CHETWOOD

FINANCIAL LIMITED

Pillar 3 Disclosures

January 2024

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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	Paul Patterson 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 2023.

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.

The disclosures included in this document are prepared in accordance with the Disclosure (CRR) Part of the PRA Rulebook. This sets out the revised disclosure requirements, which are applicable from 1 January 2022, following the UK's implementation of the remaining provisions of Capital Requirements Regulation II (CRR II).

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

2.2 Summary Analysis

A high-level summary of the key capital ratios for Chetwood Financial Ltd as at 31 March 2023 is provided below:

	31 March 2023 (£m)	31 March 2022 (£m)
Available capital		
Common Equity Tier 1 capital	91.3	57.6
Tier 1 capital	91.3	57.6
Total capital	91.3	57.6
Risk weighted assets		
Total risk weighted assets	343.7	196.7
Capital ratios		
Common Equity Tier 1 ratio	27%	29%
Tier 1 ratio	27%	29%
Total Capital ratio	27%	29%
Additional CET1 buffer requirements		
Capital conservation buffer	2.5%	2.5%
Countercyclical capital buffer	1%	0%
Total of CET1 specific buffer requirements	3.5%	2.5%
Leverage ratio		
Leverage ratio exposure measure	1,519.8	394.7
Leverage ratio	6.0%	15%
Liquidity coverage ratio		
Liquidity coverage ratio	1,015%	4,823%

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 433b 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 Summary of Disclosure Requirements

As detailed in section 2.1, Chetwood is classified as a small and non-complex. In accordance with Article 433b of Chapter 4 of the Disclosure (CRR) Part of the PRA Rulebook, such institutions shall disclose the following information on an annual basis:

- points (a), (e) and (f) of Article 435(1)
- point (d) of Article 438
- the key metrics referred to in Article 447
- points (a) to (d), (h) to (i) of Article 450(1)

The required level of remuneration related disclosures is subject to further proportionality rules, as set out in SS2/17 'Remuneration'. Specifically, Chetwood is categorised as a PL3 institute and is therefore not required to provide the detailed information stipulated by points c, d, h (i) - (vi) or i of Article 450(1), however it is required to provide aggregate quantitative information on remuneration.

In order to fulfil the above disclosure requirements, the following prescribed disclosure templates per Chapter 6 of the Disclosure (CRR) Part of the PRA Rulebook are required.

From Annex I - Disclosure of key metric and overview of risk weighted exposure amounts:

- Template UK OV1 – Overview of risk weighted exposure amounts
- Template UK KM1 - Key metrics template

From Annex III - Disclosure of risk management objectives and policies:

- Table UK OVA - Institution risk management approach (rows a, c and f only)

From Annex XXXIII - Disclosure of remuneration policies:

- Table UK REMA - Remuneration policy
- Template UK REM1 - Remuneration awarded for the financial year

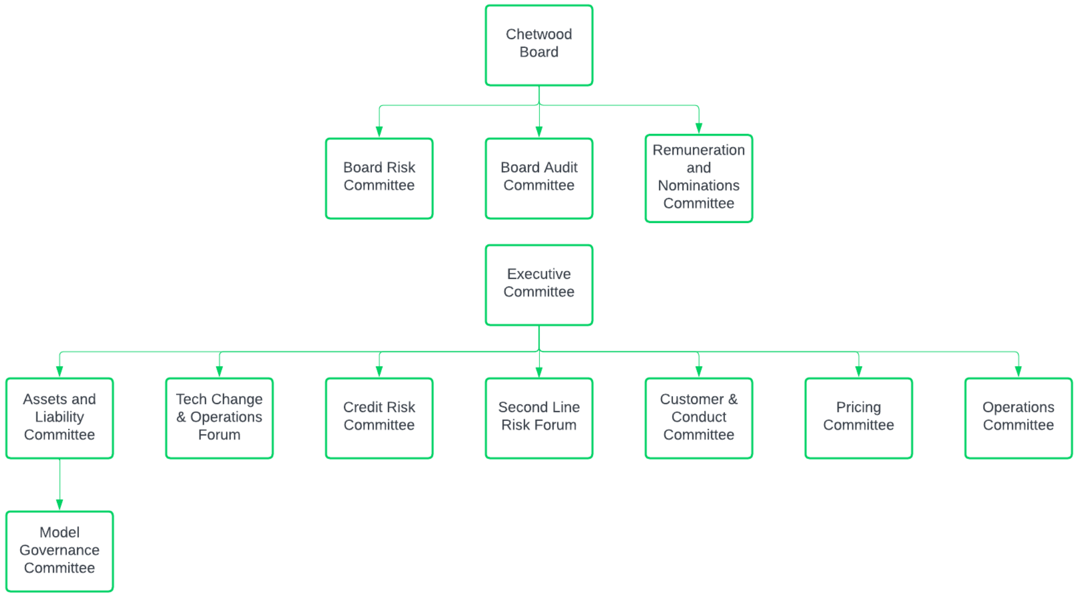
Further to the minimum requirement, additional disclosures have been provided as follows:

