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 2022 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.

In this report

3 Capital and exposures
4 Overview of capital position versus capital requirement
8 Capital instruments issued by CAF Bank
11 Capital requirement
16 Governance report
19 Risk management framework
30 Remuneration
31 Cautionary note on forward looking statements

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 (PRA) and regulated by the Financial Conduct Authority (FCA) 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
As at 30 April 2022

**Capital resources (£m)**

- **2022**
  - 82% UK Government and Multilateral Financial Institutions
  - 10% Charity Lending
  - 7% Financial & Non-financial Institutions
  - 1% Social Purpose Project Loans

- **2021**
  - 78.5% UK Government and Multilateral Financial Institutions
  - 9.5% Charity Lending
  - 7% Financial & Non-financial Institutions
  - 1.5% Social Purpose Project Loans

**Leverage ratio (%)**

- **2022**
  - Leverage ratio (excluding central bank reserves)
  - CET1: 21.9%
  - Tier 1: 22.8%
  - Total capital: 30.8%
  - 9.5%* Minimum requirement

- **2021**
  - CET1: 22.8%
  - Tier 1: 22.8%
  - Total capital: 31.4%
  - 10.5%* Minimum requirement

**Risk weighted assets (%)**

- **2022**
  - 64% Charity Lending
  - 18% Operational Risk
  - 15% Financial & Non-financial Institutions
  - 4% Social Purpose Project Loans

- **2021**
  - 66% Charity Lending
  - 16% Operational Risk
  - 14% Financial & Non-financial Institutions
  - 3% Social Purpose Project Loans

**Requirement and Surplus**

- **2021**
  - CET1: 3.25%
  - Tier 1: 3.25%
  - Total capital: 3.81%
  - Surplus: 4.62%

- **2020**
  - CET1: 3.25%
  - Tier 1: 3.25%
  - Total capital: 4.62%
  - Surplus: 5.37%
CAF Bank’s capital position remains strong relative to the risk weighting of its assets. At 30 April 2022 the Bank’s total capital ratio was 30.8% compared to 31.4% at 30 April 2021, reflecting a decrease in capital resources from intangible assets. The Bank’s minimum regulatory capital requirement decreased to 14.6% at 30 April 2022 (30 April 2021: 15.6%) which, combined with the reduction in risk weighted assets, translates to a capital requirement of £18.1m at 30 April 2022 compared to £19.9m 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)*

<table>
<thead>
<tr>
<th>Available own funds (amounts)</th>
<th>2022 £000</th>
<th>2021 £000</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Common Equity Tier 1 (CET1) capital</td>
<td>27,253</td>
<td>29,095</td>
</tr>
<tr>
<td>2 Tier 1 capital</td>
<td>38,253</td>
<td>40,095</td>
</tr>
<tr>
<td>3 Total capital</td>
<td>38,253</td>
<td>40,095</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Risk-weighted exposure amounts</th>
<th>2022 £000</th>
<th>2021 £000</th>
</tr>
</thead>
<tbody>
<tr>
<td>4 Total risk-weighted exposure amount</td>
<td>124,243</td>
<td>127,844</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Capital ratios (as a percentage of risk-weighted exposure amount)</th>
<th>2022</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>5 Common Equity Tier 1 ratio (%)</td>
<td>21.9%</td>
<td>22.8%</td>
</tr>
<tr>
<td>6 Tier 1 ratio (%)</td>
<td>30.8%</td>
<td>31.4%</td>
</tr>
<tr>
<td>7 Total capital ratio (%)</td>
<td>30.8%</td>
<td>31.4%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Additional own funds requirements based on SREP (as a percentage of risk-weighted exposure amount)</th>
<th>2022</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>UK 7a Additional CET1 SREP requirements (%)</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td>UK 7b Additional AT1 SREP requirements (%)</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td>UK 7c Additional T2 SREP requirements (%)</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td>UK 7d Total SREP own funds requirements (%)</td>
<td>8.0%</td>
<td>8.0%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Combined buffer requirements (as a percentage of risk-weighted exposure amount)</th>
<th>2022</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>8 Capital conservation buffer (%)</td>
<td>2.5%</td>
<td>2.5%</td>
</tr>
<tr>
<td>9 Institution specific countercyclical capital buffer (%)</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td>11 Combined buffer requirement (%)</td>
<td>2.5%</td>
<td>2.5%</td>
</tr>
<tr>
<td>UK 11a Overall capital requirements (%)</td>
<td>10.5%</td>
<td>10.5%</td>
</tr>
<tr>
<td>12 CET1 available after meeting the total SREP own funds requirements (%)</td>
<td>22.8%</td>
<td>23.4%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Leverage ratio</th>
<th>2022</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>13 Total exposure measure excluding claims on central banks</td>
<td>963,904</td>
<td>1,044,543</td>
</tr>
<tr>
<td>14 Leverage ratio excluding claims on central banks (%)</td>
<td>3.97%</td>
<td>3.84%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Liquidity coverage ratio</th>
<th>2022</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>15 Total high quality liquid assets (HQLA) (Weighted average value)</td>
<td>1,255,456</td>
<td>1,130,354</td>
</tr>
<tr>
<td>UK 16a Cash outflows – total weighted value</td>
<td>477,707</td>
<td>435,790</td>
</tr>
<tr>
<td>UK 16b Cash inflows – total weighted value</td>
<td>1,523</td>
<td>14,140</td>
</tr>
<tr>
<td>16 Total net cash outflows (adjusted value)</td>
<td>476,184</td>
<td>421,650</td>
</tr>
<tr>
<td>17 Liquidity coverage ratio (%)</td>
<td>264%</td>
<td>268%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Net stable funding ratio</th>
<th>2022</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>18 Total available stable funding</td>
<td>1,426,183</td>
<td></td>
</tr>
<tr>
<td>19 Total required stable funding</td>
<td>177,361</td>
<td></td>
</tr>
<tr>
<td>20 NSFR ratio (%)</td>
<td>804%</td>
<td></td>
</tr>
</tbody>
</table>
## 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*

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

CAF Bank Ltd | Pillar 3 disclosure
Reconciliation of regulatory balance sheet to financial statements
(Templates UK CC2 & UK LI1)

