cashplus bank®

PILLAR 3 DISCLOSURES

For the year ended 31 March 2023

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COMPANY INFORMATION

COMPANY NAME

Advanced Payment Solutions Limited

REGISTERED OFFICE AND TRADING ADDRESS

Cottons Centre
Cottons Lane
London
SE1 2QG

TRADING NAME

Cashplus Bank

COMPANY REGISTRATION NUMBER

04947027
(England and Wales)

OVERVIEW

Introduction

Cashplus Bank is the trading name of Advanced Payment Solutions Ltd. We received our banking licence from the UK Prudential Regulation Authority (PRA) on 3 February 2021. We are authorised by the PRA and are regulated by the PRA for prudential requirements and by the Financial Conduct Authority (FCA) for conduct of business matters.

We previously traded for over 15 years as an e-money institution (EMI) and credit provider via a subsidiary APS Financial (AFL) Limited. AFL customers were transferred to Advanced Payment Solutions Ltd on 3 February 2021. The AFL legal entity was subsequently wound down and was formally dissolved on 16 August 2022.

Purpose

This report covers the period from 1 April 2022 to 31 March 2023. It provides information on our risk management, capital, liquidity and remuneration in line with the public disclosure requirements set out in Part VIII of the UK Capital Requirements Regulation (UK CRR) and the Disclosure (CRR) part of the PRA Rulebook. These requirements aim to encourage market discipline by enabling market participants to assess key pieces of information on our risk exposures. We have not omitted any recommended disclosures on the grounds that the information may be proprietary or confidential.

Our Pillar 3 report should be read in conjunction with the bank's Annual Report & Accounts that is available on the Cashplus Bank website. The information presented in this report is not required to be, and has not been, subject to an external audit.

Basis of Preparation

We assess ourselves to be a non-listed 'small and non-complex institution' in line with the definitions set out in the UK CRR and follow the disclosure requirements set out in Article 433b of the Disclosure (CRR) Part of the PRA Rulebook. The frequency and scope of disclosure will be reviewed annually, or more frequently in the event of a material change in the business.

The Disclosure (CRR) Part of the PRA Rulebook contains prescribed templates which have been adopted to present the quantitative disclosures within this document. Where certain rows or columns within prescribed templates are not relevant to us, these have been omitted.

Regulatory Developments

The PRA published its proposals in November 2022 (Consultation Paper 16/22) for the implementation of Basel 3.1 standards on 1 January 2025. We are reviewing and preparing for the implications of these proposed changes, particularly for the Standardised Approach for Credit, Market and Operational Risk.

However, we also meet all the criteria for the PRA's proposed new 'strong and simple regime'. We will assess the proposals for the new 'strong and simple regime' as they are published over the next 12 months and, in line with the PRA's guidance, expect to make a choice in H1 2024 on whether to apply the Basel 3.1 standards or to transition to the new 'strong and simple regime'.

PILLAR 3 DISCLOSURES

STRATEGY

OUR STRATEGY

OUR PURPOSE

Enabling a more open and successful financial future

Cashplus Bank was founded with the ambition to make banking services more inclusive and accessible and to breaking down barriers for underserved businesses and individuals. We remain committed to fulfilling that purpose by providing customers with the simple, easy-to-access digital banking they deserve, from a partner they can trust.

OUR MISSION

Provide the UK's underserved microbusinesses and people with easy-to-access, simple-to-use banking that helps them succeed

OUR VISION

Become the UK's best loved digital bank

OUR STRATEGY

OUR STRATEGIC PRIORITIES

1

Create brilliant, commercially sustainable products

We aim to provide our customers with genuinely useful products that are simple-to-use, easy-to-access and designed around them. We have a strong track record of data-driven decision making, which allows us to tailor and target our products to our customers' needs, giving them the tools, they need to succeed and delivering strong product economics for the Bank.

2

Deliver a simple and easy banking experience to our customers

We know how tough it is to start and run a small business and how stressful managing money can be, so we want to make doing business with Cashplus Bank as easy as possible. We remain committed to excellent, knowledgeable, and friendly personal service, based in the UK and easily available by telephone. We will support this offer with advanced technologies to enhance the overall experience for customers and get them the answers and support they need ever more quickly and easily.

3

Build a well-known brand with an outstanding reputation

As we grow, we recognise the need to raise positive awareness of our brand among the UK public and key stakeholders in our industry, the media and within the UK political arena. We want to be a trusted name for all stakeholders including our customers, colleagues, investors and society as a whole. In the next financial year, we expect to reveal a new name and brand identity for Cashplus Bank to truly reflect the business we are today.

