Liquidity Working Group
OTC	Over The Counter
Pillar 1	The first pillar - Minimum Capital Requirement covers total risk including the credit risk, market risk as well as Operational Risk
Pillar 2	The second pillar - Supervisory Review Process is intended to ensure that the banks have adequate capital to support all the risks associated in their businesses
Pillar 3	The third pillar complements the first and second pillar. This is completed through these disclosures of capital structure and approaches to assess the capital adequacy including the governance
PRA	The Prudential Regulation Authority
RAF	Risk Appetite Framework
RMBS	Residential Mortgage Backed Security
RPRP	Recovery Plan and Resolution Pack
RWA	Risk Weighted Assets
SRB	Systemic Risk Buffer
SREP	Supervisory Review and Evaluation Process
SRT	Significant Risk Transfer

Standardised Approach	Refers to a set of credit risk measurement techniques specified by BCBS and detailed in the CRR for the calculation of Risk Weighted Assets (RWA's) for Pillar 1
The Bank	Charter Court Financial Services Limited
3LOD	Three Lines of Defence

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