<table>
<thead>
<tr>
<th>Reference</th>
<th>Per Financial Statements /Carrying values under scope of regulatory consolidation</th>
<th>Subject to credit risk framework</th>
<th>Subject to counterparty credit risk framework</th>
<th>Subject to the securitisation framework</th>
<th>Not subject to capital requirements or subject to deduction from capital</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Balances at Bank of England</td>
<td>602,553</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>2</td>
<td>Loans and advances to banks</td>
<td>7,471</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>3</td>
<td>Loans and advances to customers</td>
<td>160,407</td>
<td>160,407</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>4</td>
<td>Debt securities</td>
<td>777,145</td>
<td>777,145</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>5</td>
<td>Prepayments and accrued income</td>
<td>3,792</td>
<td>3,792</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>6</td>
<td>Intangible asset</td>
<td>4,676</td>
<td>-</td>
<td>-</td>
<td>4,676</td>
</tr>
<tr>
<td>7</td>
<td>Total assets</td>
<td>1,556,044</td>
<td>1,551,368</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>8</td>
<td>Customer accounts</td>
<td>1,508,937</td>
<td>-</td>
<td>-</td>
<td>1,508,937</td>
</tr>
<tr>
<td>9</td>
<td>Other liabilities</td>
<td>4,107</td>
<td>-</td>
<td>-</td>
<td>4,107</td>
</tr>
<tr>
<td>10</td>
<td>Accruals and deferred income</td>
<td>71</td>
<td>-</td>
<td>-</td>
<td>71</td>
</tr>
<tr>
<td>11</td>
<td></td>
<td>1,513,115</td>
<td>-</td>
<td>-</td>
<td>1,513,115</td>
</tr>
<tr>
<td>12</td>
<td>Called up share capital</td>
<td>29,350</td>
<td>-</td>
<td>-</td>
<td>29,350</td>
</tr>
<tr>
<td>13</td>
<td>Additional Tier 1 capital</td>
<td>11,000</td>
<td>-</td>
<td>-</td>
<td>11,000</td>
</tr>
<tr>
<td>14</td>
<td>Distributable reserves</td>
<td>2,579</td>
<td>-</td>
<td>-</td>
<td>2,579</td>
</tr>
<tr>
<td>15</td>
<td>Total liabilities</td>
<td>1,556,044</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

Sources of differences between regulatory exposure amounts and carrying values in financial statements
(Template UK LI2)

<table>
<thead>
<tr>
<th>Reference</th>
<th>Total</th>
<th>Credit risk framework</th>
<th>Counterparty credit risk framework</th>
<th>Securitisation framework</th>
<th>Market risk framework</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>1,556,044</td>
<td>1,551,368</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>2</td>
<td>1,556,044</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>3</td>
<td>-</td>
<td>1,551,368</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>4</td>
<td>35,296</td>
<td>11,112</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>10</td>
<td>35,296</td>
<td>1,562,480</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>
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

<table>
<thead>
<tr>
<th>Tier 1 Capital</th>
<th>Terms</th>
<th>2022 £000</th>
<th>2021 £000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ordinary shares</td>
<td>Permanent</td>
<td>29,350</td>
<td>29,350</td>
</tr>
<tr>
<td>Distributable Reserves</td>
<td></td>
<td>2,579</td>
<td>939</td>
</tr>
<tr>
<td>Intangible fixed assets</td>
<td></td>
<td>(4,676)</td>
<td>(1,194)</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>27,253</td>
<td>29,095</td>
</tr>
</tbody>
</table>

Ordinary share capital is fully paid-up with the proceeds of issue immediately and fully available. There is no obligation to pay a dividend. The capital is available for unrestricted and immediate use to cover risks and losses, and enable the organisation to continue trading.

Other T1 capital

<table>
<thead>
<tr>
<th>Tier 1 Capital</th>
<th>Coupon</th>
<th>Terms</th>
<th>2022 £000</th>
<th>2021 £000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Additional Tier 1</td>
<td>9.0%</td>
<td>Perpetual, non-cumulative</td>
<td>11,000</td>
<td>11,000</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td>11,000</td>
<td>11,000</td>
</tr>
</tbody>
</table>

The principal terms of the Additional Tier 1 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.
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)

<table>
<thead>
<tr>
<th>CET1</th>
<th>AT1</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Issuer</td>
<td>CAF Bank Limited</td>
</tr>
<tr>
<td>2 Unique identifier</td>
<td>Not applicable</td>
</tr>
<tr>
<td>2a Public or private placement</td>
<td>Private placement</td>
</tr>
<tr>
<td>3 Governing law(s) of the instrument</td>
<td>English Law</td>
</tr>
<tr>
<td>3a Contractual recognition of write down and conversion powers of resolution authorities</td>
<td>Not applicable</td>
</tr>
<tr>
<td>4 Current treatment taking into account, where applicable, transitional CRR rules</td>
<td>Common Equity Tier 1</td>
</tr>
<tr>
<td>5 Post-transitional CRR rules</td>
<td>Common Equity Tier 1</td>
</tr>
<tr>
<td>6 Eligible at solo/(sub-)consolidated/ solo &amp; (sub-) consolidated</td>
<td>Solo</td>
</tr>
<tr>
<td>7 Instrument type (types to be specified by each jurisdiction)</td>
<td>Common Equity</td>
</tr>
<tr>
<td>8 Amount recognised in regulatory capital (currency in million, as of most recent reporting date)</td>
<td>£29m</td>
</tr>
<tr>
<td>9 Nominal amount of instrument</td>
<td>£29m</td>
</tr>
<tr>
<td>9a Issue price</td>
<td>£1</td>
</tr>
<tr>
<td>9b Redemption price</td>
<td>Not applicable</td>
</tr>
<tr>
<td>10 Accounting classification</td>
<td>Shareholders’ equity</td>
</tr>
<tr>
<td>11 Original date of issuance</td>
<td>£0.000099m issued 12 Dec 84</td>
</tr>
<tr>
<td></td>
<td>£0.2499m issued 1 Jul 86</td>
</tr>
<tr>
<td></td>
<td>£0.05m issued 15 Mar 90</td>
</tr>
<tr>
<td></td>
<td>£0.05m issued 18 Jun 90</td>
</tr>
<tr>
<td></td>
<td>£0.05m issued 29 Jan 91</td>
</tr>
<tr>
<td></td>
<td>£0.05m issued 11 May 92</td>
</tr>
<tr>
<td></td>
<td>£0.000001m issued 18 Oct 02</td>
</tr>
<tr>
<td></td>
<td>£6.99m issued 27 Dec 07</td>
</tr>
<tr>
<td></td>
<td>£1.36m issued 27 Dec 07</td>
</tr>
<tr>
<td></td>
<td>£1m issued 25 Apr 08</td>
</tr>
<tr>
<td></td>
<td>£1m issued 30 Apr 09</td>
</tr>
<tr>
<td></td>
<td>£1m issued 28 Apr 10</td>
</tr>
<tr>
<td></td>
<td>£2.25m issued 4 Nov 11</td>
</tr>
<tr>
<td></td>
<td>£4.25m issued 19 Dec 11</td>
</tr>
<tr>
<td></td>
<td>£1m issued 19 May 14</td>
</tr>
<tr>
<td></td>
<td>£2m issued 22 Dec 16</td>
</tr>
</tbody>
</table>
## CAPITAL INSTRUMENTS ISSUED BY CAF BANK

