CAF Bank Ltd
Pillar 3 Disclosure
30 April 2023

CAF Bank Limited is registered in England and Wales under number 1837656.

About CAF Bank

We are more than a bank. We know the pressures charities and social purpose enterprises face, and we address them, one by one. We help charities grow stronger. Our tailored approaches, expert guidance, and genuine care allows charities to concentrate on supporting the people who turn to them.

We look after their funds and help protect their good name. Our experienced customer service team offers reliable support that helps charities to achieve what they believe in. CAF Bank supports a community of more than 14,400 charitable organisations that bank with purpose. From the one-person causes to the largescale organisations, we are the bank charities turn to. We believe in the power of good, and in treating the goals of charities as our own.

Overview

Purpose of this disclosure

This document is prepared in accordance with the Pillar 3 requirements which are set out under the Capital Requirements Directive and Regulation (CRD IV) and aim to promote market discipline through regulatory disclosure requirements. These requirements enable market participants to access key information relating to a bank's regulatory capital and risk exposures in order to increase transparency and confidence about a bank's exposure to risk and the overall adequacy of its regulatory capital.

General

CAF Bank Limited publishes its Pillar 3 Disclosure annually. This Pillar 3 report is based on the Bank's financial statements for the year ended 30 April 2023 and is prepared on a solo basis.

CAF Bank Limited is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

This document should be read in conjunction with CAF Bank's annual report and financial statements for the corresponding financial year, which, together with other information, is available on the Bank's website www.cafonline.org/cafbankannualaccounts

Principal activities

CAF Bank provides banking services to charities and social purpose organisations. The Bank offers transactional current and deposit accounts via telephone and internet banking, and provides lending to customers. These services complement a range of services to charities provided by the Charities Aid Foundation (CAF), the Bank's parent.

CAF Bank is a wholly owned subsidiary of CAF.

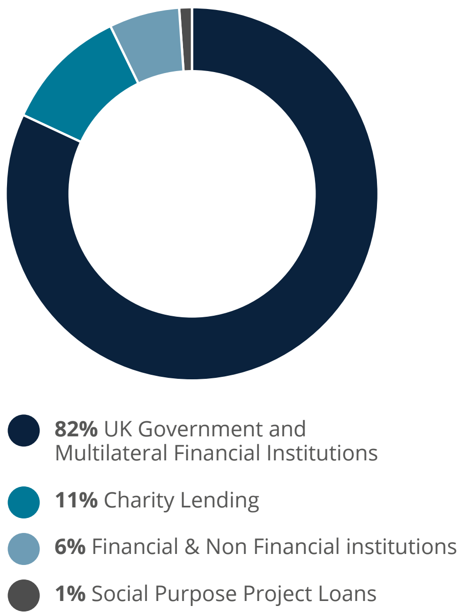
Contents

CAF Bank Ltd, 25 Kings Hill Avenue, Kings Hill, West Malling, Kent ME19 4JQ; company registration number 1837656 (England and Wales). Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority (FRN 204451).

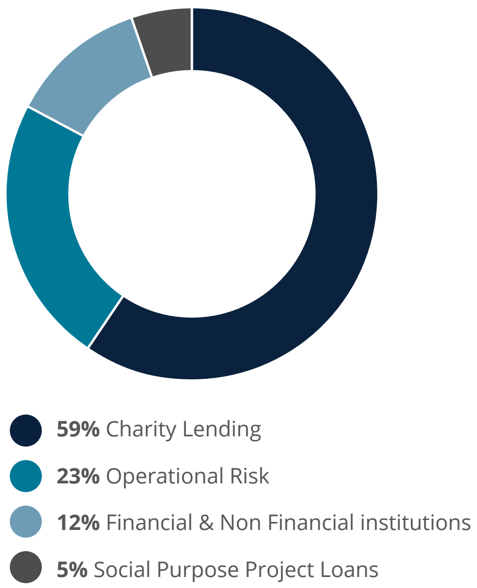
CAF Bank Ltd is a subsidiary of the Charities Aid Foundation (registered charity number 268369).

Capital and Exposures

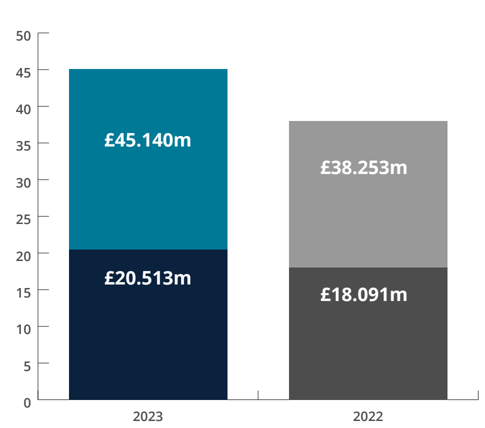
EXPOSURES



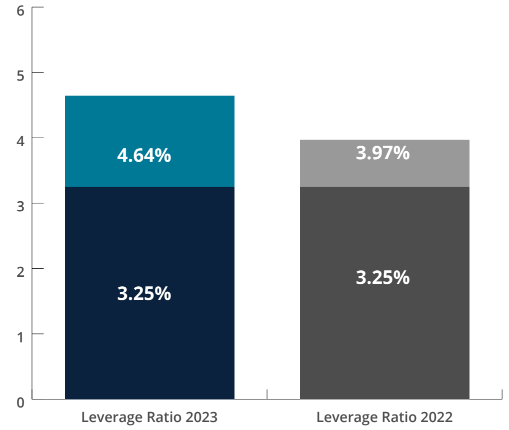
RISK WEIGHTED ASSETS



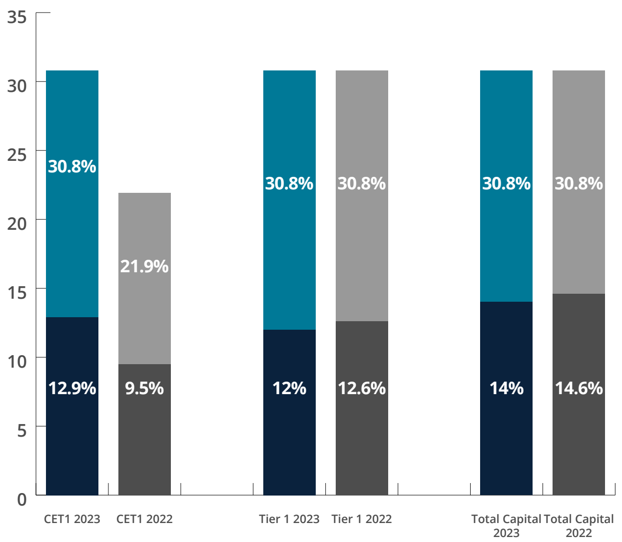
CAPITAL RESOURCES (£M)



LEVERAGE RATIO



CAPITAL RATIOS



Overview of capital position versus capital requirement

CAF Bank's capital resources and total capital requirement are summarised in the table below.

	2023		2022	
	£000	%	£000	%
Total Capital Resources				
CET1	45,140	30.8%	27,253	21.9%
Total T1	45,140	30.8%	38,253	30.8%
Total Capital	**45,140**	**30.8%**	**38,253**	**30.8%**
Total Capital Requirement				
CET1	18,873	12.9%	11,818	9.5%
Total T1	17,586	12.0%	15,606	12.6%
Total Capital	**20,513**	**14.0%**	**18,091**	**14.6%**
Capital Surplus				
CET1	26,267	17.9%	15,435	12.4%
Total T1	27,554	18.8%	22,647	18.2%
Total Capital	**24,627**	**16.8%**	**20,162**	**16.2%**

CAF Bank's capital position remains strong relative to the risk weighting of its assets.

At 30 April 2023 the Bank's total capital ratio was 30.8%, unchanged from 30.8% at 30 April 2022, reflecting an increase in net capital resources from retained profits less an increase in intangible assets. The Bank's minimum regulatory capital requirement decreased to 14.0% at 30 April 2023 (30 April 2022: 14.6%) which, combined with an increase in risk weighted assets, translates to a capital requirement of £20.5m at 30 April 2023 compared to £18.1m last year.

Capital management

CAF Bank aims at all times to maintain an adequate level of capital to support the development of its business and to meet regulatory capital requirements.

Business and capital plans are drawn up annually covering a 3-year period and approved by the Board. The plans ensure that adequate levels of capital are maintained by the Bank to support its strategy. This is integrated with the Bank's annual planning process.

The capital plan takes the following into account:

- Current and anticipated future regulatory capital requirements;
- Increases in demand for capital due to business development, including planned lending growth;
- Potential demand for capital from market shocks or stresses;
- Available supply of capital and capital raising options;
- Achieving a minimum required leverage ratio; and
- Internal controls and governance for managing the Bank's risk, operations and capital.

The Bank undertakes a detailed capital adequacy assessment to support its capital requirements. Each material risk is assessed, relevant mitigants considered, and appropriate levels of capital determined. The capital adequacy assessment is a key part of the Bank's risk and planning framework, and a minimum capital requirement is assessed and agreed with the PRA. The Bank's internal capital adequacy assessment is regularly updated under two Pillars.