- Template UK CC1 - Composition of regulatory own funds
- Template UK LR2 - Leverage ratio common disclosure
- row b of Table UK OVC, in accordance with Article 438 (c) setting out the result of Chetwood's internal capital adequacy assessment process
- Template UKB CR4 – standardised approach – Credit risk exposure and Credit Risk Mitigation (CRM) effects
- Additional detail of Chetwoods' credit risk profile including IFRS9 provisioning levels

4 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:



4.1 Board Level Committees

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

- Board Risk Committee: provides 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.

4.2 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. Ensures sufficient levels of capital and liquidity are maintained through various stress scenarios. Mitigates potential risks by setting limits, monitoring exposures and implementing controls.
- Model Governance Committee (MGC) Oversight of the effective operation of the model risk framework, including reviewing the model inventory, completing model risk assessments, and ensuring that appropriate documentation and testing of models has been performed. Reviews and approves outputs from the model validation process, ensuring that effective 2nd line challenge has been undertaken.
- 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.
- Second Line Risk Forum (SLRF): Oversight of all aspects of risk management within the 2nd line of defence. Reviews the status of the risk and control environment in Chetwood to form an independent view for onward reporting.
- Technology Change and Operations Forum (TCOF): Oversight of change and change control across the business. Prioritises and tracks status across all change projects.
- Customer & Conduct Committee (CC): Oversees the extent to which Chetwood is meeting its obligations to deliver fair outcomes for customers.
- Operations Committee (OC): Oversight of all aspects of operations, including capacity, stability, operational metrics and operational risk, including complaint handling.
- Pricing Committee (PC): Oversight of the pricing and distribution approach for Chetwood products in accordance with agreed strategy and within Board Approved Risk Appetite.

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.

Oversight	Board			
	Board Risk Committee			Board Risk Committee
Risk Category	**First Line**	**Oversight**	**Second Line**	**Third Line**
Strategic Risk	Executive Committee and Senior Managers	Executive Committee	CRO	Internal Audit
Capital Risk	Finance	Asset and Liability Committee (ALCO)	CRO	
Liquidity Risk	Finance	Asset and Liability Committee (ALCO)	CRO	
Market Risk	Finance	Asset and Liability Committee (ALCO)	CRO	
Model Risk	Finance	Asset and Liability Committee (ALCO)	CRO	
Credit Risk	Credit Management in Operational areas	Credit Risk Committee	Model Governance	
Technology Risk	All business areas and Technology Change and Operations Forum (TCOF)	Second Line Risk Forum (SLRF)	Technology Risk	
Data Governance Risk	All business areas	Second Line Risk Forum (SLRF)	Technology Risk	
Financial Crime Risk	All business areas	Second Line Risk Forum (SLRF)	MLRO	
Conduct Risk	Customer & Conduct Committee	Second Line Risk Forum (SLRF)	Compliance	
Regulatory Risk	All business areas	Second Line Risk Forum (SLRF)	Compliance	
Operational Risk	All business areas and Technology Change and Operations Forum (TCOF)	Second Line Risk Forum (SLRF)	Enterprise Risk	
Reputational Risk	All business areas	second Line Risk Forum (SLRF)	Enterprise Risk	

5 Risk Management

The section is provided to fulfil the requirements of points a, e and f of Article 435(1), which requires completion of rows a, c and f of Table UK OVA only.

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.

Chetwood seeks to manage the risks inherent in its business activities and operations through close and disciplined risk management. This aims to quantify the risks taken, manage and mitigate them as far as possible and price for them in order to produce an appropriate commercial return through the cycle.

5.1 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>

Effective risk management is recognised as being key to the execution of the Chetwood's strategy. Monitoring and control of risk is a fundamental part of Chetwood's risk management process and all senior management are involved in the development and implementation of the Risk Management Framework and in monitoring its application.

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.