### £3m issued 8 Sep 17

<table>
<thead>
<tr>
<th>12 Perpetual or dated</th>
<th>Perpetual</th>
</tr>
</thead>
<tbody>
<tr>
<td>13 Original maturity date</td>
<td>Not applicable</td>
</tr>
<tr>
<td>14 Issuer call subject to prior supervisory approval</td>
<td>No</td>
</tr>
<tr>
<td>15 Optional call date, contingent call dates and redemption amount</td>
<td>Not applicable</td>
</tr>
<tr>
<td>16 Subsequent call dates, if applicable</td>
<td>Not applicable</td>
</tr>
</tbody>
</table>

### £5m issued 19 Jan 18

<table>
<thead>
<tr>
<th>12 Perpetual or dated</th>
<th>Perpetual</th>
</tr>
</thead>
<tbody>
<tr>
<td>13 Original maturity date</td>
<td>Not applicable</td>
</tr>
<tr>
<td>14 Issuer call subject to prior supervisory approval</td>
<td>Yes</td>
</tr>
<tr>
<td>15 Optional call date, contingent call dates and redemption amount</td>
<td>After 5 years</td>
</tr>
<tr>
<td>16 Subsequent call dates, if applicable</td>
<td>Any Interest Payment Date thereafter</td>
</tr>
</tbody>
</table>

### Coupons/dividends

<table>
<thead>
<tr>
<th>17 Fixed or floating dividend/coupon</th>
<th>Fixed</th>
</tr>
</thead>
<tbody>
<tr>
<td>18 Coupon rate and any related index</td>
<td>9%</td>
</tr>
<tr>
<td>19 Existence of a dividend stopper</td>
<td>Cancellable at the discretion of the Board</td>
</tr>
</tbody>
</table>

### Fully discretionary, partial discretionary or mandatory (in terms of timing)

| 20 Fully discretionary, partial discretionary or mandatory (in terms of amount) | Fully discretionary |

### Existence of step up or other incentive to redeem

| 21 Existence of step up or other incentive to redeem | No |

### Noncumulative or cumulative

| 22 Noncumulative or cumulative | Non-cumulative |

### Convertible or non-convertible

| 23 Convertible or non-convertible | Convertible |

### If convertible, conversion trigger(s)

| 24 If convertible, conversion trigger(s) | Not applicable |

### If convertible, fully or partially

| 25 If convertible, fully or partially | May convert partially |

### If convertible, conversion rate

| 26 If convertible, conversion rate | Equal conversion |

### If convertible, mandatory or optional conversion

| 27 If convertible, mandatory or optional conversion | Optional |

### If convertible, specify instrument type convertible into

| 28 If convertible, specify instrument type convertible into | CET1 |

### If convertible, specify issuer of instrument it converts into

| 29 If convertible, specify issuer of instrument it converts into | Ordinary Share Capital |

### Write-down features

| 30 Write-down features | No |

### If write-down, write-down trigger(s)

| 31 If write-down, write-down trigger(s) | Not applicable |

### If write-down, full or partial

| 32 If write-down, full or partial | Not applicable |

### If write-down, permanent or temporary

| 33 If write-down, permanent or temporary | Not applicable |

### If temporary write-down, description of write up mechanism

| 34 If temporary write-down, description of write up mechanism | Not applicable |

### Type of subordination (only for eligible liabilities)

| 34a Type of subordination (only for eligible liabilities) | Not applicable |

### Ranking of the instrument in normal insolvency proceedings

| 34b Ranking of the instrument in normal insolvency proceedings | Not applicable |

### Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)

| 35 Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument) | Not applicable |

### Non-compliant transitioned features

| 36 Non-compliant transitioned features | Not applicable |

### If yes, specify non-compliant features

| 37 If yes, specify non-compliant features | Not applicable |

### Link to the full term and conditions of the instrument (signposting)

| 37b Link to the full term and conditions of the instrument (signposting) | Not applicable |
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 2022.

Overview of risk weighted exposure amounts

(Template OV1)

<table>
<thead>
<tr>
<th>RWAs</th>
<th>Minimum capital requirement</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2022</td>
</tr>
<tr>
<td>1 Credit/counterparty risk</td>
<td>102,044</td>
</tr>
<tr>
<td>of which: Standardised Approach</td>
<td>102,044</td>
</tr>
<tr>
<td>23 Operational risk</td>
<td>22,199</td>
</tr>
<tr>
<td>of which: Basic Indicator Approach</td>
<td>22,199</td>
</tr>
<tr>
<td>29 Total risk</td>
<td>124,243</td>
</tr>
</tbody>
</table>

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

Credit risk exposure

(Template CR4)