Key metrics
(Template UK KM1)

		2023 £000	2022 £000
Available own funds (amounts)			
1	Common Equity Tier 1 (CET1) capital	45,140	27,253
2	Tier 1 capital	45,140	38,253
3	Total capital	45,140	38,253
Risk-weighted exposure amounts			
4	Total risk-weighted exposure amount	146,334	124,243
Capital ratios (as a percentage of risk-weighted exposure amount)			
5	Common Equity Tier 1 ratio (%)	30.8%	21.9%
6	Tier 1 ratio (%)	30.8%	30.8%
7	Total capital ratio (%)	30.8%	30.8%
Additional own funds requirements based on SREP (as a percentage of risk-weighted exposure amount)			
UK 7a	Additional CET1 SREP requirements (%)	0.0%	0.0%
UK 7b	Additional AT1 SREP requirements (%)	0.0%	0.0%
UK 7c	Additional T2 SREP requirements (%)	0.0%	0.0%
UK 7d	Total SREP own funds requirements (%)	8.0%	8.0%
Combined buffer requirements (as a percentage of risk-weighted exposure amount)			
8	Capital conservation buffer (%)	2.5%	2.5%
9	Institution specific countercyclical capital buffer (%)	1.0%	0.0%
11	Combined buffer requirement (%)	3.5%	2.5%
UK 11a	Overall capital requirements (%)	11.5%	10.5%
12	CET1 available after meeting the total SREP own funds requirements (%)	22.8%	22.8%
Leverage ratio			
13	Total exposure measure excluding claims on central banks	972,360	963,904
14	Leverage ratio excluding claims on central banks (%)	4.64%	3.97%
Liquidity coverage ratio			
15	Total high quality liquid assets (HQLA) (Weighted average value)	1,244,786	1,255,456
UK 16a	Cash outflows - total weighted value	483,494	477,707
UK 16b	Cash inflows - total weighted value	4,690	1,523
16	Total net cash outflows (adjusted value)	478,804	476,184
17	Liquidity coverage ratio (%)	260%	264%
Net stable funding ratio			
18	Total available stable funding	1,429,893	1,426,183
19	Total required stable funding	154,418	177,361
20	NSFR ratio (%)	926%	804%

Capital resources

The following own funds disclosure aims to reflect the detailed capital position of the Bank.

Composition of regulatory own funds
(Template UK CC1)

		2023 £000	2022 £000	Reference under UK CC2
Common Equity Tier 1 (CET1) capital: instruments and reserves				
1	Capital instruments and the related share premium accounts	40,319	29,350	12
	of which: called up ordinary share capital	40,319	29,350	
2	Retained earnings	2,579	939	14
UK-5a	Independently reviewed interim profits net of any foreseeable charge or dividend	8,575	1,640	14
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**51,473**	**31,929**	
Common Equity Tier 1 (CET1) capital: regulatory adjustments				
8	Intangible fixed assets	6,333	4,676	6
28	Total regulatory adjustments to Common Equity Tier 1 (CET1)	6,333	4,676	
29	**Common Equity Tier 1 Capital**	**45,140**	**27,253**	
Additional Tier 1 (AT1) capital: instruments				
30	Capital instruments and the related share premium accounts	-	11,000	13
	of which: classified as equity under applicable accounting standards	-	11,000	
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**	**-**	**11,000**	
43	**Additional Tier 1 (AT1) capital: regulatory adjustments**	-	-	
44	**Additional Tier 1 (AT1) capital**	**-**	**11,000**	
45	**Tier 1 capital (T1 = CET1 + AT1)**	**45,140**	**38,253**	
58	**Tier 2 (T2) capital**	-	-	
59	**Total capital (TC = T1 + T2)**	**45,140**	**38,253**	
60	**Total Risk exposure amount**	**146,334**	**124,243**	
Capital ratios and buffers				
61	Common Equity Tier 1 (as a percentage of total risk exposure amount)	30.8%	21.9%	
62	Tier 1 (as a percentage of total risk exposure amount)	30.8%	30.8%	
63	Total capital (as a percentage of total risk exposure amount)	30.8%	30.8%	
64	Institution CET1 overall capital requirement	12.9%	9.5%	
65	of which: capital conservation buffer requirement	2.5%	2.5%	
66	of which: countercyclical buffer requirement	1.0%	0.0%	
67	of which: systemic risk buffer requirement	0.0%	0.0%	
68	Common Equity Tier 1 available to meet buffers (as a percentage of total risk exposure amount)	17.9%	21.3%	
Amounts below the thresholds for deduction (before risk weighting)		-	-	
Applicable caps on the inclusion of provisions in Tier 2		-	-	
Capital instruments subject to phase-out arrangements		-	-	

Reconciliation of regulatory balance sheet to financial statements

(Templates UK CC2 & UK LI1)

Reference under UK CC2		Per Financial Statements / Carrying values under scope of regulatory consolidation	Subject to credit risk framework	Subject to counterparty credit risk framework	Subject to the securitisation framework	Not subject to capital requirements or subject to deduction from capital
		£000	£000	£000	£000	£000
1	Balances at Bank of England	620,476	620,476	-	-	-
2	Loans and advances to banks	6,116	6,116	-	-	-
3	Loans and advances to customers	177,734	177,734	-	-	-
4	Debt securities	752,100	752,100	-	-	-
5	Prepayments and accrued income	8,775	8,775	-	-	-
6	Intangible asset	6,333	-	-	-	6,333
7	**Total assets**	**1,571,534**	**1,565,201**	**-**	**-**	**6,333**
8	Customer accounts	1,505,425	-	-	-	1,505,425
9	Other liabilities	13,474	-	-	-	13,474
10	Accruals and deferred income	1,162	-	-	-	1,162
11		1,520,061	-	-	-	1,520,061
12	Called up share capital	40,319	-	-	-	40,319
13	Additional Tier 1 capital	-	-	-	-	-
14	Distributable reserves	11,154	-	-	-	11,154
15	**Total liabilities**	**1,571,534**	**-**	**-**	**-**	**1,571,534**

Sources of differences between regulatory exposure amounts and carrying values in financial statements

(Template UK LI2)

		Total	Credit risk framework	Counterparty credit risk framework	Securitisation framework	Market risk framework
		£000	£000	£000	£000	£000
1	Asset carrying value amount under scope of regulatory consolidation (as per template LI1)	1,571,534	1,565,201	-	-	-
2	Liabilities carrying value amount under regulatory scope of consolidation (as per template LI1)	(1,571,534)	-	-	-	-
3	Total net amount under regulatory scope of consolidation	-	1,565,201	-	-	-
4	Off-balance sheet amounts	62,156	24,155	-	-	-
10	**Regulatory exposures**	**62,156**	**1,589,356**	**-**	**-**	**-**

Capital instruments issued by CAF Bank

Tier 1 capital

CAF Bank's Tier 1 capital is further comprised of CET1 capital (ordinary share capital and distributable reserves) and Other Tier 1 capital (Additional Tier 1 capital).

CET1 capital

Description	**Terms**	**2023**	**2022**
		£000	£000
Tier 1 Capital			
Ordinary shares	Permanent	40,319	29,350
Distributable Reserves		11,154	2,579
Intangible fixed assets		(6,333)	(4,676)
Total		**45,140**	**27,253**

Other T1 capital

Description	**Coupon**	**Terms**	**2023**	2022
			£000	£000
Tier 1 Capital				
Additional Tier 1	9.0%	Perpetual, non-cumulative	-	11,000
Total			**-**	**11,000**

The £11.0m of AT1 securities were converted to an equivalent amount of ordinary share capital on 30 September 2022 with the approval of the Prudential Regulation Authority.

The Bank is required to disclose the main features of its capital instruments.

Main features of regulatory own funds instruments and eligible liabilities instruments

(Template UK CCA)

		CET1
1	Issuer	CAF Bank Limited
2	Unique identifier	Not applicable
2a	Public or private placement	Private placement
3	Governing law(s) of the instrument	English Law
3a	Contractual recognition of write down and conversion powers of resolution authorities	Not applicable
	Regulatory treatment	
4	Current treatment taking into account, where applicable, transitional CRR rules	Common Equity Tier 1
5	Post-transitional CRR rules	Common Equity Tier 1
6	Eligible at solo/(sub-)consolidated/ solo & (sub-) consolidated	Solo
7	Instrument type (types to be specified by each jurisdiction)	Common Equity
8	Amount recognised in regulatory capital (currency in million, as of most recent reporting date)	£40m
9	Nominal amount of instrument	£40m
9a	Issue price	£1
9b	Redemption price	Not applicable
10	Accounting classification	Shareholders' equity
11	Original date of issuance	£0.000099m issued 12 Dec 84
		£0.2499m issued 1 Jul 86
		£0.05m issued 15 Mar 90
		£0.05m issued 18 Jun 90
		£0.05m issued 29 Jan 91
		£0.05m issued 11 May 92
		£0.000001m issued 18 Oct 02
		£6.99m issued 27 Dec 07
		£1.36m issued 27 Dec 07
		£1m issued 25 Apr 08
		£1m issued 30 Apr 09
		£1m issued 28 Apr 10
		£2.25m issued 4 Nov 11
		£4.25m issued 19 Dec 11
		£1m issued 19 May 14
		£2m issued 22 Dec 16
		£3m issued 8 Sep 17
		£5m issued 19 Jan 18
		£11m issued 30 Sep 22
12	Perpetual 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	Not applicable
16	Subsequent call dates, if applicable	Not applicable
	Coupons/dividends	
17	Fixed or floating dividend/coupon	Fixed
18	Coupon rate and any related index	Not applicable
19	Existence of a dividend stopper	No
20a	Fully discretionary, partial discretionary or mandatory (in terms of timing)	Fully discretionary
20b	Fully discretionary, partial discretionary or mandatory (in terms of amount)	Fully discretionary
21	Existence of step up or other incentive to redeem	No
22	Noncumulative or cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	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 it converts into	Not applicable
30	Write-down features	No
31	If write-down, write-down trigger(s)	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 writeup mechanism	Not applicable
34a	Type of subordination (only for eligible liabilities)	Not applicable
34b	Ranking of the instrument in normal insolvency proceedings	Not applicable
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Not applicable
36	Non-compliant transitioned features	Not applicable
37	If yes, specify non-compliant features	Not applicable
37b	Link to the full term and conditions of the instrument (signposting)	Not applicable

Capital requirement

Minimum capital requirement: Pillar 1

In calculating minimum capital requirements under Pillar 1, CAF Bank adopts the Standardised Approach to credit risk and Basic Indicator Approach to operational risk. The following table outlines the Bank's minimum capital requirement as at 30 April 2023.