A formal attestation of compliance with the Risk Management Framework is completed on an annual basis and covers all principal risks as well as a capability assessment. The 2023 attestation concluded that the Risk Management Framework continues to operate effectively, is appropriate for a bank of this size and complexity and is sufficient to support the Chetwood's objectives.

5.2 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.

5.3 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.

5.4 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.

5.5 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.

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,	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 procedures that

Principal Risk	Definition	Appetite
	outsourcing, people, legal, and financial control risks.	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 relationships with regulators and other key stakeholder groups.

5.6 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.

5.7 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).

5.8 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 CRO reviews the monitoring plan on a quarterly basis to ensure that it remains in line with business and regulatory requirements.

6 Key Metrics

The following template (KM1) provides the key metrics referred to in Article 447. The template includes metrics relating to capital, leverage, liquidity and funding.

		a £'000s 2023
	Available own funds (amounts)	
1	Common Equity Tier 1 (CET1) capital	91,268
2	Tier 1 capital	91,268
3	Total capital	91,268
	Risk-weighted exposure amounts	
4	Total risk-weighted exposure amount	343,668
	Capital ratios (as a percentage of risk-weighted exposure amount)	
5	Common Equity Tier 1 ratio (%)	26.6%
6	Tier 1 ratio (%)	26.6%
7	Total capital ratio (%)	26.6%
	Additional own funds requirements based on SREP (as a percentage of risk-weighted exposure amount)	
UK 7a	Additional CET1 SREP requirements (%)	11.07%
UK 7b	Additional AT1 SREP requirements (%)	-
UK 7c	Additional T2 SREP requirements (%)	-
UK 7d	Total SREP own funds requirements (%)	19.07%
	Combined buffer requirement (as a percentage of risk-weighted exposure amount)	
8	Capital conservation buffer (%)	2.50%
9	Institution specific countercyclical capital buffer (%)	1%
11	Combined buffer requirement (%)	3.50%
UK 11a	Overall capital requirements (%)	22.57%
12	CET1 available after meeting the total SREP own funds requirements (%)	7.49%
	Leverage ratio	
13	Leverage ratio total exposure measure	1,519,817
14	Leverage ratio	6.01%
	Liquidity Coverage Ratio	
15	Total high-quality liquid assets (HQLA) (Weighted value -average)	302,266
UK 16a	Cash outflows - Total weighted value	52,035
UK 16b	Cash inflows - Total weighted value	15,169
16	Total net cash outflows (adjusted value)	36,865
17	Liquidity coverage ratio (%)	1,015%
	Net Stable Funding Ratio	
18	Total available stable funding	1,387,511
19	Total required stable funding	572,002
20	NSFR ratio (%)	243%

7 Capital Resources

7.1 Capital Resources

The regulatory capital resources managed by the Company as at 31 March 2023 are as per the following table (UKCC1):

	Capital resources	31 March 2023 (£'000s)	31 March 2022 (£'000s)
1	Capital instruments and the related share premium accounts	256,148	171,539
	of which: Ordinary share capital	253,297	168,688
	of which: Share premium	2,851	2,851
2	Retained earnings	-170,912	-112,766
3	Accumulated other comprehensive income (and other reserves)	6,478	6,450
6	Common Equity Tier 1 (CET1) capital before regulatory adjustments	**91,714**	**65,223**
27a	Other regulatory adjustments to CET1 capital (including IFRS 9 transitional adjustments when relevant)	-446	-7,669
28	Total regulatory adjustments to Common Equity Tier 1 (CET1)	-446	-7,669
29	**Common Equity Tier 1 (CET1) capital**	**91,268**	**57,554**
44	Additional Tier 1 (AT1) capital	0	0
45	Tier 1 capital (T1 = CET1 + AT1)	0	0
58	Tier 2 (T2) capital	0	0
59	**Total capital**	**91,268**	**57,554**

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.

7.2 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.

7.3 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.

7.4 The Leverage Ratio

Chetwood calculates a non-risk based leverage ratio as a supplementary measure to the risk-based capital requirements. At 31 March 2023, the leverage ratio stood at 6%, as per the following table (UK LR2).