<table>
<thead>
<tr>
<th>Exposures before CCF and before CRM</th>
<th>Exposures post CCF and post CRM</th>
<th>RWA and RWAs density</th>
</tr>
</thead>
<tbody>
<tr>
<td>On Balance Sheet Off Balance Sheet On Balance Sheet Off Balance Sheet</td>
<td>RWAs RWAs density (%)</td>
<td></td>
</tr>
<tr>
<td>Central government or central banks</td>
<td>603,106</td>
<td>603,106</td>
</tr>
<tr>
<td>Public sector entities</td>
<td>14,556</td>
<td>14,556</td>
</tr>
<tr>
<td>Multilateral development banks</td>
<td>682,027</td>
<td>682,027</td>
</tr>
<tr>
<td>Institutions</td>
<td>10,041</td>
<td>10,041</td>
</tr>
<tr>
<td>Secured by mortgages on immovable property</td>
<td>160,841</td>
<td>19,372</td>
</tr>
<tr>
<td>Exposures in default</td>
<td>142</td>
<td>142</td>
</tr>
<tr>
<td>Items associated with particularly high risk</td>
<td>1,950</td>
<td>2,852</td>
</tr>
<tr>
<td>Covered bonds</td>
<td>72,817</td>
<td>72,817</td>
</tr>
<tr>
<td>Claims on institutions with a short-term credit assessment</td>
<td>9,473</td>
<td>9,473</td>
</tr>
<tr>
<td>Other items</td>
<td>945</td>
<td>945</td>
</tr>
<tr>
<td>Total Pillar 1 capital requirement</td>
<td>1,555,898</td>
<td>22,224</td>
</tr>
</tbody>
</table>
## Exposures by asset classes and risk weights
*(Template CR5)*

<table>
<thead>
<tr>
<th>Risk weight</th>
<th>0%</th>
<th>10%</th>
<th>20%</th>
<th>35%</th>
<th>50%</th>
<th>100%</th>
<th>150%</th>
<th>Total</th>
<th>Of which unrated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Central government or central banks</td>
<td>603,106</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>603,106</td>
<td>-</td>
</tr>
<tr>
<td>Public sector entities</td>
<td></td>
<td>14,556</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>14,556</td>
<td>-</td>
</tr>
<tr>
<td>Multilateral development banks</td>
<td>682,027</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>682,027</td>
<td>-</td>
</tr>
<tr>
<td>Institutions</td>
<td></td>
<td>10,041</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>10,041</td>
<td>-</td>
</tr>
<tr>
<td>Secured by mortgages on immovable property</td>
<td></td>
<td>105,988</td>
<td>64,539</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>170,527</td>
<td>170,527</td>
</tr>
<tr>
<td>Exposures in default</td>
<td></td>
<td></td>
<td></td>
<td>142</td>
<td>142</td>
<td>142</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Items associated with particularly high risk</td>
<td></td>
<td>3,376</td>
<td>3,376</td>
<td>3,376</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Covered bonds</td>
<td></td>
<td>72,817</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>72,817</td>
<td>-</td>
</tr>
<tr>
<td>Claims on institutions with a short-term credit assessment</td>
<td></td>
<td>9,473</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>9,473</td>
<td>-</td>
</tr>
<tr>
<td>Other items</td>
<td></td>
<td>945</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>945</td>
<td></td>
</tr>
<tr>
<td>Total Pillar 1 capital requirement</td>
<td>1,285,133</td>
<td>72,817</td>
<td>24,029</td>
<td>105,988</td>
<td>10,041</td>
<td>65,484</td>
<td>3,518</td>
<td>1,567,010</td>
<td>174,990</td>
</tr>
</tbody>
</table>
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

<table>
<thead>
<tr>
<th>Risk type</th>
<th>2022 Capital Addition</th>
<th>2021 Capital Addition</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£000</td>
<td>%</td>
</tr>
<tr>
<td>Market and interest rate risk</td>
<td>1,107 0.89%</td>
<td>895 0.70%</td>
</tr>
<tr>
<td>Operational risk</td>
<td>1,939 1.56%</td>
<td>1,559 1.22%</td>
</tr>
<tr>
<td>Credit concentration risk</td>
<td>1,329 1.07%</td>
<td>2,046 1.60%</td>
</tr>
<tr>
<td>Total</td>
<td>4,375 3.52%</td>
<td>4,500 3.52%</td>
</tr>
</tbody>
</table>

The amounts identified above relating to Pillar 2A capital represent additional capital equivalent to 3.52% of Total Risk Exposure Amount (CAF Bank’s ‘ICG’).

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 Capital Buffer requirement was reduced. At 30 April 2022 the Countercyclical Capital Buffer requirement is 0% of Total Risk Exposure Amount.

<table>
<thead>
<tr>
<th>Pillar 2B Capital Requirement (as % of Total Risk Exposure Amount)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital Conservation Buffer</td>
</tr>
<tr>
<td>Countercyclical Capital Buffer</td>
</tr>
</tbody>
</table>

The FPC is increasing the UK CCyB rate from 0% to 1% from 13 December 2022, and further increasing 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.

<table>
<thead>
<tr>
<th></th>
<th>2022</th>
<th></th>
<th></th>
<th>2021</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>CET1</td>
<td>Total T1</td>
<td>Total Capital</td>
<td>CET1</td>
<td>Total T1</td>
<td>Total Capital</td>
</tr>
<tr>
<td>Pillar 1</td>
<td>4.50%</td>
<td>6.00%</td>
<td>8.00%</td>
<td>4.50%</td>
<td>6.00%</td>
<td>8.00%</td>
</tr>
<tr>
<td>Pillar 2A</td>
<td>1.97%</td>
<td>3.52%</td>
<td>3.52%</td>
<td>1.97%</td>
<td>3.52%</td>
<td>3.52%</td>
</tr>
<tr>
<td>Capital Conservation Buffer</td>
<td>2.50%</td>
<td>2.50%</td>
<td>2.50%</td>
<td>2.50%</td>
<td>2.50%</td>
<td>2.50%</td>
</tr>
<tr>
<td>Countercyclical Buffer</td>
<td>0.00%</td>
<td>0.00%</td>
<td>0.00%</td>
<td>0.00%</td>
<td>0.00%</td>
<td>0.00%</td>
</tr>
<tr>
<td>PRA Buffer</td>
<td>0.54%</td>
<td>0.54%</td>
<td>0.54%</td>
<td>0.54%</td>
<td>0.54%</td>
<td>0.54%</td>
</tr>
<tr>
<td>Management Buffer</td>
<td>0.00%</td>
<td>0.00%</td>
<td>0.00%</td>
<td>1.00%</td>
<td>1.00%</td>
<td>1.00%</td>
</tr>
<tr>
<td>Minimum Requirement</td>
<td>9.51%</td>
<td>12.56%</td>
<td>14.56%</td>
<td>10.51%</td>
<td>13.56%</td>
<td>15.56%</td>
</tr>
<tr>
<td>£000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pillar 1</td>
<td>5,591</td>
<td>7,454</td>
<td>9,939</td>
<td>5,754</td>
<td>7,672</td>
<td>10,229</td>
</tr>
<tr>
<td>Pillar 2A</td>
<td>2,450</td>
<td>4,375</td>
<td>4,375</td>
<td>2,520</td>
<td>4,500</td>
<td>4,500</td>
</tr>
<tr>
<td>Countercyclical Buffer</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>PRA Buffer</td>
<td>671</td>
<td>671</td>
<td>671</td>
<td>690</td>
<td>690</td>
<td>690</td>
</tr>
<tr>
<td>Management Buffer</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,278</td>
<td>1,278</td>
<td>1,278</td>
</tr>
<tr>
<td>Minimum Requirement</td>
<td>11,818</td>
<td>15,606</td>
<td>18,091</td>
<td>13,438</td>
<td>17,336</td>
<td>19,893</td>
</tr>
</tbody>
</table>

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 3.99% (2021: 3.84%) compared to a minimum of 3.25%.