Overview of risk weighted exposure amounts

(Template OV1)

		RWAs		Minimum capital requirement
		2023	**2022**	**2023**
		£000	£000	£000
1	**Credit/counterparty risk**	112,829	102,044	9,027
2	of which: Standardised Approach	112,829	102,044	9,027
23	**Operational risk**	33,505	22,199	2,680
24	of which: Basic Indicator Approach	33,505	22,199	2,680
29	**Total risk**	**146,334**	**124,243**	**11,707**

An analysis of the credit risk capital requirement is shown in the table below.

Credit risk exposure

(Template CR4)

	Exposures before CCF and before CRM		**Exposures post CCF and post CRM**		**RWA and RWAs density**	
	On Balance Sheet	**Off Balance Sheet**	**On Balance Sheet**	**Off Balance Sheet**	**RWAs**	**RWAs density (%)**
Central government or central banks	623,262	-	623,262	-	-	0%
Public sector entities	14,651	-	14,651	-	2,930	20%
Multilateral development banks	673,404	-	673,404	-	-	0%
Institutions	10,131	-	10,131	-	5,066	50%
Secured by mortgages on immovable property	176,734	45,412	176,734	22,706	86,073	43%
Exposures in default	577	-	577	-	866	150%
Items associated with particularly high risk	3,797	2,898	3,797	1,449	7,868	150%
Covered bonds	57,421	-	57,421	-	5,742	10%
Claims on institutions with a short-term credit assessment	9,008	-	9,008	-	1,802	20%
Other items	2,482	-	2,482	-	2,482	100%
Total Pillar 1 capital requirement	**1,571,467**	**48,310**	**1,571,467**	**24,155**	**112,829**	**7%**

Exposures by asset classes and risk weights

(Template CR5)

Risk weight	**0%**	**10%**	**20%**	**35%**	**50%**	**100%**	**150%**	**Total**	**Of which unrated**
Central government or central banks	623,262	-	-	-	-	-	-	623,262	-
Public sector entities	-	-	14,651	-	-	-	-	14,651	-
Multilateral development banks	673,404	-	-	-	-	-	-	673,404	-
Institutions	-	-	-	-	10,131	-	-	10,131	-
Secured by mortgages on immovable property	-	-	-	136,682	-	62,758	-	199,440	199,440
Exposures in default	-	-	-	-	-	-	577	577	577
Items associated with particularly high risk	-	-	-	-	-	-	5,246	5,246	5,246
Covered bonds	-	57,421	-	-	-	-	-	57,421	-
Claims on institutions with a short-term credit assessment	-	-	9,008	-	-	-	-	9,008	-
Other items	-	-	-	-	-	2,482	-	2,482	2,482
Total Pillar 1 capital requirement	**1,296,666**	**57,421**	**23,659**	**136,682**	**10,131**	**65,240**	**5,823**	**1,595,622**	**207,745**

Minimum capital requirement: Pillar 2

Pillar 2 is designed to assess the adequacy of a firm's capital resources by considering all material risks to the business, including those not covered or adequately addressed by Pillar 1, taking into account the impact of stress tests conducted across a variety of different scenarios which the Bank may be exposed to. Requirements under Pillar 2 encourage firms to develop, operate and evolve better risk management techniques for monitoring, measuring and managing material risks.

CAF Bank has assessed its risks and allocated capital over and above that required for Pillar 1 for the risks shown in the following table. Each risk type is described in the Principal Risks section.

Pillar 2A

	2023		2022	
	Capital Addition		Capital Addition	
Risk type	**£000**	**%**	**£000**	**%**
Market and interest rate risk	**1,304**	**0.89%**	1,107	0.89%
Operational risk	**2,283**	**1.56%**	1,939	1.56%
Credit concentration risk	**161**	**0.11%**	1,329	1.07%
Total	**3,748**	**2.56%**	**4,375**	**3.52%**

The amounts identified above relating to Pillar 2A capital represent additional capital equivalent to 2.56% of Total Risk Exposure Amount (CAF Bank's 'ICG').

The reduction in Credit concentration risk year on year arises from the reintroduction of the Countercyclical Buffer of 1.0% with effect from 13 December 2022.

Pillar 2B

CAF Bank assesses an additional amount of capital as a buffer ('Pillar 2B') against risks it may become exposed to over the forward-looking planning horizon. Such risks include a downgrade in credit ratings of wholesale counterparties, bail in losses affecting counterparties, loan losses and an increase in market interest rates. Following implementation of CRR, CAF Bank has progressively introduced Capital Conservation and Countercyclical buffers.

Capital Conservation Buffer rates are set in the CRR.

The Countercyclical Capital Buffer is a weighted average of the buffer rates applicable to the jurisdictions in which CAF Bank is invested. CAF Bank monitors the buffer rates published by the Bank of England.

As a result of the events connected with COVID-19, the Countercyclical Buffer requirement (CcyB) was 0.0% for the year ending 30 April 2022.

At 30 April 2023 the Countercyclical Capital Buffer requirement is 1.0% of Total Risk Exposure Amount.

Pillar 2B Capital Requirement (as % of Total Risk Exposure Amount)	
Capital Conservation Buffer	2.5%
Countercyclical Capital Buffer	1.0%

The FPC is increasing the UK CCyB rate from 1% to 2% from 5th July 2023.

Total capital requirements

The above minimum capital requirements are aggregated and expressed as a percentage of the Bank's Total Risk Exposure Amount.

CRR places greater emphasis on the highest quality of capital (known as Common Equity Tier 1) and strengthens the criteria used to determine what can be used as CET1.

	2023			2022		
%	**CET1**	**Total T1**	**Total Capital**	CET1	Total T1	Total Capital
Pillar 1	*8.00%*	*6.00%*	*8.00%*	4.50%	6.00%	8.00%
Pillar 2A	*1.44%*	*2.56%*	*2.56%*	1.97%	3.52%	3.52%
Capital Conservation Buffer	*2.50%*	*2.50%*	*2.50%*	2.50%	2.50%	2.50%
Countercyclical Buffer	*0.96%*	*0.96%*	*0.96%*	0.00%	0.00%	0.00%
PRA Buffer	*0.00%*	*0.00%*	*0.00%*	0.54%	0.54%	0.54%
Management Buffer	*0.00%*	*0.00%*	*0.00%*	0.00%	0.00%	0.00%
Minimum Requirement	**12.90%**	**12.02%**	**14.02%**	9.51%	12.56%	14.56%
£000						
Pillar 1	11,707	8,780	11,707	5,591	7,454	9,939
Pillar 2A	2,108	3,748	3,748	2,450	4,375	4,375
Capital Conservation Buffer	3,658	3,658	3,658	3,106	3,106	3,106
Countercyclical Buffer	1,400	1,400	1,400	-	-	-
PRA Buffer	-	-	-	671	671	671
Management Buffer	-	-	-	-	-	-
Minimum Requirement	**18,873**	**17,586**	**20,513**	11,818	15,606	18,091

Leverage ratio

CRR requires firms to calculate a non-risk adjusted Leverage Ratio, to supplement risk-based capital requirements. The Leverage Ratio measures the relationship between the capital resources of the firm and its total assets. The purpose is to constrain the build-up of excessive leverage.

Leverage is calculated as Tier 1 capital divided by total on and off-balance sheet assets adjusted for deductions.

The Prudential Regulation Authority has confirmed that CAF Bank should be reporting under the UK framework which results in a leverage ratio of 4.64% (2022: 3.99%) compared to a minimum of 3.25%.

The following table outlines the Bank's leverage ratio as at 30 April 2023:

Summary reconciliation of accounting assets and leverage ratio exposures

(Template UK LRSum)

		2023	2022
		£000	£000
1	Total assets as per published financial statements	**1,571,534**	1,556,044
4	Adjustment for exemption of exposures to central banks	**(623,262)**	(603,106)
10	Adjustment for off-balance sheet items	**24,155**	11,112
12	Other adjustments*	**(67)**	(146)
13	**Total exposure measure**	**972,360**	963,904

* Other adjustments arise from certain assets that have differing treatments for accounting and leverage exposure purposes. These include; Intangible Assets, Loan Loss Provisions, Loan Fee Deferred Income and Items in the course of settlement.

Leverage ratio common disclosure

(Template UK LRCom)

		2023	**2022**
		£000	£000
On balance sheet exposures			
1	On balance items	1,571,534	1,556,044
7	**Total on balance items**	1,571,534	1,556,044
Off balance sheet exposures			
19	Off-balance sheet exposures at gross notional amount	62,156	35,296
20	Adjustments for conversion of credit equivalent amount	*(38,001)*	(24,184)
22	Off Balance sheet exposures	24,155	11,112
Excluded exposures			
22a	Exposures excluded from the total exposure measure	(67)	(146)
22k	Total exempt exposures	(67)	(146)
Capital and total exposure measure			
23	Tier 1 capital (leverage)	45,140	38,253
24	Total exposure measure including claims on central banks	1,595,622	1,567,010
24a	Claims on central banks excluded	(623,262)	(603,106)
24b	**Total exposure measure excluding claims on central banks**	**972,360**	**963,904**
Leverage ratio			
25	**Leverage ratio excluding claims on central banks (%)**	**4.64%**	**3.97%**
25c	Leverage ratio including claims on central banks (%)	2.83%	2.44%
26	Regulatory minimum leverage ratio requirement (%)	**3.25%**	**3.25%**

