

CAF
Bank

ANNUAL REPORT

and financial statements for the year ended 30 April 2015



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CHAIRMAN'S STATEMENT

Throughout the financial crisis, CAF Bank has stood strong as a trusted and stable home for charities' money, a bank that understands the needs of not for profit organisations and which reinvests any profits back into the sector it serves.

CAF Bank is wholly owned by the Charities Aid Foundation (UK registered charity number 268369), and its profits help fund CAF's work in support of the wider charitable sector. CAF Bank has continued to be true to our core principles during the year:

- Providing an ethical and fair approach to doing business;
- Offering straightforward and transparent services that customers understand and trust;
- Supporting our customers to deliver social impact and achieve a fairer society;
- Ensuring we maintain loyal and satisfied customers.

These core principles are underpinned by an increase in our financial strength following an investment of £4m of additional capital by CAF during 2014/15.

Our major achievements in the year

We set out to make major changes to CAF Bank two years ago to meet the demand for affordable loan finance in the sector and provide the best possible service to our customers at a time of historic low interest rates. We have made good progress this year:

- Our lending has grown in 2014/15 from £5.5m to over £20m;
- We launched a new personal account for philanthropically minded individuals, linking bank accounts to regular charitable donations;
- Refreshed online banking, with features tailored to the particular needs of charities;
- Strengthened our finances to ensure we continue our proud record as a reliable and safe custodian of charities money;
- Our customers continued to value our services highly, with over 88% of customers 'satisfied' in the most recent survey, with concerns largely attributable to the prolonged low interest rate environment.

Low market interest rates continue to be challenging to all banks, while costs have been impacted by additional

infrastructure and IT development spending necessary to maintain and upgrade our services, and the increased cost of regulation/compliance. In financial terms, we gifted profits of £2.2m to CAF in 2014/15, compared to £2.3m in 2013/14.

The growth in our lending has been particularly encouraging as it helps us support our customers to achieve ever greater social impact. Highlights include loans to social housing, heritage, faith and healthcare organisations. At 30 April 2015 we have £27m of sanctioned loans, many of which we anticipate will draw down in the coming year, and a strong pipeline of enquiries.

We continue to benefit from a strong funding model resulting in stable long term customer balances which will continue to underpin our business in future. Our cautious approach to risk means that CAF Bank does not draw on wholesale funding – we carefully lend charity deposits to other charitable and not for profit customers, maximising the benefit to depositors and borrowers alike.

Board Governance

CAF Bank benefits hugely from the time and contribution made by members of the board. I would like to take this opportunity to thank David Carse and Philip Hardaker who retired as non-executive directors during the year for their valuable support and advice during their terms. We remain enormously grateful to our non-executive directors who volunteer their time without remuneration.

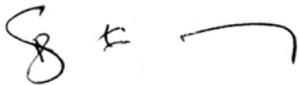
The future

Given the well documented issues in the financial services industry, there is arguably a greater need than ever for an ethical, fair bank with strong values which is owned by a charity and operated for the benefit of charities. CAF Bank's priority is to continue to support the charitable sector by offering effective banking services to charities and philanthropically minded individuals.

CAF Bank is committed to continue growing its lending, enabling us to fund more charities to deliver greater social impact. Funds lent to charities will continue to be provided by CAF Bank's long term stable charity customers, maximising the value of their charitable deposits and retaining value within the charity sector.

The Bank will also invest in growing the newly launched personal account service, inviting philanthropically minded people to bank with an ethical, fair organisation owned by the charity sector. The personal account links with complimentary services to allow customers to make tax effective donations to charities worldwide via the unique range of services offered by CAF.

We are proud of our record of stability and strength as we have weathered the austere economic conditions since the start of the financial crisis. Our prudent and careful approach has served charities well despite significant changes in economic and regulatory conditions and we are determined to maintain that approach as the environment develops in the year ahead. With a clear strategy to address external market conditions, CAF Bank is well positioned for the future, about which we are quietly confident. This is due in no small part to the time and effort of all the staff who the Board would like to thank for their dedication and personal commitment to a bank owned by the sector, working for the sector.

A handwritten signature in black ink, consisting of a stylized 'S' followed by a small 't' and a horizontal line.

Iain MacKinnon
Chair

STRATEGIC REPORT

Principal activities

CAF Bank Limited provides banking services to charities, not for profit organisations and philanthropically minded individuals. The Bank offers transactional current and deposit accounts and loans and advances to UK customers.

It provides customers with telephone and internet banking, with dedicated relationship managers for larger charities and personal customers. The Bank has arrangements in place with HSBC and RBS to provide customers with access to branches across England, Scotland and Wales.

CAF Bank is a wholly owned subsidiary of the Charities Aid Foundation (CAF).

Strategy and Objectives

CAF Bank has the following long term objectives:

- Diversify from a current account and deposit taker into loans and advances to customers;
- Strengthen capital and reduce gearing;
- Support customers to achieve their charitable objectives and deliver social impact.

By successfully supporting customers to achieve their charitable objectives, CAF Bank aims to make an increasing contribution itself to the charitable sector through the amount of surplus donated to its parent charity, CAF.

As a Bank owned by a charity and run for charities, CAF Bank has a fundamentally fair and ethical approach in all areas of its activities and, as part of CAF, was recently awarded a Gold accreditation by Investors in People.

Review of the year

In 2014/15 CAF Bank continued the transition to a more diversified business model that was initiated in 2013/14. The key areas of focus during the year were the growth in lending and opening a personal banking service for charity supporters by invitation.

The loan book grew significantly during the year, driven by demand from charities for funds to enable them to grow their impact. CAF Bank benefits from a long term loyal base of charity deposit customers who provide a strong and stable source of funds, enabling loans to be advanced to other charities at competitive rates. Loans drawn at 30 April 2015, net of repayments and provisions were £20.4m (2013/14: £5.5m). Lending was primarily to charities and other social purpose organisations. CAF Bank also offered a small number of short term property development loans to personal customers during the year, allowing the Bank to cross subsidise and maintain free banking for many smaller charities.

CAF Bank's personal banking service was launched by invitation in January 2015 and offers current account banking in conjunction with a regular tax effective donation to charity, and is complementary to the services offered by CAF to supporters of the sector.

The Bank's income continued to be impacted by low interest rates earned on the treasury portfolio in the ongoing low interest rate environment. The outlook for interest rates continues to remain at low levels for the foreseeable future. Our treasury book is managed in-house, and we have increased exposure to AAA rated and UK Government bonds during the year. We have also purchased UK Treasury Bills in order to reduce potential short term exposure to falling interest rates, while maintaining flexibility to take advantage of any rise in interest rates. CAF Bank's policy is to hold investments to maturity.