		31 March 2023 (£'000s)	31 March 2022 (£'000s)
1	On-balance sheet items (excluding derivatives, SFTs, but including collateral)	1,492,881	400,054
6	(Asset amounts deducted in determining tier 1 capital (leverage))		(7,669)
7	**Total on-balance sheet exposures (excluding derivatives and SFTs)**	**1,492,881**	**392,385**
	Derivative exposures		
8	Replacement cost associated with SA-CCR derivatives transactions (i.e. net of eligible cash variation margin)	280	280
9	Add-on amounts for potential future exposure associated with SA-CCR derivative transactions	121	0
13	**Total derivative exposures**	**401**	**280**
	Securities financing transaction exposures		
18	**Total securities financing transaction exposures**	**0**	**0**
	Other off-balance sheet exposures		
19	Off-balance sheet exposure at gross notional amount	26,535	1,993
22	**Off-balance sheet exposure**	**26,535**	**1,993**
	Capital and total exposures		
23	**Tier 1 capital (leverage)**	**91,268**	**57,554**
UK 24b	**Total exposure measure excluding claims on central banks**	**1,519,817**	**394,658**
25	**Leverage ratio excluding claims on central banks (%)**	**6.01%**	**14.6%**

8 Capital Requirements

8.1 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.

8.2 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.

8.3 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 (OV1) as at 31 March 2023.

		Risk Weighted Exposure Amounts (RWEAs) (£'000)		Total Own Funds requirements (£'000)
		2023	**2022**	**2023**
1	Credit risk (excluding CCR)	290,536	179,962	23,243
2	Of which the standardised approach	290,536	179,962	23,243
6	Counterparty credit risk - CCR	4,143	£1,937	331
7	Of which the standardised approach	4,143	£1,937	331
	Of which: credit valuation adjustment – CVA	0		
16	Securitisation exposures in the non-trading book (after the cap)	18,124		1,450
19	Securitisation - Of which SEC-SA approach	18,124		1,450
23	Operational risk	30,865	14,852	2,469
UK 23a	Of which basic indicator approach	30,865	14,852	2,469
29	**Total**	**343,668**	**196,750**	**27,493**

8.4 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.

8.5 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. On 13 December 2021, the Financial Policy Committee announced an increase in the CCyB rate to 1% effective from 13 December 2022, which remained the case until 5 July 2023 when it was increased to 2%.

8.6 Overall Capital Requirement

The following table (OVC row b) summarises the TCR and CRD IV Combined Buffer as a percentage of our RWAs of the Group as at 31 March 2023.

Capital requirement	£'000s	%
Pillar 1	27,493	8.00%
Pillar 2	38,044	11.07%
Total Capital Requirement	65,537	19.07%
Capital Conservation Buffer	8,592	2.50%
UK Countercyclical Buffer	3,437	1.00%
Total (excluding PRA buffer)	**77,566**	**21.57%**

9 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.

9.1 Credit Exposures

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 2023.

		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	684,967		684,967		0	0%
6	Institutions	20,716		20,716		4,143	20%
8	Retail	94,279	8,077	83,216	1,341	63,417	75%
9	Secured by mortgages on immovable property	566,797	126,095	566,256	25,194	213,876	36%
10	Exposures in default	30,088		6,843		6,843	100%
16	Other items	6,400		6,400		6,400	100%
17	**Total**	**1,403,247**	**134,173**	**1,368,397**	**26,535**	**294,679**	**21%**

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

9.2 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 2023	Stage 1 (£'000s)	Stage 2 (£'000s)	Stage 3 (£'000s)	Total (£'000s)
Up to date				
Risk Grade				
Low	159	9	-	168
Medium	34,351	6,823	477	41,651
High	21,258	6,140	169	27,567
	55,768	12,972	646	69,386
Delinquent				
Risk Grade				
Low	-	2	-	2
Medium	15	2,384	450	2,849
High	357	3,863	111	4,331
	372	6,249	561	7,182
Defaulted				
Risk Grade				
Low	-	-	22	22
Medium	-	-	13,851	13,851
High	-	-	10,928	10,928
	-	-	24,801	24,801
Total Loan receivables	56,140	19,221	26,008	101,369
Total impairment allowance	(4,636)	(8,315)	(23,297)	(36,248)
Net Loan receivables	51,504	10,906	2,711	65,121

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 2023	Stage 1 (£'000s)	Stage 2 (£'000s)	Stage 3 (£'000s)	Purchased or originated credit impaired (POCI) (£'000s)	Total (£'000s)
Up to date					
Risk Grade					
Low	229,792	2,237	-	-	232,029
Medium	284,147	15,958	-	-	300,105
High	24,833	7,348	-	-	32,181
	538,772	25,543	-	-	564,315
Delinquent					
Risk Grade					
Low	-	480	-	-	480
Medium	-	828	-	-	828
High	-	1,174	-	-	1,174
	-	2,482	-	-	2,482
Defaulted					
Risk Grade					
Low	-	-	229	-	229
Medium	-	-	-	-	-
High	-	-	-	284	284
	-	-	229	284	513
Total Loan receivables	538,772	28,025	229	284	567,310
Total impairment allowance	(482)	(154)	(3)	(17)	(656)
Net Loan receivables	538,290	27,871	226	267	566,654