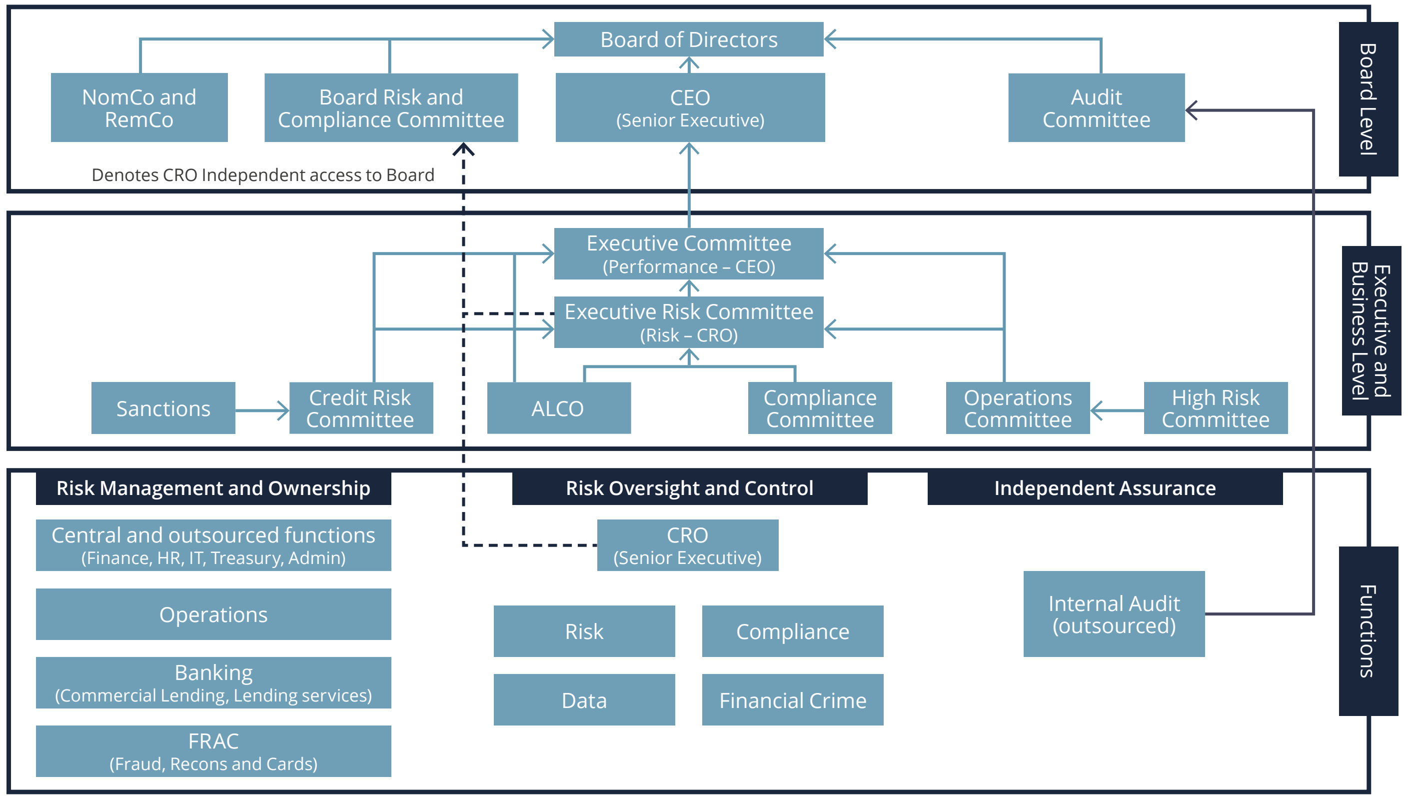
Split up of on balance sheet exposures

(Template UK LR3 - LRSpl)

		2023 £000	2022 £000
UK-1	**Total on balance sheet exposures, of which:**	**1,571,467**	1,555,898
UK-3	Banking book exposures, of which:	**1,571,467**	1,555,898
UK-4	Covered bonds	**57,421**	72,817
UK-5	Exposures treated as sovereigns	**623,262**	603,106
UK-6	Exposures to regional governments, MDB, PSE not treated as sovereigns	**688,055**	696,583
UK-7	Institutions	**19,139**	19,514
UK-8	Secured by mortgages of immovable properties	**176,734**	160,841
	Items associated with particularly high risk	**3,797**	1,950
UK-11	Exposures in default	**577**	142
UK-12	Other exposures	**2,482**	945

Governance report

The CAF Bank Board is responsible for establishing and monitoring the Bank's strategy and risk appetite and approving related policy statements which set out the control environment within which the Bank operates. Implementation of strategy and development and delivery of the Bank's operating plan is the responsibility of the Bank's CEO and Executive Committee.



For a fixed time period until the Bank's digital modernisation project has been concluded, there is an additional sub-committee reporting into the Board and an executive sub-committee reporting into the Executive Committee which will be the Transformation SteerCo with delegated responsibilities for governance and oversight of the Transformation Project.

The Board comprises the Non-Executive Chair, eight Non-Executive Directors and two Executive Directors and exercises its accountabilities through its own activities and through delegation of responsibilities to the CEO and the Executive Committee. The Board receives reports from the CEO and reviews the work of the Executive Committee.

During the year, the Board discharged its responsibilities. It:

- Approved the Bank's strategy, operating plans, budgets and forecasts;
- Monitored (and approved changes to) the Bank's Transformation Plan for its banking system to enhance our customer proposition;
- Approved the Risk Appetite Statements to maintain an effective and appropriate governance and control structure for managing the business;
- Reviewed and challenged the operating activities of the Bank compared to plans and changes in the wider economic environment;
- Monitored the conduct of business to ensure adherence to approved risk appetite and compliance with applicable regulations;
- Monitored the impact of operational resilience;
- Monitored reputational risk and brand issues;
- Reviewed, challenged and approved the capital and liquidity adequacy assessments and policies (ICAAP and ILAAP).
- Reviewed, challenged and approved the Recovery Plan;
- Approved the composition, membership and terms of reference of Board sub-committees;
- Reviewed reports and recommendations from Board sub-committees, taking action as appropriate;
- Reviewed and approved the Annual Report and Financial Statements;
- Set an appropriate 'tone from the top' and ensured alignment of values and behaviours in the Bank relating to the conduct of its business; and
- Kept the PRA and FCA informed of the Bank's strategy, operations and risks during the year.

BOARD COMMITTEES

The Board has established four sub-committees to assist it in monitoring the business, reviewing policies, systems and controls and setting risk appetite:

i. Board Risk and Compliance Committee;

ii. Audit Committee; and

iii. Nominations and Remuneration Committee

iv. Transformation Committee (fixed period only).

Each sub-committee is subject to its own Terms of Reference and has authority to review relevant policies, systems, controls and reporting, making recommendations to the Board for approval.

The Board Risk and Compliance Committee (BRCC)

The Board Risk and Compliance Committee is responsible for advising the Board on the Bank's risk management framework and compliance matters. The Committee is chaired by an Independent Non-Executive Director (INED) and comprises of three other INEDs. Key management attend Committee meetings by invitation.

During the year, the BRCC discharged its responsibilities. It:

- Reviewed the Risk Appetite Statement and recommended these for approval by the Board;
- Monitored risk reporting and ensured the Bank's strategy, principles, policies and resources are aligned to the Bank's risk appetite, as well as to regulatory and industry best practices;
- Reviewed and challenged capital and liquidity adequacy assessments, the Operational Resilience self-assessment and the Recovery Plan and recommended these for approval by the Board;
- Monitored compliance with legislation, regulation and internal policy;
- Focused on Business Risks, Credit and IT risks including oversight of the Transformation Project, and
- Reviewed policies and recommended these to the Board.

Whistleblowing

The Chair of the BRCC has oversight as the Bank's "whistle-blowers' champion", with responsibility for ensuring and overseeing the integrity, independence, and effectiveness of the whistleblowing policies and procedures. The Committee reviews at least annually the Bank's Whistleblowing Policy and associated arrangements.

The Board Audit Committee

The Board Audit Committee is responsible for reviewing the effectiveness of financial reporting and internal audit. The Committee also safeguards the independence of external audit and the outsourced internal audit function and oversees their effectiveness.

The Committee is chaired by an INED and comprises two other INEDs. Key management attend Committee meetings by invitation. During the year the Committee Chair held regular meetings with the external auditors, internal auditors and management to discuss the business of the Committee and specific issues as they arose.

How the Committee discharged its responsibilities:

Financial Reporting

The Committee reviewed and challenged:

- The Annual Report and Financial Statements;
- The annual external audit plan, including remuneration of the auditors;
- The significant areas of judgement in relation to critical accounting policies;
- Evaluated the effectiveness of external auditors, and assessed their independence and objectivity;
- The audit tender and appointment of new auditors;
- The approval of non-audit services: and
- The Pillar 3 report.

Audit

During the year the Committee:

- Reviewed and challenged the annual internal audit plan in the context of the Bank's risk and control profile;
- Reviewed and challenged the findings of internal audit reports and management's responses to recommendations; and
- Monitored the effectiveness of internal audit.

The Nominations and Remuneration Committee

The Nominations and Remuneration Committee is responsible for advising the Board on the appointment of members to the Board and Board sub-committees. The committee also makes recommendations regarding the remuneration of members of the Executive Committee and reviews and agrees the basis for pay rises and bonuses awarded to staff.

The Committee comprises the Chair, an INED, the CAF Bank CEO and CAF Chief Executive.

During the year, the Committee discharged its responsibilities. It:

- Reviewed the composition of the Board and made recommendations for appointments to Board and Board sub-committees;
- Monitored Board effectiveness and succession plans;
- Reviewed and approved policies, including diversity and equality policies;
- Monitored conflicts of interest; and
- Reviewed remuneration and other policy and practice in relation to employees and Directors.

The Transformation Committee (fixed period only)

The Transformation Committee is responsible for providing oversight for the delivery of the Bank's Transformation Programme. The Committee also provides guidance and sign off on key decisions within the transformation programme and supports the resolution of escalations from the Transformation Steering Committee. At key programme milestones the Committee will provide recommendations to the CAF Board for review and ultimate sign off.