The Bank reported an operating profit of £2.2m in 2014/15, a decrease of £0.2m on 2013/14. Lower market interest rates continue to impact income, while costs include development of new lending and personal banking services and a refreshed website.

Capital and liquidity

CAF Bank's capital position has been strengthened during the year following investment by CAF of £2m in ordinary share capital and a further £2m in Additional Tier 1 capital ('AT1'). CAF Bank is in the process of deleveraging to reduce gearing which has resulted in deposit balances falling since the start of the year.

To enable CAF's investment in AT1 capital, CAF Bank obtained regulatory approval to issue a form of perpetual, non-cumulative capital that converts to ordinary share capital in the event that the Common Equity Tier 1 ratio falls, or is likely to fall, below 7%.

At 30 April 2015 the Bank's total Tier 1 capital ratio was 10.7%, compared to 10.3% at 30 April 2014, reflecting an increase in capital during the year.

CAF Bank has a high level of liquidity, holding buffer eligible assets of £577m compared to a minimum regulatory requirement of £181m at 30 April 2015. Liquidity buffer assets comprise investments in the Bank of England Reserve Account, UK Gilts, T Bills and AAA rated multilateral development banks.

Lending

There are two principal streams to CAF Bank's lending:

- Loans to charities and social purpose organisations, secured on property, typically for terms of 5-25 years;
- Loans to personal customers secured on residential development property for terms up to 3 years funded by the Bank's own resources and personal customer balances.

At 30 April 2015 there were 33 drawn loans and 24 sanctioned loans to charities amounting to £16.5m and £24.7m respectively to organisations across the UK including social housing, heritage, faith and healthcare sectors. Loans are floating rate, linked to Bank of England Base Rate at loan to value ratios of less than 70% (or 80% for residential property).

In addition, CAF Bank's personal loan book comprised 7 drawn loans and 2 sanctioned loans amounting to £3.9m and £2.1m respectively. The facilities are typically short term development loans secured on property at loan to value ratios no greater than 65%. Key elements of the personal loan are a higher rate compared to charity lending and a donation to charity of at least 0.5% of the loan value.

None of the charity or personal loans are in default or showing signs of distress at 30 April 2015. A collective provision of £25k has been made at 30 April 2015.

Future developments

Our priority for the future is to continue to diversify the Bank's services to enable customers to achieve their charitable objectives and deliver social impact, whether these are charities seeking loan facilities or personal customers looking for banking services with an integral giving commitment in support of their chosen charities.

We are encouraged by the strength of demand for charity lending and personal banking and plan to continue to diversify CAF Bank's operations in 2015/16 and onwards to meet the demands of charities and philanthropically minded personal customers. Our market penetration is still extremely limited in the sectors we have targeted, offering plenty of scope to grow the loan book. We also plan to extend our lending proposition to other charity/not for profit sectors where we currently have a limited presence, such as education and care homes.

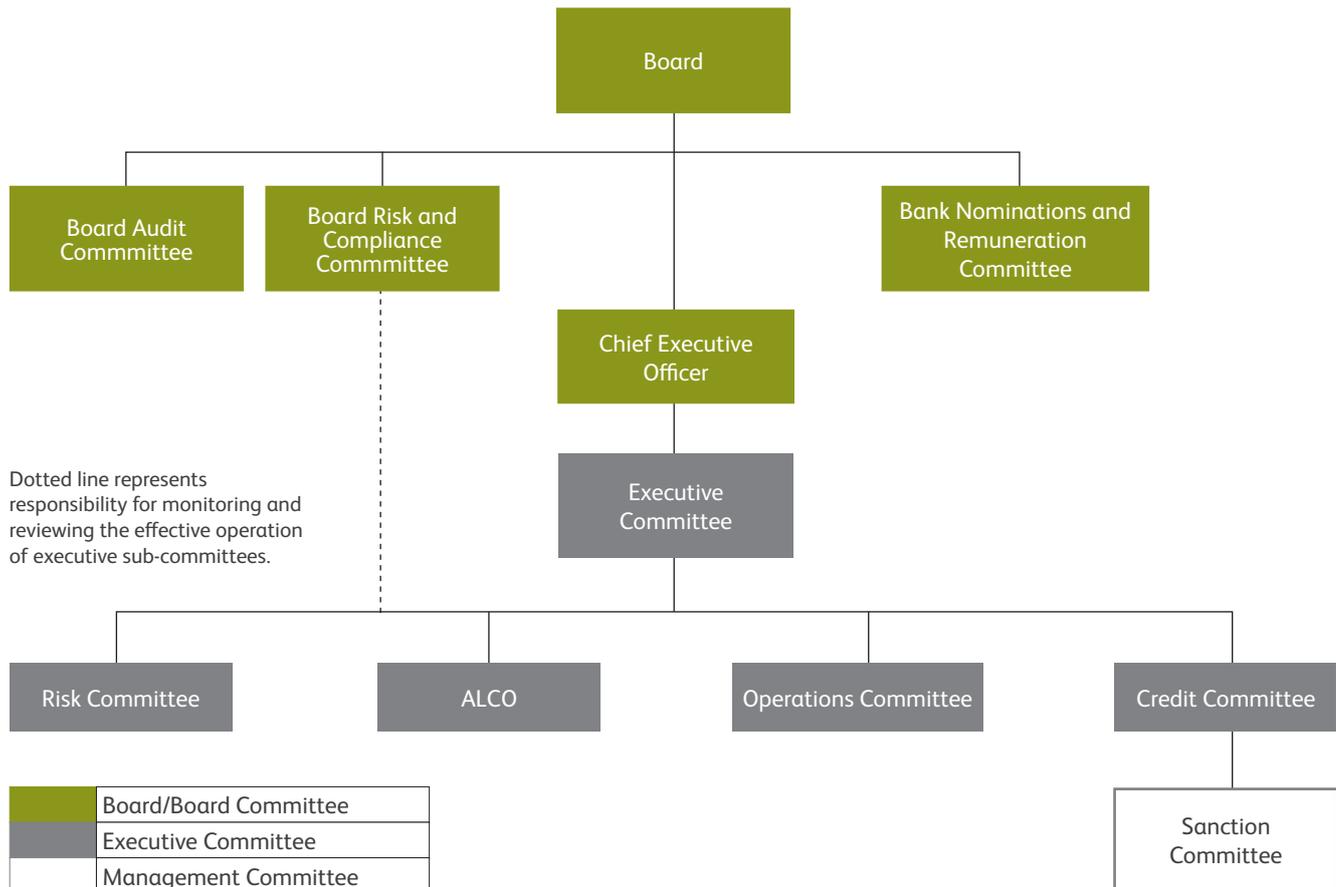
There has been a high level of interest in the Bank's personal secured loans and take up has been strong since the recent launch. Personal loans are shorter term than loans to charities, and earn a higher yield, cross subsidising the Bank's low cost services to small and medium sized charities. We are optimistic that the strong demand seen since launch will continue and that personal loans linked to a charitable donation will be a successful long term loan product, although representing a smaller proportion of loans than our core charity loan book.