4

Scale our business

We know that our business has enormous potential and recognise that now is the time to grow more quickly and achieve the scale that will deliver exponential value for our shareholders, customers, colleagues and other stakeholders. We will seek to secure additional equity funding in the next financial year to accelerate growth by allowing us to acquire customers more quickly and unlocking our lending potential.

PILLAR 3 DISCLOSURES

GOVERNANCE

GOVERNANCE

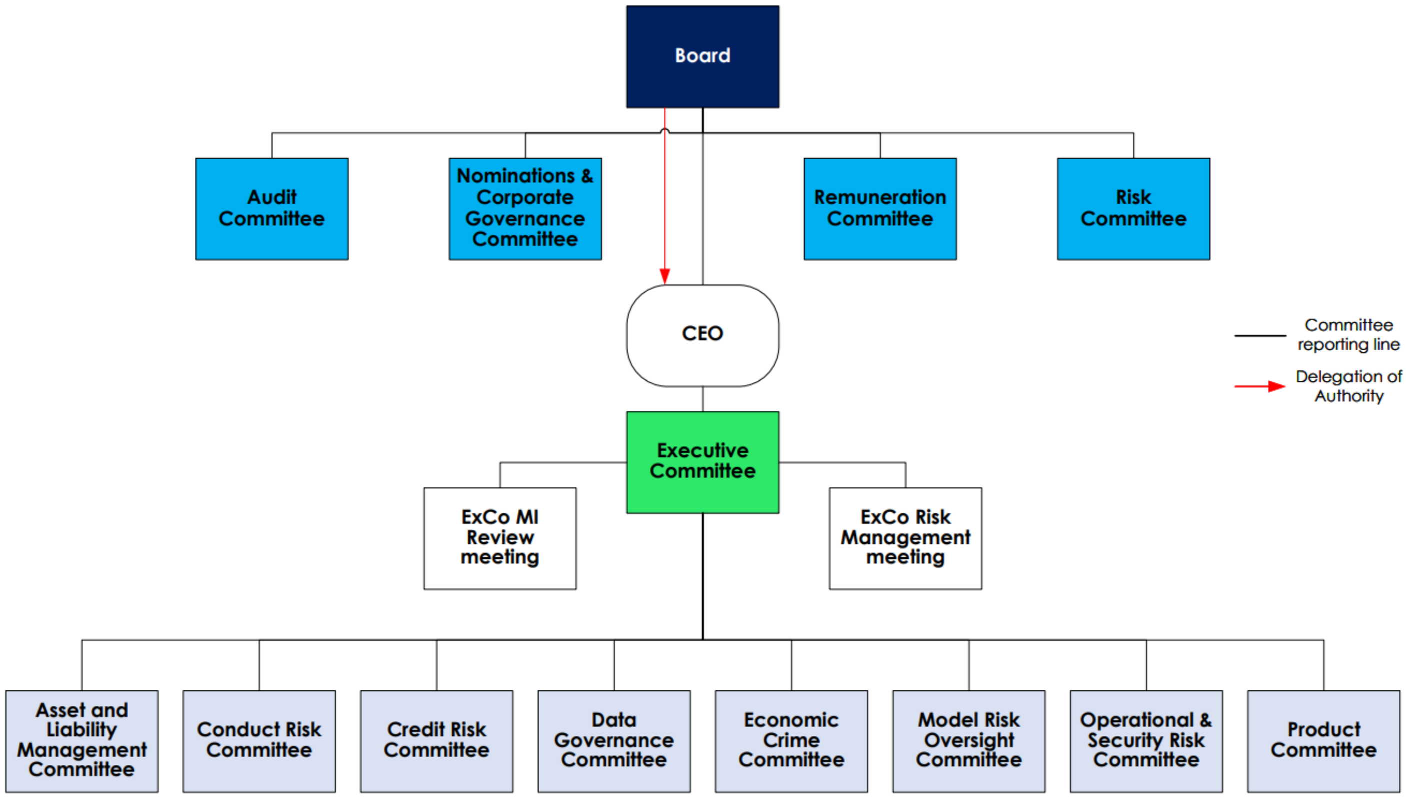
We have a well-established governance framework commensurate with our responsibilities, including the Senior Mangers Certification Regime (SMCR) and the PRA's expectations of Boards as outlined in relevant supervisory statements. The Board has strong banking experience and an appropriate balance of individuals, including executive and Independent Non-Executive Directors (INEDS).

