CHETWOOD
FINANCIAL LIMITED

Pillar 3 Disclosures

October 2022

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1 Attestation

I confirm that these disclosures meet the minimum requirements for Pillar 3 disclosures and have been prepared in line with our internal controls framework.

Simon Allsop CFO	Chris Daniels CRO

2 Introduction

2.1 Overview

This document provides the Pillar 3 disclosures on capital and risk management and remuneration required of Chetwood Financial Limited as at 31 March 2022.

Chetwood Financial Limited is authorised by the Prudential Regulation Authority ('PRA') and regulated by the PRA and the Financial Conduct Authority ('FCA'), registration number 740551.

The purpose of this document is to provide useful information on the capital and risk profile of Chetwood Financial Limited.

From 1 January 2021, Chetwood is required to comply with the onshored Capital Requirements Regulations (CRR) and associated onshored binding technical standards which were created by the European Union (Withdrawal) Act 2018 and amending statutory instruments, referred to as "UK CRR''. This document has been prepared to comply with the Disclosure (CRR) Part of the PRA Rulebook which was incorporated into the PRA Rulebook from 1 January 2022.

Chetwood meets the definition of a 'small and non-complex institution' and is therefore subject to proportional disclosure requirements in accordance with Article 433c of the Disclosure (CRR) Part of the PRA Rulebook.

On 1 March 2022 Chetwood Financial Limited acquired 100% of the share capital of Yobota Limited, a group company. For the 2022 year-end both entities are consolidated for accounting purposes, under International Financial Reporting Standards ("IFRS"). Following the purchase, Chetwood applied to incorporate the entity in its capital calculations under Article 6(1) of the CRR and the PRA granted this permission. In accordance with this ruling, the 2022 numbers throughout this report are those of the consolidated Chetwood group. Prior year comparatives relate to Chetwood Financial Limited solo entity only. This document should be read in conjunction with the annual report and financial statements for the period ended 31 March 2022.

2.2 Summary Analysis

A high-level summary of the key capital ratios for Chetwood Financial Ltd as at 31 March 2022 is provided below:

	31 March 2022 (£m)	31 March 2021 (£m)
Available capital		
Common Equity Tier 1 capital	57.6	50.6
Tier 1 capital	57.6	50.6
Total capital	57.6	50.6
Risk weighted assets		
Total risk weighted assets	196.8	179.0
Capital ratios		
Common Equity Tier 1 ratio	29%	28%
Tier 1 ratio	29%	28%
Total Capital ratio	29%	28%
Additional CET1 buffer requirements		
Capital conservation buffer	2.5%	2.5%
Countercyclical capital buffer	0%	0%
Total of CET1 specific buffer requirements	2.5%	2.5%
Leverage ratio		
Leverage ratio exposure measure	394.7	216.4
Leverage ratio	15%	23%
Liquidity coverage ratio		
Liquidity coverage ratio	4,823%	51,086%

Chetwood has no additional Tier 1 capital or Tier 2 capital and, as such, there is no difference between the CET1 capital ratio, the Tier 1 capital ratio and the total capital ratio.

2.3 Disclosure Policy

The following sets out a summary of the Company's Pillar 3 disclosure policy, including basis of preparation, frequency, media and location, verification and risk profile disclosure.

2.3.1 Basis of Preparation

This document sets out the disclosures in accordance with Article 433c of the Disclosure (CRR) Part of the PRA Rulebook. No material disclosures have been omitted and nor have any disclosures been omitted from this document for confidentiality purposes.

A number of differences exist between accounting disclosures published in accordance with International Financial Reporting Standards (IFRS) and Pillar 3 disclosures published in accordance with prudential requirements, which prevent direct comparison in a number of areas.

2.3.2 Frequency, Media and Location of Disclosures

The Company's policy is to publish the Pillar 3 disclosures on an annual basis in conjunction with the annual report and financial statements. The Pillar 3 disclosures are published on the Company's website www.chetwood.co.

The frequency of disclosure will be reviewed should there be a material change in any approach used for the calculation of capital, business structure or regulatory requirements.

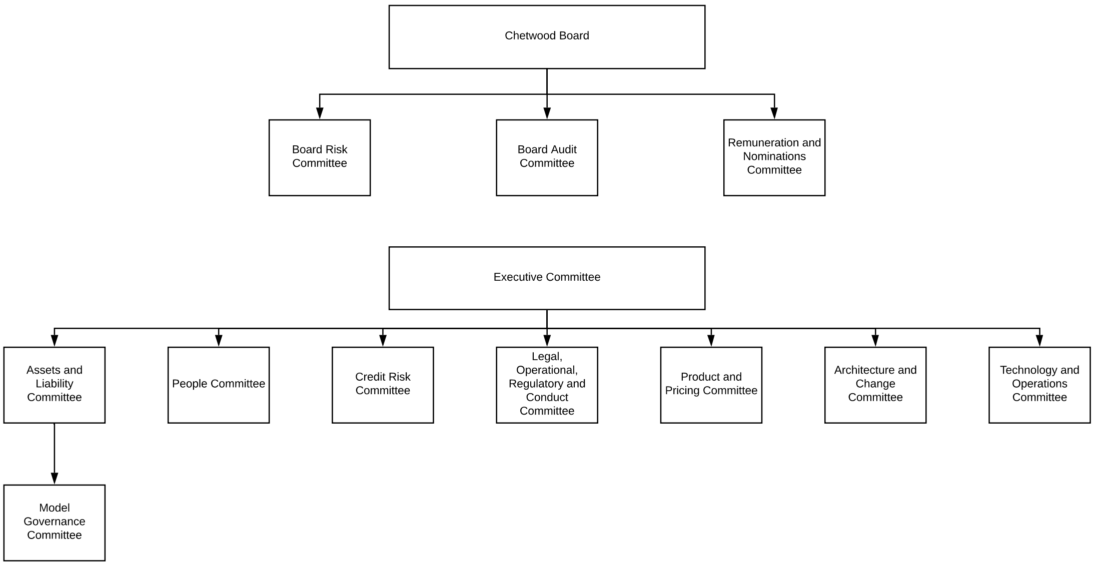
2.3.3 Verification

The Pillar 3 disclosures presented within this document are not required to be subject to an external audit. Instead, the disclosures have been reviewed and approved by the board of directors, following attestations from Finance and Risk directors, who are satisfied that the disclosures accurately and comprehensively describe the Company's risk profile.

3 Governance

Chetwood's Board is the primary governing body and is responsible to the shareholders for delivering the strategy of the Bank. It has ultimate responsibility for setting the Bank's strategy, corporate objectives and enterprise risk management framework, taking into consideration the interests of customers and shareholders.

The Board is supported by a number of non-executive and executive level committees, summarised as follows:



3.1 Board Level Committees

The Board is supported by sub-committees with delegated authority, as follows:

- Board Risk Committee: provide oversight and advice to the Board in relation to current and potential future risk exposures of the Group, including determination of risk appetite and tolerance. Throughout the year the Board Risk Committee has undertaken an assessment of the principal risks facing the Company and has reviewed reports from the CRO and risk function regarding the processes for the management and mitigation of those risks. The Risk Committee confirms through its regular review of the risk profile of the Company, the adequacy and effectiveness of the Company's risk management and internal control arrangements for the year. On the basis of its own review the Board considers that it has in place adequate systems and controls with regard to the Company's profile and strategy

- Board Audit Committee: responsible for reviewing the effectiveness of the internal financial controls and monitoring the integrity of financial reporting, including oversight of internal and external audits. Delegated responsibility for identifying and managing any whistleblowing events.