Following a successful launch late in 2014/15, we plan to grow the personal banking service, offering a fee based relationship banking service linked to a monthly charitable donation to a CAF Charity Account.

CAF Bank plans to continue to strengthen its capital base to enable an increase in lending and comply with regulatory requirements. The Bank is following an agreed plan to reduce gearing by reducing deposit balances in selected areas, in addition to securing investment of additional capital. Although deposit balances for certain products are likely to fall, our intention is to provide access to CAF deposit products so that the impact on customers is minimised.

GOVERNANCE REPORT

CAF Bank Governance Structure



The Board is responsible for setting the Bank's strategy and maintaining the policy and decision making framework in which the strategy is implemented. It ensures the necessary financial and human resources are in place to meet strategic aims and monitors performance against key financial and non-financial indicators. The Board sets values and standards, approves risk appetites and oversees the system of risk management and control. It ensures that the level of capital held is consistent with the risk appetite of the organisation.

Board composition

The Board consists of eleven non-executive directors and two executive directors. The names of the directors who served throughout the year, except as noted, are as follows:

	Meetings attended	Maximum
Iain MacKinnon **	5	5
Paul Biddle *	5	5
Stuart Barnett**	4	4
Clive Bowles *	5	5
David Carse (retired 23 June 2014)*	1	1
David Dickman *	5	5
Philip Hardaker (retired 15 September 2014)**	2	2
Mairi Johnstone *	5	5
Dr Peter Kyle *	3	5
Tiina Lee **	4	5
Dr John Low CBE ** (CAF Chief Executive)	5	5
Dr Steve Perry *	2	5
Alistair Ray *	5	5
Peter Ostacchini (Chief Executive)	5	5
John Grout (Finance Director)	5	5

* Independent non-executive director

** Non-executive director and CAF Trustee (or in the case of Dr Low, CAF Chief Executive)

None of the Directors have interests in the shares of the Bank or any associated undertaking or trust.

The Board exercises its responsibilities through its own activities and through delegation to its committees and the Chief Executive. The Chief Executive is responsible for delivery of the Bank's operating plan, supported by the Executive Committee and its sub-committees.

The Board Risk and Compliance Committee

The Board Risk Committee is chaired by a non-executive director and comprises another non-executive director, the Chief Executive and the Finance Director. The main responsibilities of the Committee are to monitor and review:

- The Risk Management Framework and systems of internal control;
- Key risks and risk appetites;
- Compliance with applicable laws, regulations and internal policies;
- The Bank's ethical and business standards;
- The effective operation of the Risk, Asset and Liability (ALCO), and Credit Committees; and
- ICAAP, ILAA and RRP process and reporting.

The Audit Committee

The Chair and members of the Audit Committee are Non-Executive Directors. The main responsibilities of the Committee are to review:

- The integrity of the annual published report and accounts and Pillar 3 statement;
- The systems of internal control, and internal and external audit processes and
- Whistleblowing policy and arrangements.

The Nominations and Remuneration Committee

The Nominations and Remuneration Committee, comprising the Chair, CAF Chief Executive, CAF Bank Chief Executive is responsible for:

- Review of Board effectiveness, Board nominations and retirements;
- Conflicts of interest; and
- Remuneration policy and practice including staff covered by the Remuneration Code.

The Executive Committee

The Executive Committee operates under written terms of reference which include accountability for:

- Development and implementation of an annual operating plan focused on achieving the strategic vision and goals of the Board;
- Delivery of the operating plan and management and control of the Bank's activities;
- Cascading the 'culture and tone' set by the Board in relation to the conduct of its business.

The Credit Committee

The Credit Committee monitors performance of the Bank's existing and projected loan portfolio against approved policies and limits. It monitors any impaired loans, large exposures and concentration risk. The Credit Sanctions Committee assesses credit applications in line with lending policy and authority levels.

Operations Committee

The Operations Committee advises the Executive Committee on operational improvement and efficiency, arrangements for prevention of financial crime, business continuity, resourcing and staff development and outsourcing.

The Asset and Liability Committee (ALCO)

ALCO advises the Executive Committee on the Bank's asset and liability position, liquidity, capital and treasury management. The committee monitors actual and projected performance and key financial ratios, and ensures assets and liabilities are managed within approved risk and investment policy limits.

Risk Committee

The Risk Committee has oversight of the Bank's risk management framework. The committee is responsible for monitoring and managing risks and establishing and maintaining appropriate policies, procedures and internal controls.

RISK MANAGEMENT REPORT

Risk Management Framework

CAF Bank operates an established framework that ensures appropriate oversight and accountability for the effective management of risk across all risk types and at all levels of the organisation.

Risk is managed by the Board, Executive Management and relevant committees. The Bank's control environment is designed around a risk management framework, and a related set of principles and policies which facilitate the taking of acceptable risks within the appetite of the business, as set by the Board, within clearly defined policy limits.

The Bank's Risk Management Framework includes a three lines of defence model where:

- First line of defence – the business identifies, mitigates and manages its risks within an overall control environment with clearly defined ownership of risks;
- Second line of defence – the risk, compliance and finance teams provide assurance, challenge and oversight of risk; and
- Third line of defence – independent assurance is provided by the internal and external audit functions, which perform a risk-based programme of audits and reports on risk and control matters to the Executive and Audit Committee.

The Bank's principal risks are credit risk, liquidity and funding risk, market and interest rate risk, operational risk and regulatory risk.

Identifying and monitoring top and emerging risks is integral to our approach to risk management.

Credit Risk

Credit risk is the risk of loss as a result of the failure of a borrower or counterparty to meet obligations as they fall due. Credit risk arises primarily from investing funds with wholesale counterparties and lending to charities and personal customers.

Wholesale assets

Wholesale counterparties are reviewed and approved by the Asset and Liability Committee (ALCO) in accordance with policies and criteria approved by the Board and monitored by the Board Risk and Compliance Committee. The Bank sets criteria which include credit rating, counterparty lending limits, group exposures, and country exposure limits.