The Board assumes responsibility for strategy, as well as the overall governance structure and control framework of the Bank. The Executive Committee (ExCo) is responsible for implementing the Board's decisions. The most recent governance structure has been enhanced through the addition of a Data Governance Committee and a Road Map Council.

The Data Governance Committee is responsible for defining and enforcing policies relating to the governance of data management throughout its lifecycle, focused on ensuring that the Bank has confidence in data, and reducing risks related to data. The Road Map Council facilitates the timely delivery and execution of initiatives within the Bank.

The governance framework ensures key decisions are made at the appropriate level, and that there is adequate oversight of the performance and management of the business, with reporting lines making it clear who is accountable for each area of business risk. We have an experienced Executive team which has been supplemented with the recruitment of key individuals with additional plans to recruit more to strengthen the First, Second and Third Lines of Defence.

The Board have delegated powers to a series of Board committees. In turn, some of these powers have been delegated to sub and executive committees, as set out in the chart below:



PILLAR 3 DISCLOSURES

RISK MANAGEMENT

RISK MANAGEMENT STRATEGY

The Board aims to deliver the Bank's strategic and business objectives while managing identified risks through appropriate mitigation.

Our risk strategy has three core elements:
(i) Simplicity in approach with efficient and effective tools and processes delivering the right information to the right people at the right time;
(ii) Sustainable controls enabling the Bank to absorb and adapt to shocks, and
(iii) An embedded framework, utilised by trained and motivated colleagues to optimise risk versus reward.

Cashplus Bank faces a range of risks from both internal and external factors. To manage these effectively, it has developed and embedded a comprehensive Enterprise-wide Risk Management Framework (ERMF) with people and culture at its heart. This is subject to continuous improvement and is reflective of the increasing focus on strong risk management and governance.

The framework provides the tools to manage risk, organised around risk categories aligned to our governance structure: Conduct, Credit, Financial (including capital and liquidity), Financial Crime, Operational and Governance & Strategic.

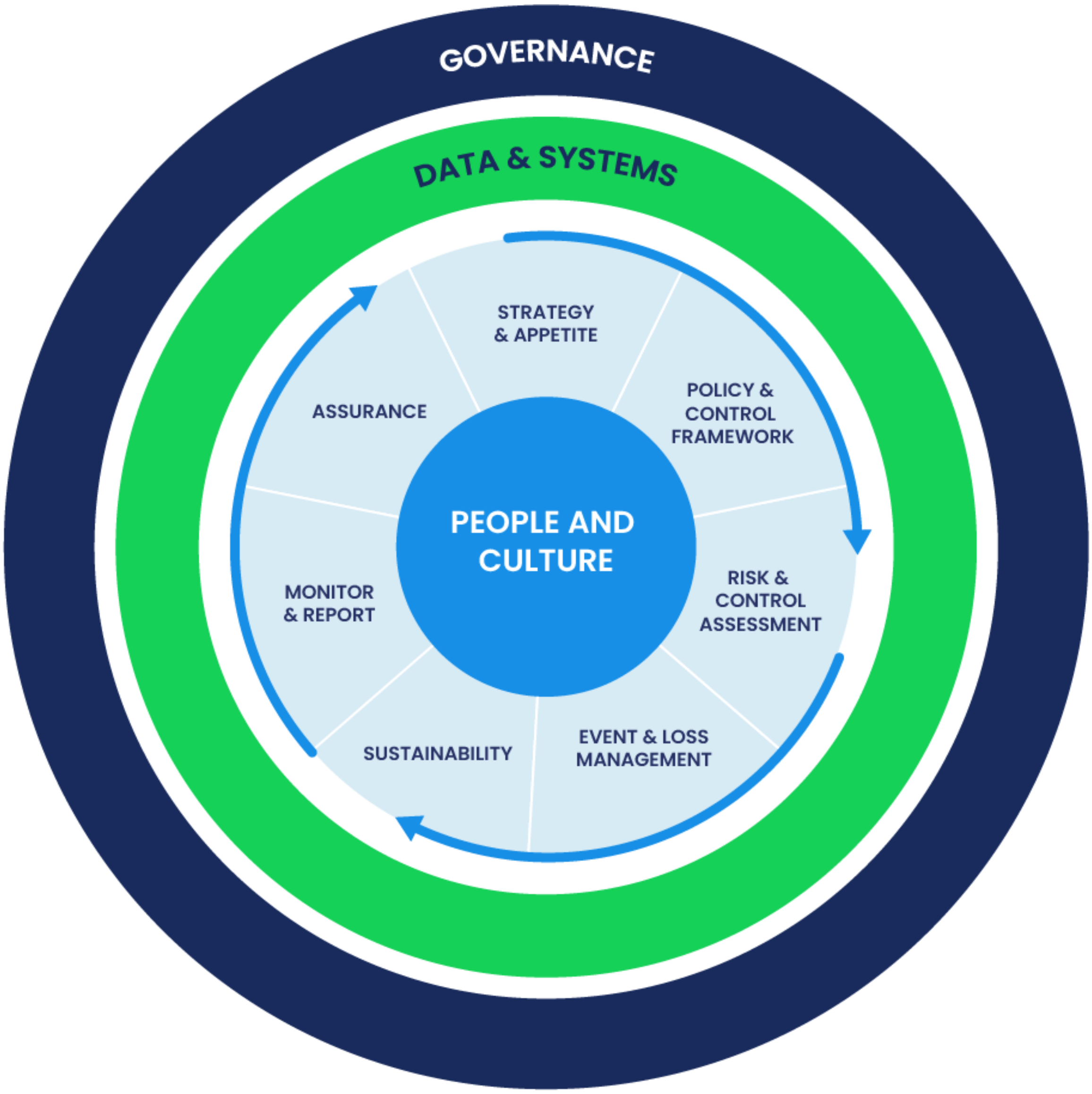
These risks encapsulate all material financial and non-financial risks faced by Cashplus Bank and are supported by sub-categories to support identification, assessment, mitigation and monitoring of specific risks. They provide a common language to be used across the business and enable us to embed our risk appetites and associated policies into day-to-day management activity. The framework is designed to allocate risk ownership and accountability throughout the business. Each component forms part of a larger continuum, providing a holistic view of our risk profile across all risk categories.