The Committee comprises the Chair, three INEDs, the CAF Bank CEO, CAF Chief Executive and key members of the programme team.

During the year, the Committee discharged its responsibilities. It:

- Reviewed and challenged project plans;
- Reviewed and challenged the transformation budget;
- Monitored project progress and milestones;
- Reviewed and approved key programme decisions.

The Risk Management Framework (RMF) outlines how CAF Bank Ltd (the "Bank") manages risks that are relevant to our chosen sectors, business model and operations.

Risk-taking is an inherent part of banking, and the Bank aims to make a profit from taking risks in a controlled way. However, excessive and poorly managed risks can have negative impacts increasing the risk to the Bank's customers and shareholder, that shareholder being CAF (Charities Aid Foundation).

Risk is the combination of the probability of an event occurring, and its consequences which can be either positive or negative. In the context of this document, the focus is risks that could have an impact on the Bank's customers, capital, liquidity, profitability, reputation and ultimately its viability.

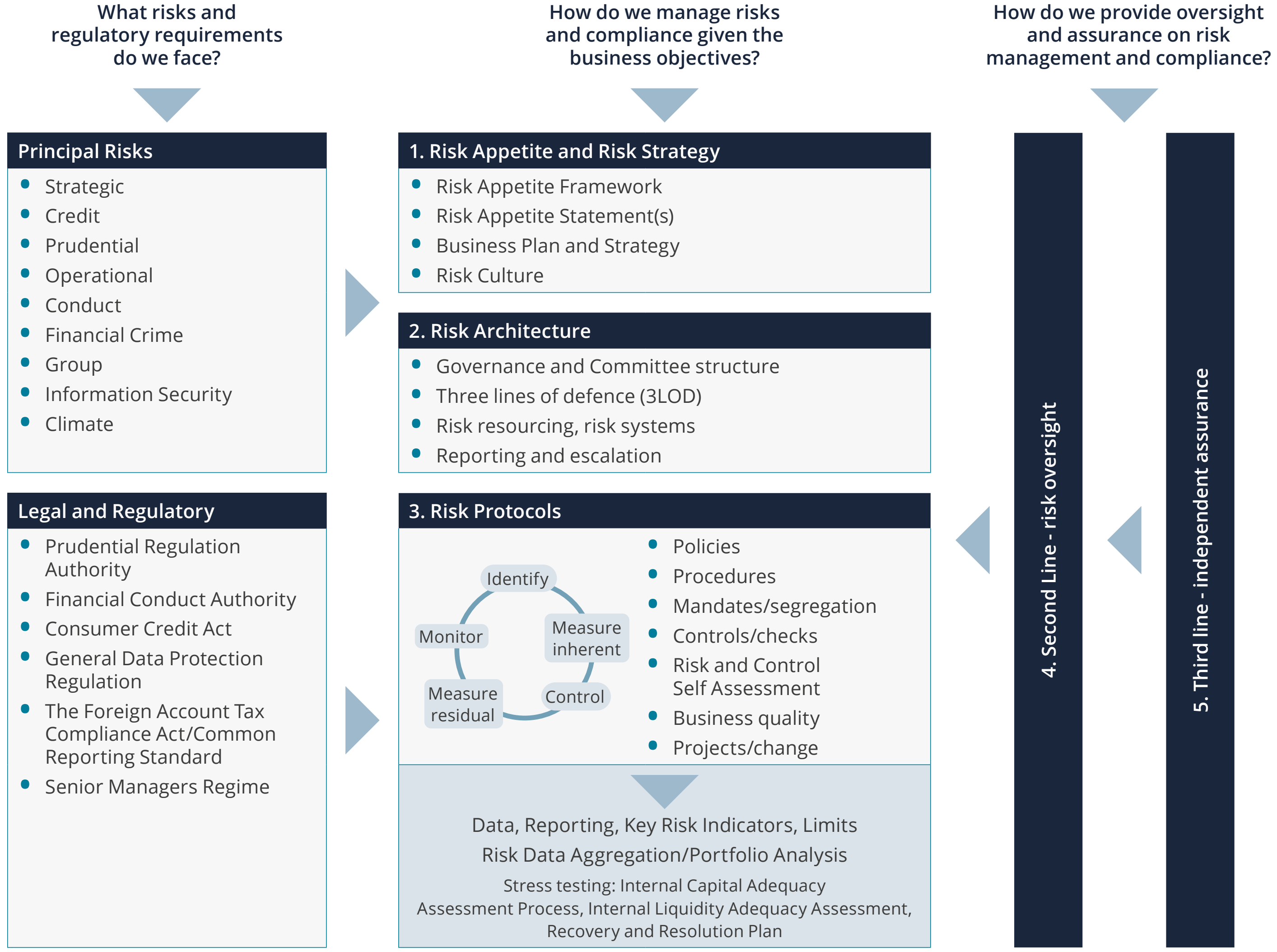
Risk management refers to the process of identification, assessment, measurement, control and monitoring of risks.

The Board, Directors and Senior Management ensure the risks taken are manageable. We consider risks manageable when they are defined, understood, measurable and controllable. We control risks by ensuring the Bank's resources are capable of withstanding both expected and unexpected impacts.

The senior executives and managers of the Bank ensure embedding of Risk Management in day-to-day management and control activities, with a clear separation between First Line of Defence (1LOD) and Second Line of Defence (2LOD) activities.

CAF Bank establishes and maintains risk culture by the adoption of a set of values, risk principles and setting the correct "tone at the top" of the Bank.

Detailed frameworks, policies and procedures support this document. These combine to ensure the way the Bank manages risk is consistent with the size and nature of the Bank's operations. They align to regulatory requirements and reflect industry best practice, as reflected below:



The RMF includes the Three Lines of Defence Model (3LOD) which ensures a clear delineation of responsibilities between control over day-to-day operations, risk oversight and control and independent assurance of the Bank's activities.

This 3LOD model is important as it provides clarity for individuals and functions about their role, where responsibilities and accountabilities lay and is a core component of the RMF.

The emphasis on the responsibilities of each line of defences is as follows:

First Line of Defence – Business lines and centralised functions

The First Line of Defence (through managing risks and staying in control of their activities), is responsible for managing risk in the context of the legal and regulatory environment. The First Line of Defence also takes due regard of the reputational position that the Bank occupies in support of charities.

- To run the business in a safe but profitable fashion to enable sustainability – linked to the Risk Appetite Framework and Statements;
- To manage the risks in the business, within tolerances or limits;
- To act in an "early warning" role regarding ongoing client relationship management;
- To identify, measure, control and monitor risks within each area of the business and to report, manage and escalate any risk incidents as well as evidencing control;
- To implement and adhere to the mandates, policies and processes that are part of the control environment; and
- Identify and assess new or emerging risks as internal activities or the external environment changes.

Second Line of Defense – Oversight functions

(Risk, Compliance, Anti-Money Laundering, and Data Protection)

- To provide independent oversight and guidance on risks relevant to the Bank's strategy and activities;
- Maintain an aggregate view of risk and monitoring performance in relation to the Bank's risk appetite;
- Monitoring changes and compliance to external regulation, and promoting best practices; and
- To support a structured approach to risk management by implementing and maintaining a bank-wide risk policies, and to monitor their proper execution in the 1LOD.

Third Line of Defence - Internal Audit (the Internal Audit function is outsourced to Mazars LLP)

- To provide independent assurance to the Board via the Audit Committee that the 1LOD and 2LOD are both effective and operative in discharging their responsibilities.

Central to the Risk Governance and to the Three Lines of Defence model is the Chief Risk Officer (CRO). The Bank acknowledges the stipulations and guidance as laid out in SYSC 7.1 (Risk Control) and SYSC 21.1 (Risk control: guidance on governance arrangements) and appoints a CRO (approved by the PRA and FCA as SMF4) to be responsible to the Board for oversight of bank-wide risk management. This position is deemed independent of the business and to have unfettered access to the Board (usually through the Chair of the BRCC); however, on a day-to-day basis, the CRO will report to the CEO.

The CRO is responsible for monitoring exposures to the Board approved Risk Appetites and report upon the status of utilisation against limits, tolerances and other metrics, through to the dedicated Executive Risk Committee (ERC) as well as the BRCC.

Risk Appetite Statement

The Bank has taken the expectations of its stakeholders into consideration in articulating its risk appetite; the need for regulatory compliance at all times; the preservation of its authorisation and reputation and its desire for controlled and sustainable profits in line with its values.

An overarching Risk Appetite Statement (RAS) governs the Bank's approach to risks it is willing to accept in support of its Business Plan. The overarching Risk Appetite Statement aligns to the Business Plan and Strategy:

Focus of the three-year business plan	CAF Bank, a bank owned by a charity, is developing a more robust business model that seeks to maintain an appropriate balance between its mission to support charities and providing a return to CAF.
Overarching risk appetite assessment	The Bank will take appropriate but controlled risk to support income and lending book growth, to remain sustainable, whilst remaining a safe, trusted and ethical bank ofchoice, that is 'helping charities to make a better society'.

The Bank's principal risks are strategic, credit, prudential, operational, financial crime, information security, conduct, climate and group. Identifying and monitoring current and emerging risks is integral to our approach to risk management.

Strategic Risk

Strategic risk is the risk that can affect the Bank's ability to achieve its strategic and business objectives. Strategic risk might arise from making poor business decisions, from the substandard execution of decisions, from inadequate resource allocation, or from a failure to respond well to changes in the business environment. Due to the nature of this risk, it is owned by the CEO who assesses the risk holistically on a quarterly basis based on business performance and operating characteristics for the relevant period. This process utilises business reporting from across both CAF Bank and its parent shared services functions such as the Human Resources reporting relating to resourcing and employee skills capacity management dynamics. During 2023, CAF Bank has been developing and rolling out its new Conformance Framework which, amongst other improvements, is designed to enhance management information to facilitate assessment of risk and deliver enhanced evidential based audit trails.