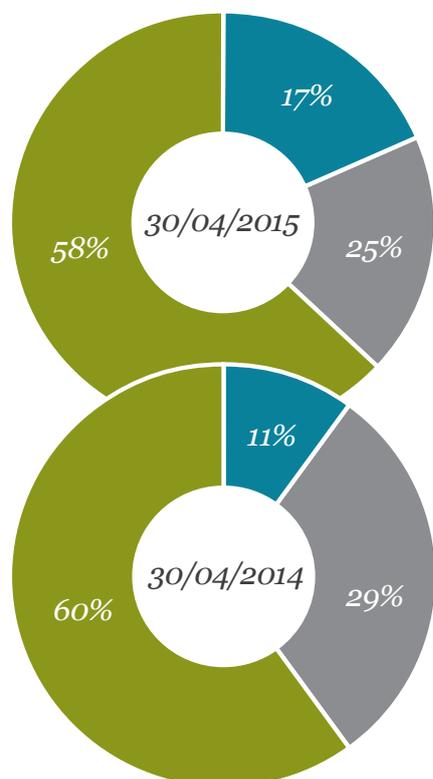
Treasury assets by class:

	2015		2014	
	Book Value £000	Market Value £000	Book Value £000	Market Value £000
Listed:				
UK government	139,934	140,500	971	1,191
Multilateral financial institutions	216,761	217,228	144,056	143,349
Fixed coupon corporate bonds	161,042	161,135	143,058	143,686
Floating rate corporate bonds	174,271	174,885	174,293	174,474
	692,008	693,748	462,378	462,700
Unlisted:				
Certificates of deposit	40,000	40,188	33,000	33,146
Debt securities	732,008	733,936	495,378	495,846
Loans and advances to banks	262,784	262,784	524,363	524,363
	994,792	996,720	1,019,741	1,020,209

Treasury assets by credit rating:

Category (Fitch equivalent credit rating)	2015		2014	
	Book Value £000	% of Book %	Book Value £000	% of Book %
UK Government	359,718	36.16%	471,334	46.22%
Other AAA	193,621	19.46%	144,056	14.13%
AA+	33,049	3.32%	-	0.00%
AA-	125,652	12.63%	147,562	14.47%
A+	79,584	8.00%	78,591	7.71%
A	119,887	12.05%	98,993	9.71%
A-	59,627	5.99%	58,818	5.77%
BBB+	17,749	1.78%	18,952	1.86%
BBB	4,484	0.45%	-	0.00%
BBB-	532	0.05%	-	0.00%
BB+	889	0.09%	1,435	0.14%
	994,792	100.00%	1,019,741	100.00%

Treasury assets by exposure value



UK Government and Multilateral Financial Institutions
Financial and Non Financial Institutions <£10m
Financial and Non Financial Institutions £10m - £20m

Lending

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

The policies include maximum exposure values, and limits to manage concentration risk by sector and geographical area. At 30 April 2015, the loan book comprised 40 loans totalling £20.4m, the largest loan being £2.1m. The maximum aggregate exposures to any one sector and geographical area were 26% and 25% respectively.

Loans, overdrafts and BACS facilities are subject to regular monitoring of loan performance and individual annual review. During 2014/15 the Bank out-sourced administration of its loan book to Capita Mortgage Services Ltd.

During the year, CAF Bank also implemented a provisioning methodology including an assessment on a loan by loan basis of the impact of a reduction in property values of various degrees of severity.

Liquidity and 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 and when required.

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

CAF Bank has a high level of liquidity, holding buffer eligible assets of £577m compared to a minimum regulatory requirement of £181m at 30 April 2015. Liquidity buffer assets comprise investments in the Bank of England Reserve Account, UK Gilts, T Bills and AAA rated multilateral development banks.

Market and Interest Rate Risk

Market and interest rate risk is the risk from adverse movements in external markets, e.g. interest rate movements, changes in investment values or currency movements that will reduce our income or the value of our assets. 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.

Market and Interest rate risk is measured by monitoring mismatches between assets and liabilities which may result from movements in market interest rates over a specified time period within Board approved limits.

Assets and liabilities analysed by interest rate pricing time periods:

As at 30 April 2015	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								
Loans and advances to banks	219,202	582	-	40,000	3,000	-	-	262,784
Loans and advances to customers	20,428	-	-	-	-	-	-	20,428
Debt securities	-	280,843	84,849	116,742	249,574	-	-	732,008
Prepayments and accrued income	-	-	-	-	-	-	5,753	5,753
	239,630	281,425	84,849	156,742	252,574	-	5,753	1,020,973
Liabilities								
Customer accounts	663,936	-	-	23,694	299,830	-	1,819	989,279
Bank overdraft	1,226	-	-	-	-	-	-	1,226
Other liabilities	-	-	-	-	-	-	4,002	4,002
Accruals and deferred income	-	-	-	-	-	-	241	241
Subordinated liabilities	1,100	-	-	-	-	1,000	-	2,100
Preference shares	-	-	-	-	-	-	1,775	1,775
Shareholders' funds	-	-	-	-	-	-	22,350	22,350
	666,262	-	-	23,694	299,830	1,000	30,187	1,020,973
Interest rate sensitivity gap	(426,632)	281,425	84,849	133,048	(47,256)	(1,000)	(24,434)	-
Impact of 2% change in interest rates	-	344	(628)	(1,943)	2,953	94	-	820

Assets and liabilities analysed by interest rate pricing time periods:

As at 30 April 2014	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								
Bank balance	6,460	-	-	-	-	-	-	6,460
Loans and advances to banks	470,087	276	-	31,000	23,000	-	-	524,363
Loans and advances to customers	5,530	-	-	-	-	-	-	5,530
Debt securities	-	209,127	82,402	-	203,311	538	-	495,378
Prepayments and accrued income	-	-	-	-	-	-	5,176	5,176
	482,077	209,403	82,402	31,000	226,311	538	5,176	1,036,907
Liabilities								
Customer accounts	708,808	-	-	9,286	292,719	-	-	1,010,813
Bank overdraft	-	-	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-	3,572	3,572
Accruals and deferred income	-	-	-	-	-	-	297	297
Subordinated liabilities	1,100	-	-	-	-	1,000	-	2,100
Preference shares	-	-	-	-	-	-	1,775	1,775
Shareholders' funds	-	-	-	-	-	-	18,350	18,350
	709,908	-	-	9,286	292,719	1,000	23,994	1,036,907
Interest rate sensitivity gap	(227,831)	209,403	82,402	21,714	(66,408)	(462)	(18,818)	-
Impact of 2% change in interest rates	-	46	(602)	(317)	2,019	42	-	1,188

CAF Bank's sight deposit with the Bank of England was reduced during the year leading to a reduction in loans and advances to banks which is reported in the cashflow statement. This was principally as a result of investing more funds in UK Treasury Bills in order to decrease the Bank's sensitivity to a possible decrease in Base Rate.