SIMPLE	SUSTAINABLE	EMBEDDED
Develop a clear approach to manage risk and compliance Supported by efficient and effective tools Provide insightful management information to the right people at the right time	'Absorb and adapt to shocks' - customer service protected even in times of stress Effective controls in line with regulatory expectations and risk appetite External threats are monitored and mitigated	Trained and motivated colleagues across the organisation embrace the framework Risk and compliance mindsets and behaviours linked to remuneration Collaborative culture supporting Senior Managers and Certification Regime accountability
Target Operating Model ensures risk resource is aligned to business growth	Proactive consideration of risk, compliance, and control in everything we do	Risk management 'baked into' Strategy

RISK MANAGEMENT FRAMEWORK

The Enterprise Risk Management Framework sets out the Bank's approach for managing risk and is designed and maintained by the Chief Risk Officer (CRO). It is reviewed and approved by the Risk Committee on at least an annual basis. The CRO is responsible for oversight and implementation of the framework and reports independently to the Board Risk Committee in relation to these matters, reporting directly to the CEO on a day-to-day basis.

Management of risk is everybody's responsibility. The risks are not owned by the second line Risk function, but by each individual business area owner. The Risk function delivers the tools and processes to manage risk effectively and performs oversight to ensure that standards are being met. The risk function also helps 'reveal' the risk landscape for the benefit of the Risk Committee and Board.



RISK OPERATING MODEL

Cashplus Bank has adopted the industry-standard three lines of defence model to articulate the accountabilities for risk management. The roles of key personnel are set out below:

Personnel/Line	Responsibilities
Senior Management (First Line)	• Responsible for the day-to-day management of risk within Cashplus, as per the Management Responsibilities Map and Senior Managers and Certification Regime (SMCR). • Ensures the implementation of appropriate and effective internal controls to manage the Bank's exposure to risks. • Ensures key controls are evaluated and operating as intended to manage risk within risk appetite. • Ensures appropriate resources are in place to achieve risk management objectives. • Ensures that all policy documents become part of the corporate culture of Cashplus Bank through established limits to manage quantitative risks; and through policies to manage qualitative risks.
Chief Risk Officer (Second Line)	• Responsible for the Risk and Compliance functions. Reports to the CEO for day-to-day activities, but independently to the Board Risk Committee to ensure oversight and adherence to the risk framework. • Establish the framework within which risk controls can be achieved to ensure that the inherent risks associated with the Bank's undertakings can be quantified and mitigated.
Internal Audit Director (Third Line)	• Providing independent third line assurance and assessment of risk processes and controls on the overall effectiveness of the ERMF. The Internal Audit Director reports directly to the Chair of the Audit Committee to ensure independence, and to the CEO for day-to-day activities. An external firm is also used to supplement internal resource.
All Colleagues	• All colleagues are responsible for adhering to all rules and regulations including Conduct Rules as well as processes and procedures which are designed to manage the risks associated with the work they perform. • They are also required to alert management to any risk incidents or potential risk incidents that they become aware of in the course of their work. • Colleagues should also discuss with their management any potential gaps in, or improvements to the control framework that they identify.