From a strategic perspective, CAF Bank was established as a mixed motive investment to further the charitable mission of its parent, the Charities Aid Foundation, through the provision of banking services to the charity sector, as well as provide a financial return on CAF's investment in the Bank.

Credit Risk

Credit or default risk is the potential of financial loss from a borrower or counterparty failing to meet their financial obligations to the Bank to repay in accordance with agreed terms.

Performing and non-performing exposures and related provisions

(Template UK CR1)

		Performing exposures	Non-performing exposures	Accumulated impairment and provisions	Accumulated partial write-off	Collateral and financial guarantees received
005	Cash balances at central banks and other demand deposits	632,270	-	-	-	-
010	Loans and advances	181,108	-	-	-	-
060	Non financial corporations	181,108	-	1,651	-	-
090	Debt securities	755,607	-	-	-	-
120	Credit institutions	755,607	-	-	-	-
	Other items	2,482	-	-	-	-
150	Off-balance sheet exposures	48,310	-	-	-	-
200	Non financial corporations	48,310	-	-	-	-
220	**Total**	**1,619,777**	**-**	**1,651**	**-**	**-**

Maturity of exposures

(Template UK CR1-A)

		On demand	<= 1 year	>1 year - <=5 years	> 5 years	No stated maturity	Total
1	Loans and advances	-	8,078	23,781	149,249	-	181,108
2	Debt securities	-	324,699	401,913	28,995	-	755,607
3	**Total**	**-**	**332,777**	**425,694**	**178,244**	**-**	**936,715**

Treasury assets

Treasury counterparties are reviewed and approved by the ALCO in accordance with policies and criteria approved by the Board. The Bank sets criteria that include credit rating, counterparty lending limits, group exposures, and country exposure limits. New investments with non-sovereign backed financial and non-financial institutions do not exceed £10.5m and £5.5m respectively. The Bank uses the Standardised Approach to assess capital required for credit risk, with risk weightings based on the lower of the two highest of Fitch, S&P and Moody's ratings in accordance with the credit quality assessment scale.

Treasury assets by class:

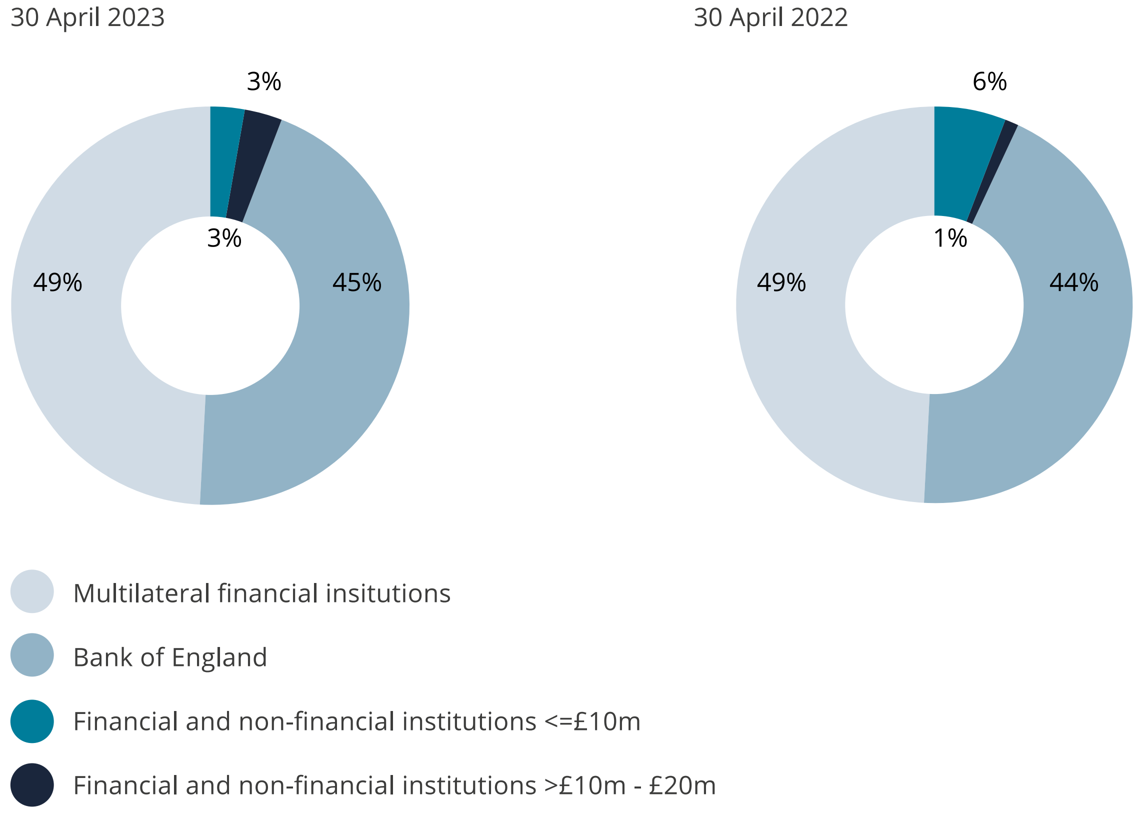
	2023		2022	
	Book Value £000	**Market Value £000**	Book Value £000	Market Value £000
Listed:				
UK government	**-**	**-**	-	-
Multilateral financial institutions	**670,370**	**638,973**	679,925	663,350
Fixed coupon corporate bonds	**23,498**	**21,129**	23,723	22,508
Floating rate corporate bonds	**48,232**	**48,477**	63,497	63,978
	742,100	**708,579**	767,145	749,836
Unlisted:				
Certificates of deposit	**10,000**	**10,082**	10,000	9,922
Debt securities	**752,100**	**718,661**	777,145	759,758
Balances at Bank of England	**620,476**	**620,476**	602,553	602,553
Loans and advances to banks	**6,116**	**6,116**	7,471	7,471
	1,378,692	**1,345,253**	1,387,169	1,369,782
Loans and advances to customers	**177,734**	**177,354**	160,407	160,407
Other assets	**15,108**	**15,108**	8,468	8,468
	1,571,534	**1,537,715**	1,556,044	1,538,657
Encumbered assets:				
Balances at Bank of England	**3,582**	**3,582**	3,213	3,213
Multilateral financial institutions	**9,540**	**8,970**	-	-
Other assets	**411**	**411**	404	404
	13,533	**12,963**	3,617	3,617
Unencumbered assets	**1,558,001**	**1,524,752**	1,552,427	1,535,040

All treasury asset exposures are to financial institutions and are not secured by collateral with the exception of Corporate Bonds which comprise bonds issued by financial institutions and secured on mortgages. No treasury assets were impaired at 30th April 2023, and none were in default or written off during the reporting period.

Treasury assets by credit rating:

	2023		2022	
Category	**Book Value £000**	**% of Book %**	Book Value £000	% of Book %
(Fitch equivalent lowest credit rating)				
UK Government	**620,476**	**45.00%**	602,553	43.44%
AAA	**732,614**	**53.13%**	740,515	53.38%
AA+	**9,486**	**0.69%**	26,631	1.92%
AA-	**3,979**	**0.29%**	5,401	0.39%
A+	**2,137**	**0.16%**	2,069	0.15%
A	**10,000**	**0.73%**	10,000	0.72%
	1,378,692	**100.00%**	1,387,169	100.00%

Treasury assets by exposure value



Lending

Lending is monitored by the Credit Risk Committee. Loan applications are reviewed and presented for approval to the Sanctions Committee, a sub-committee of the Credit Risk Committee, in accordance with policies and criteria approved by the Board. Lending is secured on property and subject to maximum limits on loan to value ratios. CAF Bank has in place a system of limits and controls to manage credit risk on its loan portfolio.

The policies include maximum exposure values and limits to manage concentration risk by sector. Exposure to geographical area is monitored. At 30 April 2023, the largest loan was £8.7m (2021/22: £7m). The maximum aggregate exposures to any one sector (social housing) and geographical area were 58% and 35% respectively (2021/22: 60% and 31% respectively).

Loans, overdrafts and BACS facilities are subject to regular monitoring of loan performance and individual annual review. Administration of the loan book is outsourced to BCM Global Mortgage Management Ltd which provides regular management information on a loan-by-loan and aggregated basis. A provision of £1,065k has been made at 30 April 2023 reflecting losses that may have been incurred but not yet identified (2021/22: £902k) and £586k has been provided for specific loan provisions (2021/22: £176k). No overdrafts were written off during the year (2021/22: nil). One loan was in arrears at 30 April 2023 (2021/22: one).

LTV Range	**Amount (£000)**
<=10%	802
<=20%	5,623
<=30%	11,543
<=40%	22,107
<=50%	48,378
<=60%	20,981
<=70%	35,279
<=80%	33,304
<=90%	2,794
<=100%	-
Unsecured	-
Totals	**180,811**

	2023 £000	2022 £000
Gross loans and advances to customers	**181,108**	162,932
Undrawn overdraft and loan commitments	**48,888**	22,608
	229,996	185,540
Amounts included within the above		
Secured on property	**229,996**	185,540
	229,996	185,540

Prudential Risk

Prudential risk is the risk that the Bank has insufficient capital, liquidity and funding to maintain its operations in business as usual and stressed conditions. Prudential risk includes capital, liquidity and market risks.

Capital Risk

Capital risk is the risk that the Bank has insufficient capital to cover stressed conditions, regulatory requirements and business plans.

Capital risk is measured, monitored and reported daily against limits approved by the Board within the Bank's Capital policy and monitored by ALCo and Executive Risk Committee. The Bank undertakes regular stress testing of its capital adequacy and complied with all internal and external limits throughout the period.