Operational Risk

Operational risk is the risk of loss caused by human error, ineffective or inadequately designed internal processes, system failure, improper conduct, fraud and external events.

Management identifies the key operational risks within the business, evaluates the effectiveness of the control framework and identifies appropriate action to mitigate or minimise the risk. Risks are monitored by the Executive Risk and Operations Committees.

Key operational risks monitored by the business include exposure of the Bank and its customers to financial crime, including money laundering. During the year ended 30 April 2015 operational losses totalled £34k (2013/14: £92k). Cyber threats are seen to be escalating from an increasingly sophisticated criminal community and although no significant incident directed towards the Bank has been identified, we continue to invest in strengthening defences. Additional resource is being recruited to manage the increased requirement for customer reviews in line with good practice and anti-money laundering and prevention of terrorist financing requirements.

	2015	2014
	£000	£000
Capital allocated to operational risk	1,226	1,261

Management also continue to invest in IT infrastructure in response to the need to ensure resilience, security and capacity as the business model and volumes develop.

CAF Bank uses the Basic Indicator Approach to allocate capital to operational risk exposures.

Regulatory Risk

Regulatory risk is the risk to earnings, capital and reputation associated with a failure to comply with regulatory requirements and expectations.

CAF Bank has in place systems and controls to ensure that it complies with its regulatory reporting requirements as well as a framework to ensure that new and amended regulation is embedded in to the systems and processes of the organisation.

CAF Bank has had a relatively low capital requirement over a number of years due to its activity as a deposit taker. The Bank also has the benefit of a strong funding model achieved through offering low cost banking services. In keeping with revised regulations implemented since the financial crisis, CAF Bank is seeking to strengthen its capital position and increase its Leverage Ratio. This is expected to be achieved by a combination of additional capital and managing the value of deposits.

REPORT OF THE DIRECTORS

The Directors present their report and the audited financial statements for the year ended 30 April 2015.

Results for the Year

CAF Bank made an operating profit for the year of £2,241k (2013/14: £2,395k). Subject to annual Board approval, CAF Bank gifts its profits to its parent charity, Charities Aid Foundation, after ensuring sufficient reserves are available to meet interest payable on capital instruments and taxation. Interest of £159k (2013/14: £159k) was payable to the holders of the 8.00% and 9.15% preference shares. No dividends were paid on ordinary share capital during the year (2013/14: none).

Charitable and Political Donations

CAF Bank donated £2,185k to CAF in the year (2013/14: £2,344k). The Bank did not make political donations or incur any political expenditure during the year (2013/14: none).

Employees

CAF Bank recognises that the development and training of staff is fundamental to its continuing success and provides development opportunities and support to ensure all staff have the knowledge and skills to perform at the highest standard. Each member of staff receives an induction and job related training and resources are made available to enable individuals to develop and improve their performance and keep up-to-date with internal and external developments. CAF Bank, as part of CAF, was recently awarded Gold accreditation by Investors in People.

The Bank is committed to offering equal opportunities to all staff and opposes all forms of discrimination. The Bank seeks to provide equal opportunities in training, development and career opportunities to all staff. Two members of the Board and 40% of the Bank's Executive Management are women. CAF Bank, as part of CAF, has been awarded the Two Ticks symbol, which is a national recognition scheme confirming the Bank's commitment to equality of opportunity throughout our recruitment process and employment for disabled people.

CAF Bank regularly provides staff with information including the Bank's progress against objectives, financial position, future aims and strategy. An annual employee engagement survey is undertaken and the results used to improve performance in areas that are important to staff.

All staff are employed by CAF and recharged to CAF Bank where activities have been undertaken on the Bank's behalf.

Going concern

CAF Bank's forecasts, taking into account planned changes in trading performance, treasury activities and capital raising plans, show that the Bank is able to operate at adequate levels of profitability, liquidity and capital, for the foreseeable future.

Consequently the Directors are satisfied that CAF Bank has sufficient resources to continue in business for the foreseeable future and have, therefore, adopted the going concern basis in preparing the financial statements.

Auditors

A resolution to re-appoint KPMG LLP as auditors will be submitted to the Board.

Statement of Directors' responsibilities in respect of the Strategic Report, the Directors' Report and the Financial Statements

The Directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' interests

The Directors who served during the financial year are reported in the Governance Report. No director had an interest in the share capital of the Bank or any other UK group company.

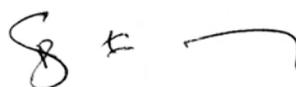
Disclosure of information to auditors

Each of the persons who is a director at the date of approval of this report confirms that:

- 1) so far as the Director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- 2) the Director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditor's are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

By order of the Board and signed on its behalf on 22 June 2015



Iain MacKinnon
Chair

CAF Bank Limited
Company Number 1837656

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CAF BANK LIMITED

We have audited the financial statements of CAF Bank Limited for the year ended 30 April 2015 set out on pages 19 to 29. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 17, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 April 2015 and of its result for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

Mike Peck

Michael Peck (Senior Statutory Auditor) for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square, Canary Wharf, London E14 5GL
23 June 2015

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 30 APRIL 2015

	Notes	2015		2014	
		£000	£000	£000	£000
Interest receivable	3		10,710		11,096
Interest payable	4		(2,242)		(3,210)
Net interest income			8,468		7,886
Fees and commissions receivable		896		787	
Fees and commissions payable		(967)		(880)	
Net operating expenditure			(71)		(93)
Administrative expenses	5		(5,826)		(5,123)
FSCS levy	6		(330)		(275)
Operating profit			2,241		2,395
Charitable donation to parent	7		(2,185)		(2,344)
Profit on ordinary activities before taxation			56		51
Tax on profit on ordinary activities	8		(56)		(51)
Profit on ordinary activities after taxation			-		-
Profit and loss account balance brought forward			-		-
Profit and loss account balance carried forward			-		-

There are no recognised gains or losses for either year other than those shown in the profit and loss account above. All income and expenses for the current and prior year are derived from continuing operations.

The notes on pages 22 to 29 form an integral part of the financial statements.