- Remuneration and Nominations Committee: responsible for setting remuneration and key people policies, for recruitment of senior Executives, succession planning for Executives and consideration of performance and reward systems

3.2 Executive Level Committees

In addition, the Executive Committee has established the following committees responsible for ensuring that risks are appropriately managed:

- Asset and Liability Committee (ALCO) Oversight of balance sheet management including capital and liquidity adequacy together with its attendant risks.
- Model Governance Committee (MGC) Oversight of the effective operation of the model risk framework.
- Credit Risk Committee (CRC) Reviews portfolio monitoring reports to ensure the performance and quality of credit across each individual lending cohort remains within agreed risk appetite limits. Reviews arrears management and provisioning policy (ahead of ratification by the BAC), as well as performance monitoring of the out-sourced service provider of arrears management services.
- Legal, Operational, Regulatory and Conduct Committee (LORC) Oversight of effective operation of the risk management framework, including conduct risk.
- Architecture and Change Committee (ACC) – Identify and ensure all change is effectively implemented within the business, with appropriate control. Prioritise and track status across all change projects.
- Product & Pricing Committee (PPC) – Oversight of all aspects of product initiation, development, maintenance, review and pricing, with a particular emphasis on up-front and ongoing customer research and pricing strategies.
- People Committee (PC) Oversight of strategic people matters, recruitment, succession planning, remuneration, performance and HR operations.
- Technology & Operations Committee (TOC)– Oversight of all aspects of operations, including capacity, stability, operational metrics and operational risk, including complaint handling. Additionally, the committee has responsibility for identification and management of Cyber Risk.

The Board looks to senior management to ensure that the risk management framework and risk governance structure is applied in practice and operates robustly.

The diagram below illustrates Chetwood's current risk management structure with committees in place to ensure that risks are appropriately managed within the agreed risk appetite and in accordance with the requirements of the risk management framework.

<table>
<tr><th rowspan="2">Oversight</th><th colspan="4">Board</th></tr>
<tr><th colspan="3">Board Risk Committee</th><th></th></tr>
<tr><th>Risk Category</th><th>First Line</th><th>Oversight</th><th>Second Line</th><th>Third Line</th></tr>
<tr><td>Strategic Risk</td><td>Executive Committee and Senior Managers</td><td>Executive Committee</td><td>CRO</td><td rowspan="11">Internal Audit</td></tr>
<tr><td>Capital Risk</td><td>Finance</td><td>Asset and Liability Committee (ALCO)</td><td>CRO</td></tr>
<tr><td>Liquidity Risk</td><td>Finance</td><td>Asset and Liability Committee (ALCO)</td><td>CRO</td></tr>
<tr><td>Market Risk</td><td>Finance</td><td>Asset and Liability Committee (ALCO)</td><td>CRO</td></tr>
<tr><td>Model Risk</td><td>Finance</td><td>Model Risk Committee (delegated through ALCO)</td><td>CRO</td></tr>
<tr><td>Credit Risk</td><td>Credit management in operational areas</td><td>Credit Risk Committee</td><td>Credit Risk</td></tr>
<tr><td>Operational Risk</td><td>All business areas and Technical and Operations Committee (TOC)</td><td>Legal, Operational, Regulatory and Conduct Committee (LORC)</td><td>Operational Risk</td></tr>
<tr><td>Conduct Risk</td><td>All business areas</td><td>Legal, Operational, Regulatory and Conduct Committee (LORC)</td><td>Compliance</td></tr>
<tr><td>Regulatory Risk</td><td>All business areas</td><td>Legal, Operational, Regulatory and Conduct Committee (LORC)</td><td>Compliance</td></tr>
<tr><td>Financial Crime Risk</td><td>All business areas</td><td>Legal, Operational, Regulatory and Conduct Committee (LORC)</td><td>Fraud and Financial Crime</td></tr>
<tr><td>Reputational Risk</td><td>All business areas</td><td>Legal, Operational, Regulatory and Conduct Committee (LORC)</td><td>Operational Risk</td></tr>
</table>

4 Risk Management

Risk is defined in Chetwood as any unexpected future event that could damage the Bank's ability to achieve its strategic, financial or overall business objectives, including damage to earnings capacity, capital positioning, business reputation, cash flows, or result in poor customer outcomes.

Risk taking is fundamental to Chetwood's business profile and hence prudent risk management, limitation and mitigation form an integral part of the Bank's governance structure

4.1 Framework

Chetwood's approach to risk management uses a number of interconnected frameworks creating an Enterprise Risk Management Framework (ERMF) which sets out the Bank's approach to the identification, assessment and management of risk.

The ERMF comprises:

- The Risk Appetite Statement
- A Risk Management Framework (including policies and supporting documentation) together with independent governance and oversight of risk under the Chief Risk Officer
- Articulation of the principal risks as above
- Stress testing of various scenarios

The ERMF is the Bank's highest-level risk framework where the Board sets out the governance of individual risk policies, processes, skills and systems required by Chetwood to effectively manage risk, in compliance with applicable laws and regulations, in particular, the regulations set by the Prudential Regulation Authority and the Financial Conduct Authority.

The application of the risk frameworks includes all material risk types facing the Company and comprises risk management strategy, governance and escalation, risk operating model, risk management processes, monitoring and reporting and risk culture.

<table>
<tr><th colspan="11">Chetwood Risk Management Strategy</th></tr>
<tr><th colspan="11">Risk Management Framework Components</th></tr>
<tr><td>Governance</td><td>3 Lines of Defence</td><td>Risk Appetite</td><td>Risk Function</td><td>Policies</td><td colspan="2">Identification</td><td>Risk Assessment</td><td colspan="2">Control Testing</td><td>Monitoring and Reporting</td></tr>
<tr><td rowspan="4">Risk Processes</td><td colspan="10">Risk Appetite</td></tr>
<tr><td colspan="10">Internal Capital Adequacy Assessment Process (ICAAP)</td></tr>
<tr><td colspan="10">Internal Liquidity Adequacy Assessment Process (ILAAP)</td></tr>
<tr><td colspan="10">Recovery Planning</td></tr>
<tr><th colspan="11">Principal Risks</th></tr>
<tr><td>Strategic</td><td>Capital</td><td>Liquidity</td><td>Market</td><td>Credit</td><td>Operational (incl Outsourcing and IT Risk)</td><td>Model Risk</td><td>Conduct</td><td>Regulatory</td><td>Financial Crime</td><td>Reputational</td></tr>
</table>

The responsibility for identifying and managing the risks of the business rests with the business functions. The Board has ultimate responsibility for overseeing the Company's strategy, risk appetite and control framework. The Board considers Chetwood has in place adequate risk management and controls with regard to the Company's risk profile.

4.2 Risk Culture

Underpinning the effectiveness of the ERMF is a strong risk culture which sets the tone for the Company, influencing the risk consciousness of employees as they conduct their daily activities and pursue business objectives. Chetwood's strong risk culture ensures that current and potential risks are a key consideration in all decisions and that risk management is embedded in all of our processes.

4.3 Risk Operating Model

Chetwood employs a 'Three Lines of Defence' model which defines clear responsibilities and accountabilities, thereby ensuring effective independent assurance over key business activities.