The following table outlines the Bank’s leverage ratio as at 30 April 2022:

Summary reconciliation of accounting assets and leverage ratio exposures
(Template UK LRSum)

<table>
<thead>
<tr>
<th></th>
<th>2022 £000</th>
<th>2021 £000</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Total assets as per published financial statements</td>
<td>1,556,044</td>
<td>1,441,296</td>
</tr>
<tr>
<td>4 Adjustment for exemption of exposures to central banks</td>
<td>(603,106)</td>
<td>(417,802)</td>
</tr>
<tr>
<td>10 Adjustment for off-balance sheet items</td>
<td>11,112</td>
<td>18,051</td>
</tr>
<tr>
<td>12 Other adjustments</td>
<td>(146)</td>
<td>2,998</td>
</tr>
<tr>
<td>13 Total exposure measure</td>
<td>963,904</td>
<td>1,044,543</td>
</tr>
</tbody>
</table>
### Leverage ratio common disclosure

*(Template UK LRCom)*

<table>
<thead>
<tr>
<th></th>
<th>2022</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>On balance sheet exposures</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1 On balance items</td>
<td>1,556,044</td>
<td>1,441,296</td>
</tr>
<tr>
<td>7 Total on balance items</td>
<td>1,556,044</td>
<td>1,441,296</td>
</tr>
<tr>
<td>Off balance sheet exposures</td>
<td></td>
<td></td>
</tr>
<tr>
<td>19 Off-balance sheet exposures at gross notional amount</td>
<td>35,296</td>
<td>50,267</td>
</tr>
<tr>
<td>20 Adjustments for conversion of credit equivalent amount</td>
<td>(24,184)</td>
<td>(32,216)</td>
</tr>
<tr>
<td>22 Off Balance sheet exposures</td>
<td>11,112</td>
<td>18,051</td>
</tr>
<tr>
<td>Excluded exposures</td>
<td></td>
<td></td>
</tr>
<tr>
<td>22a Exposures excluded from the total exposure measure</td>
<td>(146)</td>
<td>2,998</td>
</tr>
<tr>
<td>22k Total exempt exposures</td>
<td>(146)</td>
<td>2,998</td>
</tr>
<tr>
<td>Capital and total exposure measure</td>
<td></td>
<td></td>
</tr>
<tr>
<td>23 Tier 1 capital (leverage)</td>
<td>38,253</td>
<td>40,095</td>
</tr>
<tr>
<td>24 Total exposure measure including claims on central banks</td>
<td>1,567,010</td>
<td>1,462,345</td>
</tr>
<tr>
<td>24a Claims on central banks excluded</td>
<td>(603,106)</td>
<td>(417,802)</td>
</tr>
<tr>
<td>24b Total exposure measure excluding claims on central banks</td>
<td>963,904</td>
<td>1,044,543</td>
</tr>
<tr>
<td>Leverage ratio</td>
<td></td>
<td></td>
</tr>
<tr>
<td>25 Leverage ratio excluding claims on central banks (%)</td>
<td>3.97%</td>
<td>3.84%</td>
</tr>
<tr>
<td>25c Leverage ratio including claims on central banks (%)</td>
<td>2.44%</td>
<td>2.74%</td>
</tr>
<tr>
<td>26 Regulatory minimum leverage ratio requirement (%)</td>
<td>3.25%</td>
<td>3.25%</td>
</tr>
</tbody>
</table>

### Split up of on balance sheet exposures

*(Template UK LR3 - LRSpI)*

<table>
<thead>
<tr>
<th></th>
<th>2022</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>UK-1 Total on balance sheet exposures, of which:</td>
<td>1,555,898</td>
<td>1,444,294</td>
</tr>
<tr>
<td>UK-3 Banking book exposures, of which:</td>
<td>1,555,898</td>
<td>1,444,294</td>
</tr>
<tr>
<td>UK-4 Covered bonds</td>
<td>72,817</td>
<td>77,660</td>
</tr>
<tr>
<td>UK-5 Exposures treated as sovereigns</td>
<td>603,106</td>
<td>417,802</td>
</tr>
<tr>
<td>UK-6 Exposures to regional governments, MDB, PSE not treated as sovereigns</td>
<td>696,583</td>
<td>761,459</td>
</tr>
<tr>
<td>UK-7 Institutions</td>
<td>19,514</td>
<td>58,809</td>
</tr>
<tr>
<td>UK-8 Secured by mortgages of immovable properties</td>
<td>160,841</td>
<td>122,668</td>
</tr>
<tr>
<td>Items associated with particularly high risk</td>
<td>1,950</td>
<td>5,114</td>
</tr>
<tr>
<td>UK-11 Exposures in default</td>
<td>142</td>
<td>154</td>
</tr>
<tr>
<td>UK-12 Other exposures</td>
<td>945</td>
<td>628</td>
</tr>
</tbody>
</table>
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.

The Board

In addition to the above, 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. As follows:

- 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 COVID-19 and 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:
• 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 Recovery Plan and recommended these for approval by the Board;
• Monitored compliance with legislation, regulation and internal policy;
• Focused on Business Risks (including the impact of COVID-19), 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 "whistleblowers' 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, and overseeing whistleblowing policies and procedures. 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 Independent Non-Executive Director (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, 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; and
• The Pillar 3 report.

Internal 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:
• 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:

- 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 on all of the Bank’s stakeholders.

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 and Second Line of Defence activities (1LOD and 2LOD).