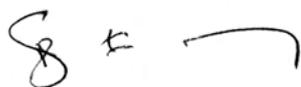
BALANCE SHEET

AS AT 30 APRIL 2015

	Notes	2015		2014	
		£000	£000	£000	£000
Assets					
Bank balances			-		6,460
Loans and advances to banks	9		262,784		524,363
Debt securities	10		732,008		495,378
Loans and advances to customers	11		20,428		5,530
Prepayments and accrued income			5,753		5,176
Total assets			1,020,973		1,036,907
Liabilities					
Customer accounts	12		989,279		1,010,813
Bank overdrafts			1,226		-
Other liabilities	13		4,002		3,572
Accruals and deferred income			241		297
Subordinated liabilities	14		2,100		2,100
Preference shares	15		1,775		1,775
Total liabilities			998,623		1,018,557
Called up share capital	16	19,350		18,350	
Additional Tier 1 capital	16	2,000		-	
Distributable reserves	17	1,000		-	
Shareholders' funds	17		22,350		18,350
Total liabilities and shareholders' funds			1,020,973		1,036,907

The notes on pages 22 to 29 form an integral part of the financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 22 June 2015 and signed on its behalf by



Iain MacKinnon
Chair



John Grout
Finance Director

CAF Bank Limited
Company Number 1837656

CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 APRIL 2015

	2015		2014	
	£000	£000	£000	£000
Reconciliation of operating profit before taxation to net (outflow)/inflow from operating activities				
Operating profit before taxation		2,241		2,395
Increase in prepayments and accrued income		(577)		(1,486)
Decrease in accruals and deferred income		(56)		(124)
Amortisation of premiums		708		(5,002)
		2,316		(4,217)
Net decrease in loans and advances to banks		10,694		25,724
Net increase in loans and advances to customers		(14,898)		(5,339)
Net (decrease)/increase in customer accounts		(21,534)		49,766
Net increase/(decrease) in other liabilities		75		(112)
Net cash (outflow)/inflow from operating activities		(23,347)		65,822
Returns on investments and servicing of finance				
Charitable donations paid		(1,844)		(1,217)
Taxation				
Corporation tax paid		(42)		(81)
Capital expenditure and financial investment				
Acquisitions of debt securities	(342,560)		(236,749)	
Redemptions of debt securities	105,222		241,147	
Net cash (outflow)/inflow from financial investment		(237,338)		4,398
Financing				
Proceeds from issue of capital		4,000		
(Decrease)/increase in cash		(258,571)		68,922
Represented by:				
Loans and advances to other banks repayable on demand		(250,885)		70,077
Bank balances		(7,686)		(1,155)
		(258,571)		68,922

The notes on pages 22 to 29 form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2015

1. Accounting policies

The financial statements, which should be read in conjunction with the Strategic Report, have been prepared under the historical cost convention and in accordance with applicable United Kingdom law and generally accepted accounting principles (UK GAAP). CAF Bank has taken advantage of the exemption from FRS 26 allowing simplified disclosure on financial instruments.

The going concern basis was adopted in preparing the annual report and accounts as described on page 16.

The principal accounting policies adopted are described below and have been applied consistently throughout the year and the preceding year.

1.1 Interest and fee income and expenditure recognition

Interest and fee income and expenditure are recognised in the profit and loss account on an accruals basis as the service is provided. Fees and commissions are recognised when all contractual obligations have been fulfilled.

1.2 Financial instruments

Loans and advances to banks comprise deposits with an original maturity of three years or less. These are shown at the lower of cost or estimated realisable value.

Debt securities held for investment purposes are held to redemption at par with cost adjusted for any permanent impairment and for the amortisation of any premium or discount over the period to maturity. The amortisation of premiums or discounts is included in interest income in the profit and loss account.

Customer account balances represent the value of deposits by account holders and are recorded as liabilities. Bank overdrafts included as liabilities comprise the Bank's cleared and uncleared balances held at HSBC.

Preference shares and subordinated liabilities are included in liabilities at par and face value respectively. Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual terms of the instruments.

The Bank does not utilise derivative instruments.

1.3 Pension costs

All staff are employed by CAF. The Bank is recharged by CAF for the cost of defined contribution personal pension arrangements.

The amount charged to the profit and loss account in respect of pension costs is the contribution payable in the year. Differences between contributions payable and the year end contributions actually paid are shown as either accruals or prepayments in the balance sheet.

1.4 Financial Services Compensation Scheme ('FSCS') Levy

The amount of the FSCS levy is determined by the value of the Bank's protected deposits at 31 December each year. The levy is accounted for on an accruals basis using information provided by the FSCS, forecast future interest rates and the Bank's historic share of industry protected deposits in accordance with IFRIC21.

1.5 Taxation

Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

1.6 Provisions for bad and doubtful debts

Specific provision is made against loans and other assets where, in the opinion of the Directors, the debt is not fully recoverable. CAF Bank also assesses a collective provision against drawn loans based on the expected loss for each borrower, taking into account the probability of default, the loss in the event of default and loan to value ratios.

2. Segmental information

The Bank carries on one principal class of business, being that of banking, and operates in one geographical segment, the United Kingdom.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2015

3. Interest receivable

	2015	2014
	£000	£000
Interest receivable and similar income arising from debt securities	7,452	8,195
Other interest receivable and similar income	3,258	2,901
	10,710	11,096

4. Interest payable

	2015	2014
	£000	£000
Customer accounts	1,957	2,925
Loan stock holders	126	126
Preference shareholders	159	159
	2,242	3,210

5. Administrative expenses

5.1 Staff and other costs

	2015	2014
	£000	£000
Staff costs		
Wages and salaries	2,197	1,831
Social security costs	205	174
Other pension costs	141	98
	2,543	2,103
Other administrative expenses	3,283	3,020
	5,826	5,123

All staff are employed by CAF. Total employment costs are recharged where activities have been undertaken for CAF Bank. Staff costs (above) represent 75 (2014: 67) employees of CAF who were assigned wholly to duties relating to the activities of the Bank.

Creditors include £12,000 (2014: £7,000) in respect of pension contributions payable.

The average number of total employees wholly assigned to CAF Bank analysed by function was:

	2015	2014
	£000	£000
Management	18	15
Information Systems	5	5
Administration	52	47
	75	67

Other administrative expenses include the following amounts paid to CAF in respect of director's emoluments, other costs of staff partially allocated to duties relating to CAF Bank, and management charges relating principally to the occupancy of premises and the use of systems equipment.

5.2 Employees and management charges

	2015	2014
	£000	£000
Indirect staff costs	1,010	1,010
Management charges	490	490
	1,500	1,500

5.3 Directors' emoluments

None of the directors who served during the year were remunerated directly by the Bank (2014: none). During the year, the Bank reimbursed CAF with £297,188 (2014: £271,058) including national insurance and pension contributions in respect of services rendered by two executive directors (2014: three). Non-executive directors were not remunerated.