Line	Business Function	Description
First Line of Defence	Operational Business Unit	The Operational Business Units are responsible for identifying, assessing and managing risks and controls related to their own business line activities on a day-to-day basis. First line colleagues operate the business in accordance with the risk management framework and ensure that its requirements are translated into effective operating processes.
Second Line of Defence	Risk and Compliance Functions	Risk and Compliance functions are responsible for the development of the risk framework and supporting policy framework which sets out Chetwood's approach to managing risks, and for the provision of independent oversight and challenge. Risk reports are provided to ExCo and Board Risk Committee. Chetwood's Risk and Compliance function operates independently and reports to the Chief Risk Officer.
Third Line of Defence	Internal Audit	The Internal Audit Function provides independent assurance over the adequacy of the first- and second-line activities in relation to all aspects of the business including the effectiveness of the risk management practices and internal controls. The function is outsourced to PWC and reports directly to the Board via the Board Audit Committee.

4.4 Risk Strategy

Chetwood's risk appetite is formulated to support and maintain financial soundness, confidence from stakeholders and operational resilience. This will ensure that the following strategic risk objectives are met:

- Fair outcomes for customers by designing and selling clear and transparent products that consistently meet customer needs;
- A positive reputation and confidence amongst all its stakeholders including customers, employees, distribution partners, investors and regulators;
- Sustainability and on-going viability through effective capital and liquidity management;
- Operational stability and resilience including through our third-party providers; and
- Manage the risk appetite in line with our strategic plan and direction.

Chetwood's risk strategy actively selects customers, products and policies to deliver an acceptable risk adjusted level of return.

Chetwood has adopted a selective approach to the formulation of its risk appetite, designing out risk from a number of areas of the business, thus creating headroom to deploy its risk appetite in strategically relevant parts of the business, namely credit and operational risk, directly connected with delivering smooth digital customer journeys.

Chetwood will also seek out and deploy new and innovative solutions that will help to optimise risk management, such as artificial intelligence solutions within credit assessment or 'regtech' solutions across our risk framework.

4.5 Risk Appetite

Chetwood's Risk Appetite Framework is the overarching structure through which we set individual risk appetites for each principal risk. It also sets out how we monitor performance against risk appetite.

The risk appetite framework comprises the following:

- Overarching Risk Appetite Statement. This is the primary statement outlining our approach to risk-taking in pursuit of our business strategy;
- Individual Risk Appetite Statements. The articulation of the type and level of specific risks that we are willing to take, tolerate or avoid (for each Principal Risk);
- Risk Capacity assessment metrics, limits and tolerances. The maximum level of risk we can assume before breaching constraints determined by regulatory capital or liquidity needs;
- Risk quantitative or qualitative measures that allocate our aggregate risk appetite statements to individual business activities. These may be expressed in terms of minimising (those risks we should avoid), maximising (those risks we like to take), or optimising (those risks we should tolerate and control);
- Risk Profile assessment. The point in time assessment of our risk exposures.

Alongside this definition of our risk appetite framework Chetwood recognises that to truly embed risk appetite within the organisation it is and will remain committed to hire and retain appropriately skilled people, in the right roles (and structure), which put in place processes and policies that:

- Set the strategic plan and objectives as well as the risk strategy and risk capacity;
- Articulate and cascade risk appetite statements and limits, giving due regard to stress testing outputs;
- Monitor and report risk profile versus appetite; and
- Control and correct the risk profile should it deviate from appetite and reassess the risk appetite or strategy (should the need arise) in the light of changes in the business, competitive or control environments.

A full articulation of Chetwood's Risk Appetite is provided in Annex A.

4.6 Key and Emerging Risk Register

Chetwood's key risks are current, emerged risks that have arisen across any of the risk categories and have the potential to have a material impact on the Company's financial position, reputation, or on the sustainability of the business model and which may form and crystallise within a year. 'Emerging risks' are those with potentially significant, but uncertain, outcomes which may form and crystallise beyond a one-year horizon, and which could have a material impact on Chetwood's ability to achieve its long-term strategy.

The identification and monitoring of these risks is integral to the risk management framework and informs business planning activities. It also ensures that risk strategies and activities are appropriately focused upon addressing these concerns.

4.7 Stress Testing and Scenario Analysis

Chetwood recognises the importance of stress testing as a key risk management tool and its robust stress testing approach enables the Company to assess its risk appetite under expected and stressed operating conditions. Both regulatory and in-house stress scenarios are conducted by Chetwood. Stress testing enables an informed understanding and appreciation of Chetwood's capacity and resilience to withstand shocks of varying severity. Additionally, stress testing is a key tool in assisting the business in strategic and capital planning and is critical in assessing the capital and liquidity requirements for the Company's ICAAP and ILAAP.

Scenario analysis focuses on those events that are extreme, but plausible. The objective of scenario analysis is to determine, through qualitative means (i.e. business experience, knowledge and judgement), the potential impact of low frequency, high impact events. The results of the scenario analysis are reported to the BRC and form a key input into determining whether the capital requirements that have been defined are sufficient and whether risk appetite has been set at the appropriate level. Scenario analyses based on quantitative assessments are also conducted where there is a wealth of market data, such as the assessment of the Company's interest risk in the banking book (IRRBB).

4.8 Compliance and Customer Outcome Testing

The Compliance Framework is used to provide assurance to the Board, Executive Committee (ExCo) and senior management on the adequacy of policies, procedures, systems and controls to ensure compliance with Chetwood's obligations under the regulatory system.

A risk-based compliance monitoring plan is prepared on an annual basis, outlining both the thematic and on-going monitoring activity that will be undertaken in the following 12-month period. The compliance monitoring approach considers both quantitative and qualitative metrics to provide assurance over the delivery of fair customer outcomes and focuses activity on the following key areas: customer complaints, responsible lending, arrears and collection activity, mortgage intermediary practices and financial promotions and marketing material.

The Director of Risk and Compliance reviews the monitoring plan on a quarterly basis to ensure that it remains in line with business and regulatory requirements.

5 Capital Resources

5.1 Capital Resources

The regulatory capital resources managed by the Company as at 31 March 2022 are as follows:

Capital resources	31 March 2022 (£'000s)	31 March 2021 (£'000s)
Tier 1		
Ordinary share capital	168,688	113,688
Share premium	2,851	2,851
Retained earnings	(112,766)	(65,823)
Other reserves	7,220	114
Less merger reserve	(770)	
Total Equity	**65,223**	**50,830**
Regulatory deductions	(7,669)	(193)
Total CET1 Capital	**57,554**	**50,637**
Tier 2 eligible capital	0	0
Total Tier 2 Capital	0	0
Total regulatory capital	**57,554**	**50,637**

Current and forecast levels of capital resources are monitored and reviewed by ALCO, the ExCo and the Board on a regular basis. The Group operated above its regulatory capital requirements throughout the period.

The increase in regulatory deductions is driven by the full deduction of software assets from CET1 capital. This follows the PRA's confirmation of the reversal of the beneficial changes to the treatment of software assets that were implemented as part of the EU's response to the Covid-19 pandemic.

5.2 Capital Risk Mitigation

Chetwood's risk appetite is to avoid any situation which gives rise to capital risk, i.e. that it cannot meet its regulatory obligations. Chetwood will maintain sufficient capital to cover its Total Capital Requirement (TCR) set by its regulators, with sufficient surplus to ensure that corrective action can be implemented before capital ratios are threatened.

5.3 Key Capital Risk Metrics

The following risk appetite metrics have been approved by the Board, and monitored on an ongoing basis:

The board has established limits and triggers for the following metrics, against which management closely assess compliance, with monthly reporting to ALCO and the Board Risk Committee.

1. Capital surplus over Overall Capital Requirement (OCR) plus buffers. Chetwood will hold a board defined management and operational buffer over OCR at all points in time

2. Treasury Credit Risk. Chetwood will comply with the large exposure regime at all times, as measured by the percentage of capital held with a singly counterparty.