Liquidity Risk (including Funding Risk)

Liquidity risk is the risk that the Bank does not have sufficient financial resources to meet its obligations as they fall due, or can secure them only at excessive cost. Liquidity risk arises from mismatches in the timing of cash flows. Funding risk arises when the liquidity needed to fund illiquid asset positions cannot be obtained at the expected terms when required.

Liquidity risk is measured, monitored and reported daily against intra-day triggers and limits approved by the Board within the Bank's Liquidity Policy. The liquidity position is monitored by ALCo and the Executive Risk Committee. The Bank undertakes regular stress testing of its liquidity position and behavioural analysis of its liabilities and assets.

CAF Bank holds liquidity buffer eligible assets of £1,287m (2021/22: £1,279m), excluding assets pledged as security under repurchase agreements. Liquidity buffer assets comprise amounts held in the Bank of England Reserve Account, and investments in Multilateral Development Banks, UK Gilts and Treasury Bills.

Following the resolution and transfer of another UK bank in March 2023, the Bank has conducted reviews of its depositor concentration, investment portfolio liquidity, contingency funding arrangements, product terms and conditions, and regular monitoring of customer behaviour. The output of this analysis, and resulting enhancements and actions, are monitored by the BRCC.

	2023 Book Value £000	2022 Book Value £000
Balances at Bank of England	616,894	599,340
Multilateral financial institutions	670,370	679,925
	1,287,264	1,279,265

Liquidity Coverage Ratio

(Template LIQ1)

2023	Total unweighted value at 28/02/23 £000	Total unweighted value at 31/03/23 £000	Total unweighted value at 30/04/23 £000	Total unweighted value Average £000	Total weighted value at 28/02/23 £000	Total weighted value at 31/03/23 £000	Total weighted value at 30/04/23 £000	Total weighted value Average £000
High quality liquid assets								
1 Total HQLA	**1,240,447**	**1,234,143**	**1,259,767**	**1,244,786**	**1,240,447**	**1,234,143**	**1,259,767**	**1,244,786**
Cash outflows								
2 Retail deposits and deposits from small business customers (stable deposits)	5	2	9	5	-	-	-	-
5 Unsecured wholesale funding (non-operational deposits)	1,474,829	1,471,598	1,505,417	1,483,948	472,874	472,086	485,605	476,855
15 Other contingent funding obligations	71,883	65,139	62,156	66,393	7,188	6,514	6,216	6,639
16 Total Cash Outflows	**1,546,717**	**1,536,739**	**1,567,582**	**1,550,346**	**480,062**	**478,600**	**491,821**	**483,494**
Cash inflows								
18 Inflows from fully performing exposures	353	335	297	328	67	67	59	64
19 Other cash inflows	1,237	1,308	11,332	4,626	1,237	1,308	11,332	4,626
20 Total Cash Inflows	**1,591**	**1,643**	**11,629**	**4,954**	**1,304**	**1,375**	**11,391**	**4,690**
21 Total HQLA					**1,240,447**	**1,234,143**	**1,259,767**	**1,244,786**
22 Total Net Cash Outlows					**478,758**	**477,225**	**480,429**	**478,804**
23 Liquidity Coverage Ratio (%)					**259%**	**259%**	**262%**	**260%**

2022	Total unweighted value at 28/02/22 £000	Total unweighted value at 31/03/22 £000	Total unweighted value at 30/04/22 £000	Total unweighted value Average £000	Total weighted value at 28/02/22 £000	Total weighted value at 31/03/22 £000	Total weighted value at 30/04/22 £000	Total weighted value Average £000
High quality liquid assets								
1 Total HQLA	**1,234,281**	**1,255,762**	**1,276,325**	**1,255,456**	**1,234,281**	**1,255,762**	**1,276,325**	**1,255,456**
Cash outflows								
2 Retail deposits and deposits from small business customers (stable deposits)	5	5	5	5	-	-	-	-
5 Unsecured wholesale funding (non-operational deposits)	1,455,071	1,480,756	1,508,933	1,481,587	463,937	473,895	484,874	474,235
15 Other contingent funding obligations	34,681	34,166	35,296	34,714	3,468	3,417	3,530	3,472
16 Total Cash Outflows	**1,489,757**	**1,514,927**	**1,544,234**	**1,516,306**	**467,405**	**477,312**	**488,404**	**477,707**
Cash inflows								
18 Inflows from fully performing exposures	333	313	493	380	67	63	99	76
19 Other cash inflows	2,367	973	999	1,446	2,367	973	999	1,446
20 Total Cash Inflows	**2,700**	**1,286**	**1,492**	**1,826**	**2,434**	**1,036**	**1,098**	**1,523**
21 Total HQLA					**1,234,281**	**1,255,762**	**1,276,325**	**1,255,456**
22 Total Net Cash Outlows					**464,971**	**476,276**	**487,306**	**476,184**
23 Liquidity Coverage Ratio (%)					**265%**	**264%**	**262%**	**264%**

Net Stable Funding Ratio

(Template LIQ2)

2023	Unweighted value by residual maturity: No maturity £000	< 6 mths £000	6 mths to < 1 yr £000	>= 1 year £000	Total weighted value £000
Available Stable Funding					
1 Regulatory Capital	-	-	-	45,140	45,140
4 Retail deposits and deposits from small business customers	1,505,426	-	-	-	1,384,024
5 Stable retail deposits	*582,815*	-	-	-	*553,674*
6 Other retail deposits	*922,611*	-	-	-	*830,349*
11 All Other liabilities	28,436	-	-	730	730
14 Total Available Stable Funding	**1,533,863**	**-**	**-**	**45,870**	**1,429,893**
Required Stable Funding					
15 Total NSFR high quality liquid assets (HQLA)	548,858	71,618	224,893	377,442	-
17 Performing loans and securities	-	10,000	20,037	51,693	7,605
24 Securities that are not in default and do not qualify as HQLA	-	*10,000*	*20,037*	*51,693*	*7,605*
31 Other assets	-	28,767	1,935	177,741	143,705
32 Off Balance Sheet items	-	62,156	-	-	3,108
33 Total Required Stable Funding	**548,858**	**172,541**	**246,865**	**606,876**	**154,418**
34 Net Stable Funding Ratio (%)					**926%**

2022	Unweighted value by residual maturity: No maturity £000	< 6 mths £000	6 mths to < 1 yr £000	>= 1 year £000	Total weighted value £000
Available Stable Funding					
1 Regulatory Capital	-	-	-	38,505	38,505
4 Retail deposits and deposits from small business customers	1,508,937	-	-	-	1,387,718
5 Stable retail deposits	*593,499*	-	-	-	*563,824*
6 Other retail deposits	*915,438*	-	-	-	*823,894*
11 All Other liabilities	10,346	-	-	212	212
14 Total Available Stable Funding	**1,519,283**	**-**	**-**	**38,717**	**1,426,435**
Required Stable Funding					
15 Total NSFR high quality liquid assets (HQLA)	572,709	29,844	65,911	587,383	-
17 Performing loans and securities	-	15,320	-	81,900	7,605
24 Securities that are not in default and do not qualify as HQLA	-	*15,320*	-	*81,900*	*7,605*
31 Other assets	-	14,466	991	160,742	167,991
32 Off Balance Sheet items	-	35,296	-	-	1,765
33 Total Required Stable Funding	**572,709**	**94,926**	**66,902**	**830,025**	**177,361**
34 Net Stable Funding Ratio (%)					**804%**

Market Risk (including Interest Rate Risk)

Market risk is the risk from adverse movements in external markets, e.g. interest rate movements, changes in investment values or currency movements that will impact our income or the value of our assets and liabilities. This includes interest rate risk in our banking book (IRRBB) which is the risk arising from a mismatch between the duration of assets and liabilities.

CAF Bank does not undertake proprietary trading activities. Investments are held to maturity and valued at cost with any premium or discount amortised over the remaining term. All the Bank's assets and liabilities are denominated in sterling.

The Bank manages interest rate risk through the purchase of fixed rate investments. The Bank's policy is to hold these investment securities to redemption at par. The impact of any movements in interest rates on fixed rate instruments is therefore not anticipated to affect the Bank's profits.

Market risk is measured by monitoring mismatches between assets and liabilities assessed on a behavioural basis which may result from movements in market interest rates over a specified time period within Board approved limits. IRRBB is measured weekly and monitoring is carried out by ALCo and the Board Risk and Compliance Committee.

Non-maturity (on-demand) deposits are behaviouralised into time bandings:

Current accounts	
£0 - £249,999	2 - 3 years
£250,000 - £999,999	1 - 2 years
Over £1m	6 - 12 months

Assets and liabilities analysed by interest rate pricing time periods:

As at 30 April 2023	**Next day £000**	**Up to 3 months £000**	**3 months to 6 months £000**	**6 months to 1 year £000**	**1 year to 5 years £000**	**Over 5 years £000**	**Other items £000**	**Total £000**
Assets								
Balances at Bank of England	616,894	3,582	-	-	-	-	-	620,476
Loans and advances to banks	6,116	-	-	-	-	-	-	6,116
Loans and advances to customers	146,145	-	-	1,894	28,075	1,620	-	177,734
Debt securities	-	262,043	25,042	144,864	290,564	28,907	680	752,100
Prepayments and accrued income	-	-	-	-	-	-	8,775	8,775
Intangible assets	-	-	-	-	-	-	6,333	6,333
	769,155	**265,625**	**25,042**	**146,758**	**318,639**	**30,527**	**15,788**	**1,571,534**
Liabilities								
Customer accounts	756,945	-	-	135,992	612,480	-	8	1,505,425
Repurchase agreements	8,852	-	-	-	-	-	-	8,852
Other liabilities	-	-	-	-	-	-	5,784	5,784
Shareholders' funds	-	-	-	-	-	-	51,473	51,473
	765,797	**-**	**-**	**135,992**	**612,480**	**-**	**57,266**	**1,571,534**
Interest rate sensitivity gap	**3,358**	**265,625**	**25,042**	**10,766**	**(293,841)**	**30,527**	**(41,478)**	**-**
Impact of 2% change in interest rates	**-**	**(649)**	**(174)**	**(147)**	**6,416**	**(2,650)**	**-**	**2,796**

The Bank also assesses its IRRBB exposure using multiple shock scenarios to capture parallel as well as non-parallel gap risk measured in terms of:

- Changes to economic value of equity (EVE). This represents the change in economic value of equity under the 6 prescribed scenarios as defined under rule 9.4A of the PRA rulebook for CRR fims.
- Changes to economic value of net interest income (NII). This measures changes in future interest income over a 12 month rolling period. This is computed assuming a constant balance sheet, where maturing or repricing cash flows are replaced by new cash flows with identical features. The analysis assumes that interest rates would floor at 0% and would not result in negative rates being applicable.