5.4 Auditor's remuneration

Auditor's remuneration included in administrative expenses consists of the following:

	2015	2014
	£000	£000
Audit fees payable to the company's auditor for the audit of the company's financial statements	51	49
Audit related assurance services	5	5
Other non audit services	10	9
	66	63

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2015

6. FSCS levy

The Financial Services Compensation Scheme ('FSCS') levy is required to fund interest on borrowings undertaken by the FSCS to make good protected deposits at Banks seeking the scheme's support.

The levy year runs from 1 April to 31 March, and the amount of the levy is based on a Bank's share of protected deposits at 31 December. The provision at 30 April 2015 represents the estimated amounts due in respect of the Bank's participation in the scheme for the years ending 31 March 2015 and 2016, and a provision on a best estimate basis of the Bank's share of the shortfall in amounts recovered under the scheme.

As a participant in the FSCS, CAF Bank has an obligation to make good its share of any potential shortfall in amounts recovered from Banks being wound down compared to borrowings taken out to fund protected deposits via a capital compensation levy. The amount accrued as at 30 April 2015 includes £147,000 in respect of the third year of the capital levy.

	2015	2014
	£000	£000
Provision at 1st May	733	839
Paid during the year	(391)	(381)
Provided during the year	330	275
Provision at 30th April	672	733

7. Charitable donation to parent

The Bank donated a surplus to CAF of £2,185,000 (2014: £2,344,000) during the year, with £2,185,000 remaining to be paid at 30 April 2015.

8. Tax on profit on ordinary activities

The tax assessed for the period is lower than that resulting from applying the standard rate of corporation tax in the UK: 20% (2014: 23%). The differences are explained below.

	2015	2014
	£000	£000
Tax expense:		
UK corporation tax	56	51
Reconciliation to tax expense:		
Tax at 20% on:		
Operating profit	448	551
Charitable donation to parent	(437)	(539)
Interest payable to preference shareholders	31	36
	42	48
Expected tax charge on disallowable expenditure	10	7
Tax under/(over) accrued in previous year	4	(4)
	56	51

There is no unprovided deferred taxation.

9. Loans and advances to Banks

	2015	2014
	£000	£000
Repayable on demand	219,202	470,087
Remaining maturity of other loans and advances:		
1 day to 8 days	-	-
Over 8 days to 3 months	582	276
Over 3 months to 6 months	-	-
Over 6 months to 1 year	40,000	31,000
Over 1 year to 5 years	3,000	23,000
	262,784	524,363

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2015

10. Debt securities

10.1 Investments

	2015		2014	
	Book Value £000	Market Value £000	Book Value £000	Market Value £000
Listed:				
UK government	139,934	140,500	971	1,191
Multilateral financial institutions	216,761	217,228	144,056	143,349
Fixed coupon corporate bonds	161,042	161,135	143,058	143,686
Floating rate corporate bonds	174,271	174,885	174,293	174,474
	692,008	693,748	462,378	462,700
Unlisted:				
Certificates of deposit	40,000	40,188	33,000	33,146
	732,008	733,936	495,378	495,846

10.2 Maturity

	2015	2014
	Book Value £000	Book Value £000
1 day to 8 days	9,974	-
Over 8 days to 3 months	61,667	-
3 months to 6 months	119,852	82,402
6 months to 1 year	153,885	-
	345,378	82,402
1 year to 5 years	386,630	412,438
	732,008	494,840
5 years and over	-	538
	732,008	495,378
Unamortised premiums	(7,849)	(7,631)

Premiums or discounts on investments held to maturity are amortised over their remaining lives

10.3 Movements

	Cost £000	Amortisation £000	Book Value £000
At 1 May 2014	501,240	(5,862)	495,378
Acquisitions	342,560	(716)	341,844
Redemptions	(105,222)	2,332	(102,890)
Amortisation	-	(2,324)	(2,324)
At 30 April 2015	738,578	(6,570)	732,008

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2015

11. Loans and advances to customers

	2015	2014
	£000	£000
Remaining maturity of loans and advances:		
Repayable within 3 months	764	92
Repayable within 5 years	7,323	662
Repayable over 5 years	12,366	4,776
	20,453	5,530
Collective loan loss provision	(25)	-
At 30 April 2015	20,428	5,530

12. Customer accounts

	2015	2014
	£000	£000
Repayable on demand	905,532	526,194
Repayable within 7 days	-	363,258
Repayable within 30 days	83,747	121,361
Repayable within 3 months	-	-
Repayable within 6 months	-	-
	989,279	1,010,813
Amounts include:		
Amounts owed to CAF	21,985	32,906

13. Other liabilities

	2015	2014
	£000	£000
Amounts due within one year:		
Amounts owed to CAF	2,464	2,041
Sundry creditors	826	772
FSCS Levy	672	733
Taxation	40	26
	4,002	3,572

14. Subordinated liabilities

The total subordinated borrowing issued by the Bank, for the development and expansion of its business and to strengthen the capital base, consists of subordinated unsecured loan stock as follows:

		2015	2014
	Notes	£000	£000
Floating rate:			
Second issue	(a, d)	500	500
Fourth issue	(b, d)	350	350
Sixth issue	(b, e)	250	250
Fixed rate:			
Third issue, 8.71%	(c, d)	1,000	1,000
		2,100	2,100

14.1 Security and subordination

None of the loan stock is secured.

All loan stock is subordinated to the claims of depositors and other unsubordinated creditors of the Bank.

14.2 Interest

Notes

- (a) This issue bears interest at a rate fixed daily based on the rates paid to the Bank's depositors.
- (b) These issues bear interest at rates fixed periodically based on London Inter-Bank Offered Rates.
- (c) This issue bears a fixed rate of 8.71% until 2017. After that date, in the event that the stock has not been redeemed, the coupon will be reset to a fixed margin of 0.5% over a reference gilt rate until the redemption date of that gilt.

14.3 Repayment

Notes

- (d) These issues are redeemable at par on the expiry of not less than five years and one day's notice given by the Bank or the stockholder. No such notice has been given.
- (e) This issue has no fixed date for repayment.

With the consent of the PRA (but not otherwise), the Bank may redeem any stock at par on the expiry of not less than fourteen days' notice to the stockholders.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2015

15. Preference Shares

	2015		2014	
	Number	£000	Number	£000
Authorised:				
9.15% preference shares of £1 each	5,000,000	5,000	5,000,000	5,000
8.00% preference shares of £1 each	5,000,000	5,000	5,000,000	5,000
		10,000		10,000
Allotted, issued and fully paid:				
9.15% preference shares of £1 each	1,500,000	1,500	1,500,000	1,500
8.00% preference shares of £1 each	275,000	275	275,000	275
		1,775		1,775

9.15% and 8% preference shares

These are redeemable at par upon 28 days' written notice being given by the Bank. The shares confer the right in a winding up of the Bank to the capital paid up on them in priority to ordinary shares. The holders of these shares are entitled to a fixed non-cumulative dividend payable half yearly, but have no rights to attend or vote at general meetings.