5.4 The Leverage Ratio

Chetwood calculates a non-risk based leverage ratio as a supplementary measure to the risk-based capital requirements. At 31 March 2022, the leverage ratio stood at 15%.

	31 March 2022 (£'000s)	31 March 2021 (£'000s)
Total assets exposures	392,385	216,331
Adjustments for derivative financial instruments	280	44
Off-balance sheet items with a 20% CCF in accordance with Article 429f CRR	1,993	
Leverage ratio exposure measure	**394,658**	**216,375**

On-balance sheet exposures	400,054	216,524
(Asset amounts deducted in determining Basel III Tier 1 capital)	(7,669)	(193)
Total on-balance sheet exposures (excluding derivatives and SFTs)	**392,385**	**216,331**
Derivative exposures		
Derivatives: Replacement cost under the SA-CCR (without the effect of collateral on net independent collateral amount (NICA))	280	19
Add-on amounts for potential future exposure (PFE)	0	25
Total derivative exposures	**280**	**44**
Securities financing transaction exposures		
Total securities financing transaction exposures	**0**	**0**
Other off-balance sheet exposures		
Off-balance sheet exposure at gross notional amount	1,993	0
Off-balance sheet items	**1,993**	**0**
Capital and total exposures		
Tier 1 capital	**57,554**	**50,637**
Total exposures	**394,658**	**216,375**
Leverage ratio	14.6%	**23.4%**

6 Capital Requirements

6.1 Capital Risk Appetite

Capital Risk is the risk that Chetwood has insufficient capital to cover regulatory requirements and/or the growth plans of the business (which are considered key over the next 12 months). This could arise due to a depletion of capital resources as a result of the crystallization of any of the risks to which the Company is exposed, a failure to secure future capital in the growth stage, or through an increase in risk-weighted assets as a result of rule changes or economic deterioration.

The Chetwood capital management approach is to maintain sufficient and appropriate capital to cover its TCR requirements that are set by our regulators, with sufficient surplus to ensure that corrective action can be implemented before capital ratios are threatened. The Company's capital is actively managed and monitoring capital ratios is a key factor in the planning process and stress testing.

If necessary, balance sheet growth and/or costs will be constrained until such time as the board is comfortable with the forecast capital position.

6.2 Capital Risk Management

The Company's capital planning and management approach establishes a framework for maintaining current and prospective capital at an appropriate level under various scenarios. Current and forecast levels of capital are monitored against the capital risk appetite approved by the Board and reported to ALCO, the ExCo, Board Risk Committee and the Board on a regular basis. The capital forecast forms an integral component of the annual budgeting process and is updated in line with changes to the business plan. The capital forecast incorporates the impact of known forthcoming regulatory changes to ensure that the Company is well positioned to meet them when implemented.

6.3 Pillar 1 Capital Requirements

Chetwood uses the standardised approach for credit risk and the basic indicator approach for operational risk in determining the level of capital to be held for regulatory purposes, which requires total capital of 8% to be set aside for its risk weighted assets under its Pillar 1 assessment.

The following table provides an overview of the overall Pillar 1 minimum capital requirements and risk weighted assets (UK OV1) as at 31 March 2022.

		Risk Weighted Exposure Amounts (RWEAs) (£'000)		Total Own Funds requirements (£'000)
		2022	2021	2022
1	Credit risk (excluding CCR)	181,898	126,942	14,552
2	Of which the standardised approach	181,898	126,942	14,552
6	Counterparty credit risk - CCR	0	450	0
23	Operational risk	14,852	51,595	1,188
UK 23a	Of which basic indicator approach	14,852	51,595	1,188
29	**Total**	**196,750**	**178,987**	**15,740**

6.4 Pillar 2 Capital Requirements

The Pillar 2 requirements – Pillar 2A and Pillar 2B – are set in addition to Pillar 1 requirements to help ensure that institutions hold appropriate levels of capital for the idiosyncratic risks they are exposed to.

Chetwood undertakes an Internal Capital Adequacy Assessment Process (ICAAP) annually, which makes an assessment of all the material risks faced by the Company and determines the level of capital required to be held against each.

The ICAAP includes a number of severe but plausible stress tests developed collaboratively by Chetwood management across a series of workshops, identifying key risk factors within each of the primary risk appetite categories, exploring individual events that could trigger them, and then collating into a set of narratives, including management mitigating actions.

The ICAAP and associated stress testing is subject to detailed review by and challenge by ALCO, and during dedicated workshops with the Board Risk Committee before final approval by the Board.

As part of the Supervisory Review and Evaluation Process (SREP), the PRA have assessed Chetwood's capital adequacy and Chetwood's own assessment of its capital adequacy determined by the ICAAP. Following the SREP, Chetwood has been advised of its additional capital requirements under Pillar 2A and Pillar 2B.

Chetwood's prescribed TCR is 19.07% of RWAs. This means that in order to meet its TCR, Chetwood must hold capital equal to 11.07% of RWAs in addition to the 8% minimum requirement under Pillar 1. The PRA requires firms to meet Pillar 2A with at least 56.25% CET1 capital and no more than 25% Tier 2 capital. As Chetwood has no AT1 or Tier 2 capital, the full TCR must be met with CET1.

6.5 Combined Buffer Requirements

The Capital Conservation Buffer (CCoB) applies to all banks and is set at 2.5% of RWAs. It is intended to absorb losses whilst avoiding a breach of minimum capital requirements.

In addition to the CCoB Chetwood is required to hold a Countercyclical Capital Buffer (CCyB). This buffer is set by prudential policy makers and reflects the credit conditions and overall health of the financial system within their jurisdiction. The UK CCyB rate was set to 0% on 11 March 2020 as part of a package of measures to support the economy from the impact of COVID-19. On 13 December 2021, the Financial Policy Committee announced an increase in the CCyB rate to 1% effective from 13 December 2022.

6.6 Overall Capital Requirement

The following table summarises the TCR and CRD IV Combined Buffer as a percentage of our RWAs of the Group as at 31 March 2022.

Capital requirement	£'000s	%
Pillar 1	15,740	8.00%
Pillar 2	21,780	11.07%
Total Capital Requirement	37,520	19.07%
Capital Conservation Buffer	4,919	2.50%
UK Countercyclical Buffer	£0	0.00%
Total (excluding PRA buffer)	**42,439**	**21.57%**

7 Credit Risk

Credit risk is the risk of financial loss arising from the borrower, or a counterparty, failing to meet their financial obligations to the Company in accordance with agreed terms.

The risk arises primarily from the Company's lending activities as a result of a defaulting loan. Credit risk also exists with treasury assets where the Company has acquired securities or placed cash deposits with other financial institutions.

Lending products are a core aspect of Chetwood's purpose and strategy with the business model aligned to the growth in unsecured and secured RWAs. As a result, Credit is a Principal Risk that the Company likes to take.

The Company has set an overall credit risk appetite for lending activities, with expected losses factored into the budgeting and forecasting process which reflect emerging performance data and prevailing economic data. The Company recognises that actual losses may differ from forecasted or budgeted values.

7.1 Credit Exposures

7.1.1 Value, Risk Weight and Minimum Capital

The following table (UK CR4) sets out Chetwood's credit risk exposures (pre- and post- CCF and credit risk mitigation) and risk-weighted assets under Pillar 1 for each of the respective exposure classes as at 31 March 2022.