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:

### Principal Risks
- Strategic
- Credit
- Prudential
- Operational
- Conduct
- Financial Crime
- Group
- Information Security
- Climate

### Legal and Regulatory
- Prudential Regulation Authority
- Financial Conduct Authority
- Consumer Credit Act
- General Data Protection Regulation
- The Foreign Account Tax Compliance Act/Common Reporting Standard
- Senior Managers Regime

### How do we manage risks and compliance given the business objectives?

1. **Risk Appetite and Risk Strategy**
   - Risk Appetite Framework
   - Risk Appetite Statement(s)
   - Business Plan and Strategy
   - Risk Culture

2. **Risk Architecture**
   - Governance and Committee structure
   - Three lines of defence (3LOD)
   - Risk resourcing, risk systems
   - Reporting and escalation

3. **Risk Protocols**
   - Policies
   - Procedures
   - Mandates/segregation
   - Controls/checks
   - Risk and Control
   - Self Assessment
   - Business quality
   - Projects/change

   - Data, Reporting, Key Risk Indicators, Limits
   - Risk Data Aggregation/Portfolio Analysis
   - Stress testing: Internal Capital Adequacy Assessment Process, Internal Liquidity Adequacy Assessment, Recovery and Resolution Plan

---

### How do we provide oversight and assurance on risk management and compliance?

4. **Second Line - risk oversight**

5. **Third line - independent assurance**
The RMF includes the three lines of defence model 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, to within tolerances or limits;
- To act in an “early warning” role in terms of ongoing client relationship management;
- Identify, measure, control and monitor risks within each area of the business, reporting, management and escalation of incidents and to evidence control;
- As part of the controls, the 1LOD needs 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 defence – 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 risk management framework (RMF) and 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.
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)

<table>
<thead>
<tr>
<th></th>
<th>Performing exposures</th>
<th>Non-performing exposures</th>
<th>Accumulated impairment and provisions</th>
<th>Accumulated partial write-off</th>
<th>Collateral and financial guarantees received</th>
</tr>
</thead>
<tbody>
<tr>
<td>005 Cash balances at central banks and other demand deposits</td>
<td>612,579</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>010 Loans and advances</td>
<td>162,933</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>060 Non financial corporations</td>
<td>162,933</td>
<td>-</td>
<td>1,078</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>090 Debt securities</td>
<td>779,441</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>120 Credit institutions</td>
<td>779,441</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other items</td>
<td>945</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>150 Off-balance sheet exposures</td>
<td>22,224</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>200 Non financial corporations</td>
<td>22,224</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>220 Total</td>
<td>1,578,122</td>
<td>-</td>
<td>1,078</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

Maturity of exposures

(Template UK CR1-A)

<table>
<thead>
<tr>
<th></th>
<th>On demand</th>
<th>&lt;= 1 year</th>
<th>&gt;1 year - &lt;=5 years</th>
<th>&gt; 5 years</th>
<th>No stated maturity</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Loans and advances</td>
<td>-</td>
<td>7,543</td>
<td>28,820</td>
<td>126,570</td>
<td>-</td>
<td>162,933</td>
</tr>
<tr>
<td>2 Debt securities</td>
<td>-</td>
<td>108,281</td>
<td>633,177</td>
<td>37,983</td>
<td>-</td>
<td>779,441</td>
</tr>
<tr>
<td>3 Total</td>
<td>-</td>
<td>115,824</td>
<td>661,997</td>
<td>164,553</td>
<td>-</td>
<td>942,374</td>
</tr>
</tbody>
</table>

Treasury assets
Treasury counterparties are reviewed and approved by the Asset-Liability Committee (ALCo) in accordance with policies and criteria approved by the Board. The Bank sets criteria which 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 £14m and £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:

<table>
<thead>
<tr>
<th>Listed:</th>
<th>Book Value £000</th>
<th>Market Value £000</th>
<th>Book Value £000</th>
<th>Market Value £000</th>
</tr>
</thead>
<tbody>
<tr>
<td>UK Government</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Multilateral financial institutions</td>
<td>679,925</td>
<td>663,350</td>
<td>758,564</td>
<td>760,657</td>
</tr>
<tr>
<td>Fixed coupon corporate bonds</td>
<td>23,723</td>
<td>22,508</td>
<td>24,093</td>
<td>24,399</td>
</tr>
<tr>
<td>Floating rate corporate bonds</td>
<td>63,497</td>
<td>63,978</td>
<td>83,398</td>
<td>84,458</td>
</tr>
<tr>
<td></td>
<td>767,145</td>
<td>749,836</td>
<td>866,055</td>
<td>869,514</td>
</tr>
</tbody>
</table>

Unlisted:

| Certificates of deposit                               | 10,000          | 9,922             | 19,821          | 19,983            |
| Debt securities                                       | 777,145         | 759,758           | 885,876         | 889,497           |
| Balances at Bank of England                           | 602,553         | 602,553           | 417,756         | 417,756           |
| Loans and advances to banks                           | 7,471           | 7,471             | 7,897           | 7,897             |
|                                                      | 1,387,169       | 1,369,782         | 1,311,529       | 1,315,150         |
| Loans and advances to customers                       | 160,407         | 160,407           | 124,506         | 124,506           |
| Other assets                                          | 8,468           | 8,468             | 5,261           | 5,261             |
|                                                      | 1,556,044       | 1,538,657         | 1,441,296       | 1,444,917         |

Encumbered assets:

| Other assets                                          | 404             | 404               | 367             | 367               |
|                                                      | 3,617           | 3,617             | 2,662           | 2,662             |
| Unencumbered assets                                   | 1,552,427       | 1,535,040         | 1,438,634       | 1,442,255         |

All treasury asset exposures are to financial institutions and are not secured by collateral. No treasury assets were impaired at 30th April 2022 and none were in default or written off during the reporting period.