16. Called up share capital and additional Tier 1 securities

	2015		2014	
	Number	£000	Number	£000
Allotted, issued and fully paid:				
Ordinary shares of £1 each	19,350,000	19,350	18,350,000	18,350
Additional Tier 1 securities of £1 each	2,000,000	2,000	-	-
		21,350		18,350

Following regulatory approval, CAF Bank issued £2m of Additional Tier 1 capital to CAF in April 2015.

The principal terms of the capital are as follows:

- Perpetual, repayable at CAF Bank's election after 5 years with the prior consent of the PRA;
- Non-cumulative 9% per annum coupon, cancellable at the discretion of the CAF Bank Board;
- Irrevocable conversion to voting ordinary shares either at a trigger level of 7% Common Equity Tier 1 capital, or at such time as the CAF Bank Board considers it reasonably foreseeable that a trigger event will occur;
- In the event of conversion, £1 par value of AT1 capital will convert to £1 nominal value of ordinary share capital, such ordinary shares being identical to existing ordinary shares in all respects.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2015

17. Reconciliation of shareholders' funds

	Called-up share capital	Additional Tier 1 securities	Distributable reserves	Profit and loss account
	£000	£000	£000	£000
At 1 May 2014	18,350	-	-	-
Issued during the year	2,000	2,000	-	-
Transferred to distributable reserves	(1,000)	-	1,000	-
Profit during the year	-	-	-	2,185
Charitable donation to parent	-	-	-	(2,185)
At 30 April 2015	19,350	2,000	1,000	-

Capital regulations (CRR) require that interest on Additional Tier 1 capital can only be paid if distributable items at the end of the preceding financial year are greater than the amount of interest to be paid in the current year. CAF Bank has historically gifted its profit to CAF and therefore retained no distributable reserves allowing interest to be paid on AT1. Accordingly, to enable coupons to be paid on AT1 in the future, the Board approved a reduction in ordinary share capital of £1m and the creation of a distributable reserve of an equivalent value.

18. Financial instruments

18.1 Market and interest rate risk

Market and interest rate risk is described on page 13.

18.2 Currency profile

The Bank has an exposure of US\$486k held as a collateral deposit for the Bank's Mastercard operations. Other than this exposure all assets and liabilities are denominated in sterling.

18.3 Instruments held for trading

None of the Bank's financial instruments are held for trading purposes and no trading book is held.

18.4 Investments held to maturity

The Bank's policy is to hold investment securities to redemption at par (note 1.2). Any movements in interest rates are therefore not anticipated to materially affect the Bank's profits.

18.5 Hedging

CAF Bank does not hold financial instruments for hedging purposes.

18.6 Fair values

Set out below is a comparison of all the Bank's financial instruments by category. Market values have been used to determine fair values of debt securities listed on a recognised UK exchange (note 10). Unlisted debt securities are bank certificates of deposit and commercial paper and fair values are as book values.

	2015		2014	
	Book Value £000	Fair Value £000	Book Value £000	Fair Value £000
Assets				
Loans and advances to banks	262,784	262,784	524,363	524,363
Debt securities	732,008	733,936	495,378	495,846
	994,792	996,720	1,019,741	1,020,209

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2015

19. Off-balance sheet commitments

Commitments comprise amounts yet to be drawn under loan or overdraft agreements and BACS payment facilities.

	2015	2014
	£000	£000
Undrawn overdraft and loan commitments	7,723	8,416
BACS payment facilities	6,461	3,734
	14,184	12,150

20. Parent trust

Charities Aid Foundation (CAF), registered charity number 268369, is the immediate and ultimate parent and controlling party of CAF Bank.

The Bank's financial statements are consolidated into those of the CAF group, which is the only group into which the Bank's results are consolidated. A copy of the CAF group's financial statements can be obtained from the Bank's registered office and at www.cafonline.org.

21. Related party transactions

One of the Bank's directors was appointed a director of SofGen (UK) Limited on 14 March 2014 and resigned on 30 April 2015. SofGen (UK) Limited is a supplier of IT software to CAF Bank. All services were provided on commercial arm's length terms. The costs paid to SofGen (UK) Limited from this agreement during the year was £107,200 (2014: £20,700).

During 2014 the Bank terminated an agreement with Charity Bank to provide loan administration and credit service. The agreement was on commercial arm's length terms. The costs paid to Charity Bank from this agreement during the year was £10,970 (2014: £59,000).

There are no other related party transactions.

DIRECTORS, COMMITTEES AND ADVISERS

Directors (at 30 April 2015)

Non-Executive Directors

Iain MacKinnon (*Chair and CAF Trustee*)

Stuart Barnett (*CAF Trustee*)

Paul Biddle

Clive Bowles

David Dickman

Mairi Johnstone

Dr Peter Kyle

Tiina Lee (*CAF Trustee*)

Dr John Low CBE (*CAF Chief Executive*)

Dr Steve Perry

Alistair Ray

Executive Directors

Peter Ostacchini (*Chief Executive*)

John Grout (*Finance Director*)

Audit Committee

Paul Biddle (*Chair*)

Stuart Barnett

David Dickman

Risk & Compliance Committee

Tiina Lee (*Chair*)

Alistair Ray

Peter Ostacchini

John Grout

Nominations and Remuneration Committee

Iain MacKinnon (*Chair*)

Dr John Low CBE

Peter Ostacchini

Executive Committee

Peter Ostacchini (*Chief Executive*)

John Grout (*Finance Director*)

Dina Henry (*Chief Commercial Officer*)

Chris Kairis (*Head of Operations*)

Paul White (*Chief Risk Officer*)

Bankers

HSBC Bank plc

City of London Branch

Ground Floor, 60 Queen Victoria Street

London EC4N 4TR

Nominee and Custodian

Global Custody Europe

HSBC Securities Services

Level 29, 8 Canada Square

London E14 5HQ

Auditors

KPMG LLP

Chartered Accountants and Statutory Auditor

15 Canada Square

London E14 5GL

CAF Bank Limited is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. It is a subsidiary of Charities Aid Foundation (CAF), registered charity number 268369. Copies of the accounts of CAF may be obtained from the Bank's registered office and at www.cafonline.org.



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1678A/0615

Company number 1837656

CAF Charities Aid
Foundation