		Exposures before CCF and before CRM		Exposures post CCF and post CRM		RWAs and RWAs density	
		On-balance-sheet exposures	Off-balance-sheet exposures	On-balance-sheet exposures	Off-balance-sheet amount	RWAs	RWAs density
1	Central governments or central banks	71,529		71,529		0	0%
6	Institutions	9,683		9,683		1,937	20%
8	Retail	165,752	6,098	149,490	1,124	112,960	75%
9	Secured by mortgages on immovable property	147,094	4,348	147,043	870	51,812	35%
10	Exposures in default	21,830		3,565		3,834	108%
16	Other items	11,356		11,356		11,356	100%
17	**Total**	**427,242**	**10,446**	**392,665**	**1,993**	**181,898**	**46%**

Loans and advances to customers comprise a mixture of unsecured personal loans and credit cards and Buy-To-Let mortgages secured by first charge over residential property in England and Wales.

7.1.2 Exposures by Geography

All of Chetwood's loans are to customers resident in the UK. The geographical distribution of the mortgage portfolio is split as follows:

Region	% Total
North East England	0.7
North West England	4.2
Yorkshire and the Humber	2.6
East Midlands	2.7
West Midlands	3.9
East of England	10.4
Greater London	48.6
South East England	20.7
South West England	4.9
Wales	1.3
Total	**100**

7.1.3 Exposures by Industry or Counterparty Type

All of Chetwood's lending is to retail customers, there no breakdown by industry or counterparty type is provided.

7.1.4 Exposures by Residual Maturity

The table below analyses Chetwood's exposures by residual maturity.

	<= 1 year (£'000s)	>= 1 year < 5 years (£'000s)	> 5 years (£'000s)	No stated maturity (£'000s)	Total (£'000s)
Central governments or central banks	66,645	4,883	0	0	71,528
Institutions	8,133	0	0	1,550	9,683
Retail	41,473	96,716	3,384	9,041	150,614
Secured by mortgages on immovable property	351	7,288	139,941	870	148,450
Exposures in default	1,292	1,716	19	1	3,028
Other items	0	0	0	£11,356	11,356
Total	**117,894**	**110,604**	**143,344**	**22,816**	**394,658**

7.2 Credit Quality

The following tables set out information about the credit quality of unsecured loans and advances to customers, applying the following definitions:

Credit Quality	12-month probability of default	Credit quality description
Low	Lower than 5%	Up-to-date accounts which have a very high likelihood of being fully recovered
Medium	5-15%	Up-to-date accounts which have a medium likelihood of being fully recovered
High	Higher than 15%	Up-to-date accounts which may be fully recovered but where the likelihood of default is higher
Delinquent		Accounts that are up to 89 days in arrears and have not defaulted
Defaulted		Accounts that are at least 90 days in arrears, insolvent or bankrupt or otherwise credit impaired
POCI		Accounts meeting the definition of defaulted upon purchase or origination

To reflect the potential losses that might arise due to creditworthiness risk, Chetwood recognises loan loss impairments on its financial assets using a forward-looking Expected Credit Loss (ECL) model, in accordance with the requirements of IFRS 9 'Financial Instruments'. ECLs are an unbiased probability-weighted estimate of credit losses determined by evaluating a range of possible outcomes.

On initial recognition, loans that are not classified as credit impaired on purchase or origination are recognised in IFRS 9 stage 1. The loan moves to stage 2 when a significant increase in credit risk (SICR) becomes evident, such as a missed payment. A loan moves to stage 3 and is deemed to have defaulted when it is 90 days in arrears or it is otherwise considered unlikely payment will be received.

Unsecured Lending

As at 31 March 2022	Stage 1 (£'000s)	Stage 2 (£'000s)	Stage 3 (£'000s)	Total (£'000s)
Up to date				
Risk Grade				
Low	8,226	139	38	8,404
Medium	116,509	6,653	316	123,477
High	1,932	8,881	356	11,169
	126,667	15,673	710	143,050
Delinquent				
Risk Grade				
Low	14	15	-	29
Medium	8	226	7	257
High	9	8,771	3,832	12,612
	31	9,012	3,839	12,882
Defaulted				
Risk Grade				
Low			-	-
Medium			43	43
High			16,705	16,705
			16,748	16,748
Total Loan receivables	126,698	24,685	21,297	172,680
Total impairment allowance	(7740)	(8,517)	(18,255)	(34,512)
Net Loan receivables	118,958	16,168	3,042	138,168

Secured Lending

Credit quality of secured lending is assessed with reference to external credit scores or internally assigned risk ratings, as appropriate, taking into account the expected loss given default. The gradings represent credit quality on an absolute basis.

As at 31 March 2022	Stage 1 (£'000s)	Stage 2 (£'000s)	Stage 3 (£'000s)	Purchased or originated credit impaired (POCI) (£'000s)	Total (£'000s)
Up to date					
Risk Grade					
Low	90,990				90,990
Medium	34,299				34,299
High	21,113				21,113
	146,402				146,402
Delinquent					
Risk Grade					
Low	542				542
Medium					
High	150				150
	692				692
Defaulted					
Risk Grade					
Low				268	268
Medium				282	282
High					
				550	550
Total Loan receivables	147,094			550	147,644
Total impairment allowance	(51)			(13)	(64)
Net Loan receivables	147,043			537	147,580

The following tables provide a reconciliation of the ECL, between the start and end of the period, split by IFRS9 stage, for unsecured and secured lending.

Unsecured

Expected Credit Loss	Stage 1 (£'000s)	Stage 2 (£'000s)	Stage 3 (£'000s)	Total (£'000s)
At 31st March 2021	6,292	7,149	12,455	25,896
Stage movements				
- Transfers to Stage 1	1,073	(1,073)		
- Transfers to Stage 2	(1,064)	1,064		
- Transfers to Stage 3	(663)	(3,731)	4,394	
Total	(654)	(3,740)	4,394	
Remeasurement of ECL	3,419	1,993	7,811	13,223
Provision released on sale or write off	(6,132)	(960)	(10,844)	(17,936)
ECL on purchased loans and advances to customers in the year	4,815	4,075	4,439	13,329
At 31st March 2022	7,740	8,517	18,255	34,512
Provision against undrawn credit commitments	477	6	0	483

Secured

Expected Credit Loss	Stage 1 (£'000s)	Stage 2 (£'000s)	Stage 3 (£'000s)	Purchased or originated credit impaired (POCI) (£'000s)	Total (£'000s)
At 31st March 2021					
Remeasurement of ECL					
Provision released on sale or write off					
ECL on purchased loans and advances to customers in the year	51		13		64
At 31st March 2022	51		13		64
Provision against undrawn credit commitments	2				2

As summarised above, as at 31 March 2022 Chetwood recognises an unsecured / secured loan loss impairment of £34,512k / £64k against a gross carrying amount of £172,680k / £147,644k, resulting in a net exposure of £138,168 k / £147,580, consistent with the credit risk exposures stated earlier.

7.3 Covid-19 Concessions

To address the exceptional challenges posed by Covid-19, Chetwood responded swiftly to support customers, proactively offering repayment holidays. The Company granted 5,775 payment holidays in total to customers needing support, these payment holidays came to an end in August 2021. During the year to March 2022 the cumulative total sum of all loans and advances that were on a payment holiday equalled £3,268k.

7.4 Cost of Living Adjustment

Post-Covid recovery has been recently hampered by geopolitical tensions, including the war in Ukraine, creating uncertainty across global markets, including high levels of inflation.

Whilst unemployment rate is the key macro-economic input that has the most significant ECL impact and remains below pre-COVID levels, and notwithstanding that the portfolio has also been built with robust affordability checks leaving the lending book well positioned, a post model adjustment of £551k is included in the calculated ECL to account for potential impacts of the current environment underestimated in the modelled outcome.

8 Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, and includes legal risk.