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 2022	7,740	8,517	18,255	34,512
Transfer between stages:				
- to Stage 1	1,028	(1,026)	(2)	-
- to Stage 2	(1,692)	1,692	-	-
- to Stage 3	(804)	(5,149)	5,953	-
Total	(1,468)	(4,483)	5,951	-
Remeasurement of ECL	1,114	5,747	7,607	14,468
Provision released on redemptions and repayments	-	-	-	-
Provision released on sale or write off	(4,443)	(4,441)	(13,009)	(21,893)
ECL on purchased loans and advances to customers in the year	1,693	2,975	4,493	9,161
At 31st March 2023	4,636	8,315	23,297	36,248
Provision against undrawn credit commitments	1,090	527	-	1,617

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 2022	51	-	-	13	64
Transfer between stages:					
- to stage 1	-	-	-	-	-
- to stage 2	(3)	3	-	-	-
- to stage 3	-	-	-	-	-
Total	48	3	-	13	64
Remeasurement of ECL	31	31	3	17	82
Provision released on redemptions and repayments	(25)	-	-	(13)	(38)
Provision released on sale or write off	-	-	-	-	-
ECL on purchased loans and advances to customers in the year	428	120	-	-	548
At 31st March 2023	482	154	3	17	656
Provision against undrawn credit commitments	148	-	-	-	148

As summarised above, as at 31 March 2023 Chetwood recognises an unsecured / secured loan loss impairment of £36,248k / £656k against a gross carrying amount of £101,369 k / £567,310k, resulting in a net exposure of £65,121k / £566,654k.

9.3 Cost of Living Adjustment

Due to the rapid increases in interest rates, the impacts of higher inflation and the associated cost of living implications, a post-model adjustment of £1.1m has been applied for affordability stress across the unsecured portfolios, in order to account for potential impacts of the current environment that is likely to be underestimated in the modelled outcome.

For the secured portfolio management have considered any affordability or refinance risk in the book: the majority of the secured portfolio has been underwritten in the last 12 months on long term fixed rate contracts in the new higher interest rate environment and having passed strenuous affordability rules, rental demand remains high and buy-to-let mortgage performance across the whole market remains robust; consequently no post-model adjustment has been applied.

10 Remuneration

10.1 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.

10.2 Methods of Remuneration

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

10.2.1 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.

10.2.2 Variable Pay

A variable pay scheme was in place throughout the financial year ending 31st March 2023.

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.

10.2.3 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.

10.2.4 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.

10.2.5 Share Awards

No performance-based share awards were made at any time throughout the financial year ending 31 March 2023. In prior years restricted shares in Shropshire Holdings Limited, the parent company of Chetwood Financial Limited were awarded to certain Executive and Senior Management positions within the company. During the year ended 31 March 2023, no further shares were awarded; 74,000 restricted shares were outstanding at the balance sheet date.

10.3 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.

10.4 Remuneration for Material Risk Takers (MRT)

As at 31 March 2023, 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.

In accordance with SS2/17, as a PL3 institute Chetwood is not required to provide the detailed information stipulated by points h (i) and (ii) of Article 450(1), however it is required to provide aggregate quantitative information on remuneration. Consequently, the below information just provides the number of identified staff and their total remuneration, with no additional breakdown

		(a) MB Supervisory function	(b) MB Management function	(c) Other senior management	(d) Other identified staff
1/9	Number of identified employees	5	3	4	11
17	Total remuneration (£'000s)	330	1,008	1,160	2,067

Included in the above Other MRTs remuneration is £124k severance payments in respect of two beneficiaries, the highest severance payment made was £67k. 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.

11 Related Party Transactions

During the year the Group undertook the following material transactions with related companies:

- Chetwood completed sales of gross loans and advances with a carrying value of £105.1m to Cherub Funding Limited, for proceeds of £105.9m, resulting in a gain on sale of £0.8m. Cherub Funding Limited is a remote legal entity, related by common ultimate control. Chetwood remains the service provider for these assets, during the year Cherub Funding Limited paid £1,54m in servicing fees to the Chetwood Group.

12 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.

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