Under this approach, capital requirements for IRRBB are measured by the scenario that results in the largest decline in EVE. The Bank has assessed each and does not meet the outlier test for a change in EVE greater than 15% of capital.

		DEVE		**DNII**		**Tier 1 Capital**	
		T	**T-1**	**T**	**T-1**	**T**	**T-1**
010	Parallel Shock Up	3,170	1,460	13,239	1,333		
020	Parallel Shock Down	2,265	18	(10,987)	(5,349)		
030	Steepener Shock	3,243	881				
040	Flattener Shock	2,451	805				
050	Short Rates Shock Up	2,612	703				
060	Short Rates Shock Down	2,997	952				
070	Maximum	3,243	1,460	(10,987)	(5,349)		
080	Tier 1 Capital					45,140	38,253

Operational Risk

The risk of financial loss and or reputational damage resulting from inadequate or failed internal processes, people and systems or from external suppliers and events.

CAF Bank manages its risk profile through an integrated risk management programme which includes a quarterly review of all risks with appropriate reporting into its governance framework – the Executive Risk Committee and Board Risk and Compliance Committee.

During the year ended 30 April 2023 operational losses totalled £7k (2021/22: £12k).

CAF Bank uses the Basic Indicator Approach to assess operational risk capital requirements.

As at 30 April 2023, the Bank's Pillar 1 capital requirement under the BIA for Operational Risk is £2.7m (2022 £1.8m)

Operational risk own funds requirements and risk-weighted exposure amounts

(Template UK OR1)

	Relevant indicator			**Own funds requirement**	**Risk weighted exposure amount**
	Year 3 £000	**Year 2 £000**	**Year 1 £000**	**£000**	**£000**
Banking activities subject to basic indicator approach					
Year ending 30 April 2023	11,211	12,703	29,693	2,680	33,505
Year ending 30 April 2022	11,610	11,211	12,703	1,776	22,199

The Bank's operational resilience has continued to develop with enhancements to protect the Bank against internal and external events that can disrupt service to our customers. In accordance with Prudential Regulation Authority, Financial Conduct Authority and Bank of England rules, we have identified and mapped our important business services, defined set impact tolerances for the maximum tolerable level of disruption and performed testing of our ability to remain within impact tolerances during a severe but plausible disruption during this period. Having adequate operational resilience improves our ability to absorb and not contribute to, or exacerbate shocks and continue to provide critical functions during periods of disruption.

Financial Crime

Financial Crime includes any offence involving fraud or dishonesty, or handling the proceeds of crime. We seek to protect our customers and the Bank from the risks of financial crime by identifying inherent risks and operating with appropriate systems and controls to detect and prevent harm. We will not conduct business with individuals or entities we believe are engaged in illicit behaviour. We seek to minimise the Bank's and our customers' exposure to loss from fraud.

CAF Bank complies with all relevant laws and regulation taking into account supervisory and approved industry guidance. Work to prevent fraud, money laundering, terrorist financing, breach of sanctions, tax evasion and bribery/corruption is led by the Bank's CEO and COO with the support of dedicated Know Your Customer (KYC) and Fraud Prevention teams. Oversight is provided by the Money Laundering Reporting Officer and Chief Risk Officer.

Cyber threats are escalating from an increasingly sophisticated financial crime community and geopolitical tensions. We continue to invest in strengthening our cyber defences and ensuring the robustness of our controls.

CAF Bank continues to carry out KYC reviews in line with industry practice.

Bank losses to fraud in the year ended 30 April 2023 were £25k (2021/22: £48k)

Information security

These risks can affect the confidentiality, integrity and availability of our data and the information we hold and are managed as part of CAF Bank's Risk Management Framework. All relevant risks are reviewed quarterly ahead of key governance body meetings – Executive Risk Committee and Board Risk & Compliance Committee.

Conduct Risk

The Bank operates a Conduct Risk Framework which defines its approach to identifying, assessing, managing, monitoring and reporting conduct risks.

The aim is to ensure the Bank does the right thing for customers, by having the customer at the heart of everything we do and adhering to the requirements and principles of FCA's Consumer Duty Principle. The Bank will pro-actively act to deliver good outcomes for customers generally and put customers interests at the heart of our activities. CAF Bank defines Conduct Risk as 'The risk of delivering unfair customer outcomes that may cause customer detriment, reputational damage and/or undermining the integrity of the market through the Bank's actions, behaviour and/or the conduct of business.' By driving an appropriate conduct culture, the Bank minimises the likelihood of a conduct risk event and maintains good customer outcomes in line with the requirements of Consumer Duty.

The RMF sets out how the Bank manages risks which are relevant to its chosen sector, business model and operations. Conduct risk has been identified as one of the Bank's principal risks, to support the Bank in maintaining a conduct culture, however, conduct risk is considered as part of all the Bank's principal risks.

Climate Risk

The risks associated with the process of transitioning the business model and operations to help bring in a low-carbon economy is a key deliverable for the business. This includes management of existing assets and increased utilisation of 'green' or sustainably linked investments in a timed manner that supports the wider economy through the transitioning process.

Group Risk

Being part of any group exposes a firm to certain types of risks. CAF Bank is a financial institution wholly owned by its parent and therefore the Bank is exposed to risks associated with the activities of the parent (and vice versa). The Bank's RMF manages risks across business functions and the wider business model which is the principal governance arrangement for ensuring relevant risks are identified and managed.

Remuneration

CAF Bank is subject to the Remuneration Code (the Code). The aim of the Code is to ensure that all firms within scope have risk focused remuneration policies that are consistent with and promote effective risk management and do not expose them to excessive risk. The Bank's policies and procedures, covering salaries, bonuses and pension arrangements, comply with the requirements of the Code.

Remuneration Code Staff (Code Staff) are "employees whose professional activities have a material impact on the firm's risk profile, including any employee who is deemed to have a material impact on the firm's risk profile in accordance with Regulation (EU) 604/2014 of 4 March 2014 (Regulatory technical standards to identify staff who are material risk takers)".

The Bank's 'risk takers' or staff engaged in control or significant influence functions includes all members of the Executive Committee plus their senior management team. Total aggregate fixed and variable remuneration of the Bank's Code Staff for 2022/23 is shown in the table.

Remuneration awarded for the financial year	Total	Senior Management Functions (SMF)	Other CAF Bank material risk takers	Other Identified Staff
Number of identified staff	29	6	11	12
Total fixed remuneration (cash based) £000	2,905,364	1,050,653	793,940	1,060,771
Number of identified staff	29	6	11	12
Total variable remuneration (cash based) £000	-	-	-	-
Total remuneration	**2,905,364**	**1,050,653**	**793,940**	**1,060,771**

There was no other variable remuneration, special payments or deferred remuneration to staff that have a material impact on the risk profile for CAF Bank. There were no staff that earned over €1 million.

Remuneration is overseen by the Nominations and Remuneration Committee, which determines the remuneration and employment policies and practice. Non-Executive Directors are not remunerated.

As a bank, we offer an ethical and fair approach to doing business, and support our customers to deliver social impact and achieve a fairer society. The total remuneration paid to 166 staff assigned wholly to CAF Bank in the financial year 2022/23 was £8,532k. In line with our core principles, bonuses do not amount to a significant element of total compensation. Bonuses are paid as a one-off lump sum through the parent company's payroll scheme and are non-pensionable. No other bonus or one-off payments are made. Staff are invited to join CAF's contributory pension scheme.

Cautionary note on forward looking statements

This document may contain certain forward-looking statements with respect to the financial condition, results of operations and business of CAF Bank Ltd. Generally, words such as 'may', 'could', 'will', 'expect', 'intend', 'estimate', 'anticipate', 'believe', 'plan', 'seek', 'continue', 'project', 'should', 'probability', 'risk', 'value-at-risk', 'target', 'goal', 'objective', 'endeavour', 'outlook', 'optimistic' and 'prospects' or similar expressions or variations on such expressions identify forward looking statements.

Any forward-looking statement represents the Bank's current expectations or beliefs, as well as assumptions about future expectations or beliefs concerning future events, and involves known and unknown risks and uncertainty that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. There are several factors which could cause actual results to differ materially from those expressed or implied in forward looking statements. Among the factors that could cause actual results to differ materially from those described in the forward looking statements are: changes in the global, political, economic, business, competitive, market and regulatory forces, future exchange and interest rates, changes in tax rates and future business combinations or dispositions.

For further risks and uncertainties faced by the Bank that may impact the statements set out in this document, please read the Bank's Annual Report and Accounts for the year ended 30th April 2023 and any other interim or updated information published by CAF Bank.

Forward-looking statements contained within this document apply only as at the date of this document. Except as required by the Prudential Regulatory Authority, Financial Conduct Authority or other applicable law or regulation, CAF Bank does not have any obligation to update or revise publicly any forward-looking statement, whether as a result of new information, further events or circumstances or otherwise, and expressly disclaims any obligation to do so

CONTACT US
Visit www.cafonline.org to find out more

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