Chetwood utilises the Risk and Control Self-Assessment (RCSA) methodology as one of the key operational risk management processes across Chetwood. All business areas are required to complete self-assessment to identify and assess the risks to which it is exposed. The RCSA is now embedded across all of Chetwood's business areas. The activity is supported by the second line of defence through the provision of tools, training and guidance.

Chetwood's key control population, as identified through the RCSA process and managed through a GRC software system, is subject to a regular testing and attestation process to ensure that there is a robust control environment in operation.

Chetwood has adopted the Basic Indicator Approach for calculating its Pillar 1 capital requirements for Operational Risk, whereby RWAs are normally 15% of a three-year historic average of Net Interest Income (NII).

The total risk weighted asset requirement under this approach as at 31 March 2022 was £14.9m.

9 Market Risk

Market risk is the risk that the value of, or net income arising from, the Group's assets and liabilities changes as a result of changes to market factors, in particular interest rates, exchange rates or equity prices. The main market risk faced by the Group is interest rate risk which is the risk of loss through mismatched asset and liability positions sensitive to changes in interest rates. Interest rate risk consists of asset-liability gap risk and basis risk.

The Group's risk appetite is that Interest Rate risk is generally to be tolerated within closely observed limits, with any exposure to risk arising from exchange rate or equity prices to be kept to an absolute minimum. The risk is monitored through both earnings and value metrics, across a range of interest rate scenarios.

Chetwood will not carry out proprietary trading, although certain liquid asset investments which form part of the liquid asset buffer carry mark to market risk which will be regularly monitored. These investments are held in government securities. Chetwood does not hold foreign currency, carry out proprietary trading or hold any positions in assets or equities which are actively traded. As such, Chetwood has no Pillar 1 charge for market risk

In line with the 'ICAA' part of the PRA Rulebook, in addition to the regulatory PV200 measure (the impact on value from a 200bps instantaneous, parallel shock to the yield curve), Chetwood also conducts the six prescribed supervisory shock scenarios.

At the 31st March 2022, the PV200 measure resulted in an impact on economic value of -£656k (positive shift) and +£764k (negative shift).

The EVE impact of the six prescribed Basel scenarios is summarised as follows:

Scenario	NPV (£'000)	% of Tier 1 Capital
Parallel Shock Up	(1,004)	1.74%
Parallel Shock Down	1,224	2.13%
Steepener Shock	(445)	0.77%
Flattener Shock	217	0.38%
Short Rates Shock Up	(152)	0.26%
Short Rates Shock Down	227	0.39%

10 Liquidity Risk

Liquidity risk is the risk that Chetwood is not able to meet its financial obligations as they fall due or can do so only at excessive cost.

The risk appetite of the Group is that this risk is to be avoided, with the Group holding excess liquidity significantly over and above its regulatory minima until such time as its cash flow forecasts and assumptions are mature and can be relied upon.

10.1. Liquidity Risk Management

To protect the Company against liquidity risks, a liquidity buffer is maintained which is based on the liquidity needs under stress conditions. The liquidity buffer is monitored on a daily basis to ensure that sufficient liquid resources are maintained to cover all forecast cash flow movements and to support anticipated asset growth.

Through Chetwood's ILAAP process, an assessment is made on the extent of liquidity required to cover both systemic and idiosyncratic risks. The ILAAP process determines the appropriate liquidity buffer taking into account the specific nature of the future deposit base and other liquidity drivers.

Liquidity risks are specifically considered by ALCO on at least a monthly basis.

10.2. Liquidity Ratios

Chetwood launched retail deposits to the public in March 2018 with a fixed term offering. Given the early stage of Chetwood's development and the limited value of outflows the calculation of the Liquidity Coverage Ratio (LCR) results in a very high value. Chetwood's LCR ratio as at 31st March 2022 was 4,823%.

The Company's Net Stable Funding Ratio (NSFR) as at the 31 March 2022 was 162.9%, which is above the minimum regulatory-prescribed level of 100%.

11 Remuneration

11.1 Approach to Remuneration

At Chetwood our purpose is to “use technology to make customers better off”.

When recruiting, we seek people with the right values, who will generally not be motivated by short term financial gain or variable reward. Our approach to remuneration seeks to ensure that all our people are fairly rewarded and have a real stake in the future success of the firm.

For the purposes of establishing the Company’s Remuneration Policy, Chetwood has been assessed as a “proportionality level 3” firm. The policy is to set remuneration levels which are aligned with the overall Risk Appetite and to ensure that Executive Directors, Senior Management and Employees are fairly and responsibly rewarded in return for high levels of individual and business performance.

11.2 Methods of Remuneration

The following approach is adopted in establishing remuneration for Chetwood Group Employees and Directors.

11.2.1 Fixed Pay

Fixed pay, which comprises of base salary and other fixed pay allowances, is set at an appropriate level to attract and retain people of the required calibre and values. Fixed pay will reflect the responsibility, professional experience, technical and leadership skills required of the role, criticality or scarcity of skills, as well as the individual’s capability to perform the duties of the role within the Chetwood Group. Chetwood will pay at or around market median pay, adjusted for local geography as appropriate, of an appropriate peer group of a similar financial size and complexity to Chetwood.

Culturally, we will continue to employ people who we believe are committed to our vision, purpose and values.

Fixed pay is set individually, taking into account the role and responsibilities and market data, a practice Chetwood expect to continue. However, as the business grows and we have more people carrying out similar roles, we will review like roles together to ensure fairness and monitor any discrimination, for example equal pay.

Further details on this approach can be found in the Annual Report & Accounts.

11.2.2 Variable Pay

A variable pay scheme was in place throughout the financial year ending 31st March 2022.

The scheme is entirely discretionary, with no decision being made on the extent of payouts until the financial performance for the period is clear and confirmed to the Board’s satisfaction.

The Annual Operating Plan includes a provision for a monthly accrual for variable pay. Annual variable pay awards are determined by both company performance against plan and employee’s individual performance measured against set objectives. Individual performance objectives (based on a balanced scorecard of metrics linked to Customer, Business, Risk and People & Culture) are developed to align with the key goals for Chetwood for the coming year. In assessing individual performance, both financial and non-financial performance measures are considered when determining variable pay.

The variable pay scheme will contain three cohorts of participants:

- Executive, defined as a member of the Executive Committee
- Leadership Group, defined as performing a key leadership position within the business, with significant levels of responsibility and accountability
- Employee, remainder of employees.

Each cohort is subject to a performance-based assessment.

11.2.3 Guaranteed Variable Pay

Guaranteed variable pay does not form part of any prospective remuneration plans. Guaranteed variable pay is only awarded in exceptional circumstances in the context of new hires and will be limited to an employee's first year of service. Such awards do not confer any rights to future remuneration and are only made within the boundaries of relevant regulatory requirements.

11.2.4 Buy-outs

In the case of any buy-out from a previous employer, Chetwood ensures that all buy-out awards made to MRTs are made in line with the UK remuneration rules and regulatory requirements.

11.2.5 Share Awards

No performance-based share awards were made at any time throughout the financial year ending 31 March 2022. Restricted shares in Shropshire Holdings Limited, the parent company of Chetwood Financial Limited are awarded to certain Executive and Senior Management positions within the company. During the year ended 31 March 2022, no further shares were awarded; 97,935 restricted shares were outstanding at the balance sheet date.

11.3 Remuneration Decision Making Process

Chetwood has established a remuneration committee (Remco) comprising 4 Non-Executive Directors. No Non-Executive Director receives any variable pay. The Remuneration Committee (Remco) takes a broad remit considering all aspects of remuneration for the whole firm. As Chetwood grows, that approach is likely to evolve with some areas of remuneration management likely to be delegated to other fora. The Group reviews salaries on an annual basis, any salary increments over 10% of base salary for staff requires approval by the CEO, any change to remuneration for Material Risk Takers (MRTs) will be approved by Remco.