Treasury assets by credit rating:

<table>
<thead>
<tr>
<th>Category (Fitch equivalent lowest credit rating)</th>
<th>2022</th>
<th>% of Book £000</th>
<th>2021</th>
<th>% of Book £000</th>
</tr>
</thead>
<tbody>
<tr>
<td>UK Government</td>
<td>602,553</td>
<td>43.44%</td>
<td>417,756</td>
<td>31.85%</td>
</tr>
<tr>
<td>AAA</td>
<td>740,515</td>
<td>53.38%</td>
<td>752,985</td>
<td>57.41%</td>
</tr>
<tr>
<td>AA+</td>
<td>26,631</td>
<td>1.92%</td>
<td>83,071</td>
<td>6.33%</td>
</tr>
<tr>
<td>AA-</td>
<td>5,401</td>
<td>0.39%</td>
<td>25,485</td>
<td>1.94%</td>
</tr>
<tr>
<td>A+</td>
<td>2,069</td>
<td>0.15%</td>
<td>22,351</td>
<td>1.70%</td>
</tr>
<tr>
<td>A</td>
<td>10,000</td>
<td>0.72%</td>
<td>9,881</td>
<td>0.75%</td>
</tr>
<tr>
<td></td>
<td>1,387,169</td>
<td>100.00%</td>
<td>1,311,529</td>
<td>100.00%</td>
</tr>
</tbody>
</table>
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 2022, the largest loan was £7m (2020/21: £4.8m). The maximum aggregate exposures to any one sector (Social Housing) and geographical area were 60% and 31% respectively (2020/21: 53% and 29% 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 £902k has been made at 30 April 2022 reflecting losses that have been incurred but not yet identified (2020/21: £802k) and £176k has been provided for specific loan provisions (2020/21: £1,376k). No overdrafts were written off during the year (2020/21: nil). One loan was in arrears at 30 April 2022 (2020/21: one).

As at 30 April 2022 the average loan to value ratio across the lending portfolio was 53% (2020/21: 53%).

<table>
<thead>
<tr>
<th>LTV Range</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;=10%</td>
<td>£1,212,396</td>
</tr>
<tr>
<td>&lt;=20%</td>
<td>£6,759,159</td>
</tr>
<tr>
<td>&lt;=30%</td>
<td>£10,414,614</td>
</tr>
<tr>
<td>&lt;=40%</td>
<td>£11,352,820</td>
</tr>
<tr>
<td>&lt;=50%</td>
<td>£44,144,759</td>
</tr>
<tr>
<td>&lt;=60%</td>
<td>£28,124,452</td>
</tr>
<tr>
<td>&lt;=70%</td>
<td>£25,824,354</td>
</tr>
<tr>
<td>&lt;=80%</td>
<td>£28,988,386</td>
</tr>
<tr>
<td>&lt;=90%</td>
<td>£5,618,180</td>
</tr>
<tr>
<td>&lt;=100%</td>
<td>£0</td>
</tr>
<tr>
<td>Unsecured</td>
<td>£0</td>
</tr>
<tr>
<td>Totals</td>
<td>£162,439,119</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Category</th>
<th>2022</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross loans and advances to customers (Note 10)</td>
<td>162,932</td>
<td>127,937</td>
</tr>
<tr>
<td>Undrawn overdraft and loan commitments (Note 13)</td>
<td>22,608</td>
<td>36,779</td>
</tr>
<tr>
<td>Amounts included within the above</td>
<td>185,540</td>
<td>164,716</td>
</tr>
<tr>
<td>Secured on property</td>
<td>185,540</td>
<td>164,716</td>
</tr>
<tr>
<td>Unsecured:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loans</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Overdrafts</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Totals</td>
<td>185,540</td>
<td>164,716</td>
</tr>
</tbody>
</table>
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.

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 £1,279m (2020/21: £1,174m), 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.

<table>
<thead>
<tr>
<th></th>
<th>2022 Book Value £000</th>
<th>2021 Book Value £000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balances at Bank of England</td>
<td>599,340</td>
<td>415,462</td>
</tr>
<tr>
<td>UK Government</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Multilateral financial institutions</td>
<td>679,925</td>
<td>758,564</td>
</tr>
<tr>
<td></td>
<td><strong>1,279,265</strong></td>
<td><strong>1,174,026</strong></td>
</tr>
</tbody>
</table>
### Liquidity Coverage Ratio

*(Template LIQ1)*

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

---

**RISK MANAGEMENT FRAMEWORK**

CAF Bank Ltd | Pillar 3 disclosure
### Net Stable Funding Ratio
*(Template LIQ2)*

<table>
<thead>
<tr>
<th>Available Stable Funding</th>
<th>Unweighted value by residual maturity</th>
<th>Total weighted value</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No maturity</td>
<td>&lt; 6 mths</td>
</tr>
<tr>
<td>eregulatory Capital</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>4 Retail deposits and deposits from small business customers</td>
<td>1,508,937</td>
<td>-</td>
</tr>
<tr>
<td>5 Stable retail deposits</td>
<td>593,499</td>
<td>-</td>
</tr>
<tr>
<td>6 Other retail deposits</td>
<td>915,438</td>
<td>-</td>
</tr>
<tr>
<td>11 All Other liabilities</td>
<td>10,346</td>
<td>-</td>
</tr>
<tr>
<td>14 <strong>Total Available Stable Funding</strong></td>
<td>1,519,283</td>
<td>-</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Required Stable Funding</th>
<th>Unweighted value by residual maturity</th>
<th>Total weighted value</th>
</tr>
</thead>
<tbody>
<tr>
<td>15 Total NSFR high quality liquid assets (HQLA)</td>
<td>572,709</td>
<td>29,844</td>
</tr>
<tr>
<td>17 Performing loans and securities</td>
<td>-</td>
<td>15,320</td>
</tr>
<tr>
<td>24 Securities that are not in default and do not qualify as HQLA</td>
<td>-</td>
<td>15,320</td>
</tr>
<tr>
<td>31 Other assets</td>
<td>14,466</td>
<td>991</td>
</tr>
<tr>
<td>32 Off Balance Sheet items</td>
<td>35,296</td>
<td>-</td>
</tr>
<tr>
<td>33 <strong>Total Required Stable Funding</strong></td>
<td>572,709</td>
<td>94,926</td>
</tr>
<tr>
<td>34 Net Stable Funding Ratio (%)</td>
<td>804%</td>
<td></td>
</tr>
</tbody>
</table>

---

**RISK MANAGEMENT FRAMEWORK**
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.

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 in to time bandings:

<table>
<thead>
<tr>
<th>Current accounts</th>
<th>2-3 years</th>
<th>1-2 years</th>
<th>6-12 months</th>
</tr>
</thead>
<tbody>
<tr>
<td>£0–£249,999</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>£250,000–£999,999</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Over £1m</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Assets and liabilities analysed by interest rate pricing time periods:

<table>
<thead>
<tr>
<th>As at 30 April 2022</th>
<th>Next day £000</th>
<th>Up to 3 months £000</th>
<th>3 months to 6 months £000</th>
<th>6 months to 1 year £000</th>
<th>1 year to 5 years £000</th>
<th>Over 5 years £000</th>
<th>Other items £000</th>
<th>Total £000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balances at Bank of England</td>
<td>599,340</td>
<td>3,213</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>602,553</td>
</tr>
<tr>
<td>Loans and advances to banks (Note 9)</td>
<td>7,471</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>7,471</td>
</tr>
<tr>
<td>Loans and advances to customers (Note 10)</td>
<td>145,065</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>160,407</td>
</tr>
<tr>
<td>Debt securities (Note 11)</td>
<td></td>
<td>266,297</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>777,145</td>
</tr>
<tr>
<td>Prepayments and accrued income</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>3,792</td>
</tr>
<tr>
<td>Intangible Assets (Note 12)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>4,676</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>751,876</td>
<td>269,510</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1,556,044</td>
</tr>
<tr>
<td><strong>Liabilities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Customer accounts (Note 13)</td>
<td>800,165</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1,508,937</td>
</tr>
<tr>
<td>Other liabilities (Note 14)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>4,178</td>
</tr>
<tr>
<td>Shareholders’ funds (Note 16)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>42,929</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td>800,165</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1,556,044</td>
</tr>
<tr>
<td><strong>Interest rate sensitivity gap</strong></td>
<td>(48,289)</td>
<td>269,510</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1,556,044</td>
</tr>
<tr>
<td>Impact of 2% change in interest rates</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>826</td>
</tr>
</tbody>
</table>
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 firms.
- 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.

### IRRBB

*Template IRRBB1*

<table>
<thead>
<tr>
<th>Scenario</th>
<th>ΔEVE</th>
<th>ΔNII</th>
</tr>
</thead>
<tbody>
<tr>
<td>T01 Parallel Shock Up</td>
<td>1,460</td>
<td>1,333</td>
</tr>
<tr>
<td>T02 Parallel Shock Down</td>
<td>18</td>
<td>(5,349)</td>
</tr>
<tr>
<td>T03 Steepener Shock</td>
<td>881</td>
<td>(63)</td>
</tr>
<tr>
<td>T04 Flattener Shock</td>
<td>805</td>
<td>(200)</td>
</tr>
<tr>
<td>T05 Short Rates Shock Up</td>
<td>703</td>
<td>(228)</td>
</tr>
<tr>
<td>T06 Short Rates Shock Down</td>
<td>952</td>
<td>22</td>
</tr>
<tr>
<td>T07 Maximum</td>
<td>1,460</td>
<td>(5,349)</td>
</tr>
<tr>
<td>T08 Tier 1 Capital</td>
<td>38,253</td>
<td>40,095</td>
</tr>
</tbody>
</table>

### 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.

Having adequate operational resilience improves our ability to absorb and not contribute to, or exacerbate shocks while continuing to provide critical functions.

During the year ended 30 April 2022 operational losses totalled £12k (2020/21: £17k).

CAF Bank uses the Basic Indicator Approach (BIA) to assess operational risk capital requirements which is calculated as 15% of the average net income over the previous 3 years.

As at 30 April 2022, the Bank’s Pillar 1 capital requirement under the BIA for Operational Risk is £1.8m (2021 £1.8m).

### Operational risk own funds requirements and risk-weighted exposure amounts

*Template UK OR1*

<table>
<thead>
<tr>
<th>Year</th>
<th>Relevant indicator</th>
<th>Own funds requirement</th>
<th>Risk weighted exposure amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>3</td>
<td>£000</td>
<td>£000</td>
<td>£000</td>
</tr>
<tr>
<td>2</td>
<td>£000</td>
<td>£000</td>
<td>£000</td>
</tr>
<tr>
<td>1</td>
<td>£000</td>
<td>£000</td>
<td>£000</td>
</tr>
</tbody>
</table>

Banking activities subject to basic indicator approach Year ending 20 April 2022

<table>
<thead>
<tr>
<th>Year</th>
<th>£000</th>
</tr>
</thead>
<tbody>
<tr>
<td>3</td>
<td>11,610</td>
</tr>
<tr>
<td>2</td>
<td>11,211</td>
</tr>
<tr>
<td>1</td>
<td>12,696</td>
</tr>
<tr>
<td></td>
<td>1,776</td>
</tr>
<tr>
<td></td>
<td>22,199</td>
</tr>
</tbody>
</table>
Operational Resilience
The Bank has continued to develop and enhance its Operational Resilience 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 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 ‘know your customer’ reviews in line with industry practice.

Bank losses to fraud in the year ended 30 April 2022 were £48k (2020/21: £43k).

Conduct Risk
The risk of poor customer outcomes at any stage of the customer journey, through inappropriate execution of the Bank’s activities and processes. This could include, poor staff behaviours, a breach of the conduct rules and a poor culture, which could cause detriment to customers, the Bank or staff members.
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 2021/22 is shown in the table below.

<table>
<thead>
<tr>
<th>Remuneration awarded for the financial year</th>
<th>Total</th>
<th>Senior Management Functions (SMF)</th>
<th>Other CAF Bank material risk takers</th>
<th>Identified Staff</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of identified staff</td>
<td>29</td>
<td>5</td>
<td>12</td>
<td>12</td>
</tr>
<tr>
<td>Total fixed remuneration (£000)</td>
<td>2,617,446</td>
<td>832,038</td>
<td>821,086</td>
<td>964,322</td>
</tr>
<tr>
<td>Number of identified staff</td>
<td>29</td>
<td>5</td>
<td>12</td>
<td>12</td>
</tr>
<tr>
<td>Total variable remuneration (£000)</td>
<td>22,005</td>
<td></td>
<td>22,005</td>
<td>-</td>
</tr>
<tr>
<td>Total remuneration (£000)</td>
<td>2,639,451</td>
<td>832,038</td>
<td>843,091</td>
<td>964,322</td>
</tr>
</tbody>
</table>

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 141 staff assigned wholly to CAF Bank in the financial year 2021/22 was £6,807k. 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


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 2021 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.
Company Registration No: 1837656 (England and Wales)