Any individuals who are recruited into Chetwood with a salary in excess of £100k per annum will be approved by Remco; below this threshold decisions are made by the respective ExCo members in conjunction with the Head of People.

11.4 Remuneration for Material Risk Takers (MRT)

As at 31 March 2022, there were 22 employees, defined as Material Risk Takers, including the Bank's Executive and Non-Executive Directors, and others included under the Senior Managers and Certification Regime (SMCR).

A summary of remuneration paid to all employees holding MRT roles during the year can be seen below.

	Senior Management (£'000s)	Other MRTs (£'000s)
Number of identified employees	10	15
Fixed	1,569 [87.9%]	1,903 [92.4%]
Variable	216 [12.1%]	156 [7.6%]
Total	**1,785**	**2,059**

Included in the above Other MRTs remuneration is £60k severance payments in respect of two beneficiaries, the highest severance payment made was £30k. All termination payments for MRTs need to be approved by the Remuneration Committee.

No remuneration awarded in the year has been deferred to future periods, nor do the amounts shown in the table above include any remuneration payments deferred from prior years.

12 Related Party Transactions

During the year the Group undertook a number of transactions with related companies:

- On 7 March 2022, Chetwood completed the sale of gross loans and advances with a carrying value of £123.9m to Cherub Funding Limited, for proceeds of £128.1m, resulting in a gain on sale of £4.2m. Cherub Funding Limited is a remote legal entity, related by common ultimate control.
- On 15 March 2022, Chetwood took assignment of the call rights for Precise Mortgage Funding 2017-1 PLC, a securitisation vehicle, giving the Group the rights to purchase mortgage assets with a current balance of £153.8m from the vehicle. The Group paid £157.8m to purchase the mortgage assets; the assignment of the call rights was from an entity under the same common ultimate control.

13 Other Disclosures

Chetwood pledges certain assets as collateral to support the transacting of BACS payments, to be a member of the Mastercard payments scheme (for the Wave credit card product), and as initial / variation margin to be able to transact interest rate swaps. Chetwood treats these assets as encumbered on the basis that they have been pledged to secure transactions, and therefore cannot be freely withdrawn. All assets pledged are in GBP. Further details are provided in Annex C.

Chetwood:

- has no regulatory trading book
- has not been identified as having any global or domestic systemic importance
- has no minimum requirements for Own funds and Eligible Liabilities (MREL) above its minimum capital requirement

14 Annex A: Risk Appetite Statements

Chetwood has identified the following major risks and they are considered regularly through the appropriate committee and subsequently by Board Risk Committee:

Principal Risk	Definition	Appetite
Strategic Risk	The risk which can affect Chetwood's ability to achieve its corporate and strategic objectives either through the strategy failing to respond to changes in the market, or management taking poor strategic decisions or poorly executing such decisions.	The Strategic Risk appetite is measured in terms of the deviation against key performance indicators which form part of Chetwood's business plan. Overall, given the nature of the market entry embedded within the strategic plan, a level of volatility is anticipated in the early years of the business which is to be tolerated within Board set limits.
Capital Risk	The risk that Chetwood has insufficient capital to cover regulatory requirements and/or the growth plans of the business.	This risk is to be avoided. Chetwood will maintain sufficient capital to cover its ICG requirements that are set by our regulators, with sufficient surplus to ensure that corrective action can be implemented before capital ratios are threatened. If necessary, balance sheet growth and/or costs will be constrained until such time as the Board is comfortable with the forecast capital position.
Liquidity Risk	The risk that Chetwood is not able to meet financial obligations as they fall due or can do so only at excessive cost.	This risk is to be avoided, with the Bank holding excess liquidity significantly over and above its regulatory minima until such time as its cash flow forecasts and assumptions are mature and can be relied upon.
Market Risk	The risk that the value of, or net income arising from, the Company's assets and liabilities changes as a result of changes to market factors, in particular interest rates, exchange rates or equity prices.	Interest rate risk is generally to be tolerated within closely observed limits, with any exposure to risk arising from exchange rate or equity prices to be kept to an absolute minimum.
Credit Risk	The risk of financial loss arising from the borrower or a counterparty failing to meet their financial obligations to the Company in accordance with agreed terms.	Credit is a risk that the Bank likes to take and Chetwood has a higher risk appetite than main-stream banks, but not to the extent of becoming a sub-prime lender. Accordingly, our previously stated appetite threshold of not lending at rates above 39.9% APR still applies as a back-drop to our specific credit risk appetite metrics.
Operational Risk	The risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This risk includes technology, information security, change management, outsourcing, people, legal, and financial control risks.	Chetwood accepts that operational risk cannot be fully eliminated and applies a cost/benefit approach to limit its exposure with a focus on protecting its earnings, information assets, customer service, legal and regulatory compliance, and reputation. Chetwood has minimal appetite for failures caused by inadequate systems, processes or

Principal Risk	Definition	Appetite
		procedures that could materially impact its ability to service customers.
Conduct Risk	The risk that products or services result in poor outcomes for customers as a result of inappropriate culture, internal practices, decision making, conflicts of interest or poor product governance.	Chetwood has absolutely minimal appetite for systemic or material conduct risk issues. It is accepted that occasionally isolated instances may occur. In these circumstances, Chetwood will resolve the issue as soon as possible, remedy any customer detriment immediately and promptly take any remedial action necessary to prevent reoccurrence.
Regulatory Risk	The failure to comply with, or effectively respond to changes in, applicable regulations, principles, codes of conduct and standards of good practice resulting in regulatory sanctions, financial loss or reputational damage.	Chetwood has absolutely minimal risk appetite for systemic or material regulatory risk issues. It is accepted that occasionally isolated breaches may occur. In these circumstances, Chetwood will resolve the issue as soon as possible, remedy any customer detriment immediately and promptly take any remedial action necessary to prevent reoccurrence.
Financial Crime	The risk of Chetwood's products, systems or assets being abused for the purposes of money laundering, terrorist financing, bribery and corruption, or fraud resulting in material financial loss, legal or regulatory sanctions or reputational damage.	Chetwood has absolutely minimal risk appetite for systemic or material financial crime risk issues. It is accepted that occasionally isolated breaches may occur. In these circumstances, Chetwood will resolve the issue as soon as possible, remedy any customer detriment immediately and promptly take any remedial action necessary to prevent reoccurrence
Reputational Risk	Defined as the potential negative consequences arising from a failure to meet the expectations and standards of our customers, investors, regulators or other counterparties during the conduct of any of our business activities. This includes not just the Company itself but all employees and other agents acting for, or otherwise associated with, Chetwood.	At Chetwood, our purpose is to "use technology to make people better off". As a result, we naturally have a minimal appetite for reputational risk. We have zero tolerance for headline risk associated with unacceptable business practices, privacy breaches, and internal fraud. We will seek to eliminate the potential for material risk events of this nature by: • All employees being aware of their expected behaviours under the Code of Conduct; • Not knowingly engaging in any activity or association where foreseeable reputational damage to Chetwood has been identified; • Identifying and assessing reputational risk events with the Board and establishing clear mitigating plans and actions; and • Maintaining open and transparent

Principal Risk	Definition	Appetite
		relationships with regulators and other key stakeholder groups.

15 Annex B: Key Metrics – KM1

The table below outlines the key metrics for Chetwood Financial Ltd. Template KM1 has been disclosed in accordance with Annex 1 and Annex 2 of the Disclosure (CRR) Part of the PRA Rulebook.

		a £'000s
		2022
	Available own funds (amounts)	
1	Common Equity Tier 1 (CET1) capital	57,554
2	Tier 1 capital	57,554
3	Total capital	57,554
	Risk-weighted exposure amounts	
4	Total risk-weighted exposure amount	196,750
	Capital ratios (as a percentage of risk-weighted exposure amount)	
5	Common Equity Tier 1 ratio (%)	29.3%
6	Tier 1 ratio (%)	29.3%
7	Total capital ratio (%)	29.3%
	Additional own funds requirements based on SREP (as a percentage of risk-weighted exposure amount)	
UK 7a	Additional CET1 SREP requirements (%)	11.1%
UK 7b	Additional AT1 SREP requirements (%)	-
UK 7c	Additional T2 SREP requirements (%)	-
UK 7d	Total SREP own funds requirements (%)	19.1%
	Combined buffer requirement (as a percentage of risk-weighted exposure amount)	
8	Capital conservation buffer (%)	2.5%
UK 8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	0%
9	Institution specific countercyclical capital buffer (%)	0%
UK 9a	Systemic risk buffer (%)	0%
10	Global Systemically Important Institution buffer (%)	0%
UK 10a	Other Systemically Important Institution buffer	0%
11	Combined buffer requirement (%)	0%
UK 11a	Overall capital requirements (%)	21.6%
12	CET1 available after meeting the total SREP own funds requirements (%)	20,034

		a £'000s
		2022
	Leverage ratio	
13	Leverage ratio total exposure measure	394,658
14	Leverage ratio	14.58%
	Additional own funds requirements to address risks of excessive leverage (as a percentage of leverage ratio total exposure amount)	
UK 14a	Additional CET1 leverage ratio requirements (%)	-
UK 14b	Additional AT1 leverage ratio requirements (%)	-
UK 14c	Additional T2 leverage ratio requirements (%)	-
UK 14d	Total SREP leverage ratio requirements (%)	-
UK 14e	Applicable leverage buffer	-
UK 14f	Overall leverage ratio requirements (%)	0%
	Liquidity Coverage Ratio	
15	Total high-quality liquid assets (HQLA) (Weighted value -average)	67,841
UK 16a	Cash outflows - Total weighted value	5,627
UK 16b	Cash inflows - Total weighted value	13,656
16	Total net cash outflows (adjusted value)	1,407
17	Liquidity coverage ratio (%)	4,823%
	Net Stable Funding Ratio	
18	Total available stable funding	380,549
19	Total required stable funding	233,566
20	NSFR ratio (%)	162.9%

16 Annex C: UK CRR

16.1. Template EU AE1 - Encumbered and unencumbered assets

	Carrying amount of encumbered assets (£'000s)		**Fair value of encumbered assets (£'000s)**		**Carrying amount of unencumbered assets (£'000s)**		**Fair value of unencumbered assets (£'000s)**	
		of which notionally eligible EHQLA and HQLA		*of which notionally eligible EHQLA and HQLA*		*of which notionally eligible EHQLA and HQLA*		*of which notionally eligible EHQLA and HQLA*
Assets of the reporting institution	**2,795**	**0**			**399,099**	**4883**		
Equity instruments	0	0	0	0	0	0	0	0
Debt securities	0	0	0	0	4,883	4,883	4,883	4,883
of which: covered bonds	0	0	0	0	0	0	0	0
of which: securitisations	0	0	0	0	0	0	0	0
of which: issued by general governments	0	0	0	0	4,883	4,883	4,883	4,883
of which: issued by financial corporations	0	0	0	0	0	0	0	0
of which: issued by non-financial corporations	0	0	0	0	0	0	0	0
Other assets	2,795	0			394,215	0		

16.2. Template EU AE3 - Sources of encumbrance

	Matching liabilities, contingent liabilities or securities lent *(£'000s)*	Assets, collateral received and own debt securities issued other than covered bonds and securitisations encumbered *(£'000s)*
Carrying amount of selected financial liabilities	0	2,795

17 Annex D: UK CRR Disclosure Requirements

The table below is an overview of all Chetwood's disclosure requirements, and their location in the Pillar 3 and the Annual Report, under the Disclosure (CRR) part of the PRA Rulebook.

UK CRR reference	High-level Summary	Reference
Article 435(1)	Firm's must disclose information on risk management for each type of risk including:	Section 4
Article 435(1) (a)	• The strategies and processes to manage those risks.	Section 4
Article 435(1) (e)	• Adequacy of risk management arrangements	Section 4
Article 435(1) (f)	Concise risk statement approved by the Board, including:	Section 4
Article 435(1) (f) (i)	• Key metrics for external stakeholders to get a comprehensive view of the firms risk management.	Annex B
Article 435 (1) (f) (ii)	• Information on intragroup and related party transactions.	Section 12
Article 438 (d)	Total risk weighted exposure and own funds requirements by risk category	Section 6.4
Article 447	Requirement to publish the following key metrics:	Annex B
Article 447 (a)	• Composition of own funds amounts and requirements	Annex B
Article 447 (b)	• Risk exposure amounts	Annex B
Article 447 (c)	• Additional own funds requirements and composition required in line with regulation 34(1) of the Capital Requirements Regulations	Annex B
Article 447 (d)	• Combined buffer requirements	Annex B
Article 447 (e)	• Leverage ratio and exposure	Annex B
Article 447 (f) (i)	• the average or averages, as applicable, of their liquidity coverage ratio based on end- of-the-month observations over the preceding 12 months for each quarter of the relevant disclosure period	Annex B
Article 447 (f) (ii)	• the average or averages, as applicable, of their total liquid assets, after applying the relevant haircuts, included in the liquidity buffer pursuant to the Chapter 2 of the Liquidity Coverage Ratio (CRR) Part of the PRA Rulebook, based on end-of-the- month observations over the preceding 12 months for each quarter of the relevant disclosure period	Annex B
Article 447 (f) (iii)	• the averages of their liquidity outflows, inflows and net liquidity outflows as calculated pursuant to Chapter 2 of the Liquidity Coverage	Annex B

UK CRR reference	High-level Summary	Reference
	Ratio (CRR) Part of the PRA Rulebook, based on end-of-the-month observations over the preceding 12 months for each quarter of the relevant disclosure period;	
Article 450(1) (a)	Decision-making process for determining remuneration policy	Section 11.3
Article 450(1) (d)	Ratios between fixed and variable remuneration	Section 11.4
Article 450(1) (h)	Aggregate quantitative information on remuneration, broken down by Senior Management and Material Risk Takers	Section 11.4
Article 450(1) (h) (i)	• The amounts of remuneration for the financial year, split into fixed and flexible and number of beneficiaries	Section 11.4
Article 450(1) (h) (ii)	• The amounts of outstanding deferred remuneration, split into vested and unvested	Not applicable
Article 450(1) (h) (iii)	• The amounts of outstanding deferred remuneration, split into vested and unvested	Not applicable
Article 450(1) (h) (iv)	• The amounts of deferred remuneration due to vest in the financial year, and the number of beneficiaries	Not applicable
Article 450(1) (h) (v)	• Guaranteed variable remuneration awarded in the financial year and the number of beneficiaries	Not applicable
Article 450(1) (h) (vi)	• Severance payments awarded in prior years, paid out in this financial year	Not applicable
Article 450(1) (h) (vii)	• The amount of severance payments awarded during the financial year, number of beneficiaries and highest award	Not applicable
Article 450(1) (i)	The number of individuals been remunerated EUR 1 million or more, between EUR 1 and 5 million and of EUR 5 million or above	Not applicable