Risk appetite

Risk appetite, is set and owned by the Board, and is key in setting the parameters within which the business can operate. Qualitative and, in some cases, quantitative risk appetite statements have been developed for each of the risk categories. These set the overall tone for risk taking and influence the metrics (Board Risk Measures and Key Risk Indicators) used to measure the performance of each risk and ensure appropriate intervention where required. Risk appetite is supported by a robust set of principles, policies and procedures and is set on an annual basis. Amendments to risk appetite may be proposed proactively outside of the annual refresh cycle to ensure it remains appropriate to the current risk environment.

RISK OPERATING MODEL

Risk identification and assessment – the Risk Register
A Risk Register is used to standardise and enhance the monitoring of the risks by the Risk and Compliance Function. Risk and Compliance help the relevant Senior Manager Functions (SMF) and Functional owners to operationalise their Risk Registers through meetings and relevant training. Further, Risk and Compliance monitor the various Risk Categories through attendance at the sub-Risk Committee Groups/Committees, the Executive Committee (ExCo), the Risk Committee, and relevant thematic risk assessments. In addition, Risk and Compliance perform a second line review of the ILAAP, ICAAP and Recovery and Resolution Plan.

Emerging and horizon risks are also expected to be captured in the Risk Register commentary by the SMF and functional owners. In addition, relevant working groups support each of the Executive level committees. This also brings together horizon scanning across legal, regulatory, macro-economic and other such matters. The output helps inform the CRO's reporting to ExCo, the Risk Committee and Board.

Risk governance & reporting
The Board is responsible for ensuring that Cashplus Bank operates in a principle-led manner and maintains an organisational structure to provide adequate support in discharging this duty. In addition, the Board ensures that the risk management processes are aligned with the corporate strategy, and that there is regular reporting of the risk profile and the results of the risk assessment process.

The Risk and Compliance function is under the remit of the CRO, who reports directly to the CEO on a day-to-day basis, with a dotted-line to the Chair of the Risk Committee. The CRO provides independent reporting to the Risk Committee, Audit Committee and Board, and occasionally to the Remuneration Committee as appropriate. The Risk Committee is responsible for the oversight and assessment of the Cashplus ERMF, providing advice and guidance to ensure alignment with approved company policies. Enhanced governance is provided via the Executive Committee, who hold a regular, dedicated risk management meeting to consolidate and ensure effective management and oversight of key outputs emanating from the various Risk Governance committees.

PRINCIPAL RISKS AND UNCERTAINTIES

A description of Principal Risks and Uncertainties, and the controls in place to mitigate them, have been detailed in the table below:

Risk	Description	Sub-Risks	Mitigating Actions and Committee Oversight	Over-Arching Processes
Conduct	The risk that any products, services, behaviour, systems and/or controls may cause detriment to a customer, and negatively impact the integrity of the market.	Customer Communications Customer Servicing Product & Service Design FCA Compliance & Regulatory Affairs Vulnerable Customers	Cashplus Bank considers the Consumer Duty Principle to 'act to deliver good outcomes for retail customers' at every stage of the customer journey and have embedded the cross-cutting rules; to 'act in good faith', avoid causing foreseeable harm' and 'enable and support customers to pursue financial objectives' into the culture of the organisation and into the Enterprise Risk Management Framework. Conduct Risk is managed and monitored by the Conduct Committee which meets monthly and reports to the Executive Committee. The Product Committee manages the assessment of new products and their features to ensure they are appropriate; including undertaking annual product assessments.	**Enterprise Risk Management Framework Metrics and Monitoring to Risk Committee** **Management Risk Committees Supporting Executive and Board Risk Committees**
Credit	The risk associated with material financial disruption as a result of borrowers failing to meet obligations in accordance with agreed terms; lending exposures being grouped in such a manner that a correlated performance of the individual loans can be anticipated; and not acting in a customer's best interests, such that lending is not affordable, terms and conditions are not transparent, and borrowers are not supported if they experience repayment difficulties.	Credit Risk Credit Concentration Risk Responsible Lending	The Credit Framework focuses on ensuring appropriate and affordable lending is provided to customers. Credit is managed to a defined risk appetite and associated measures, and monitored by the Credit Committee, which meets monthly and reports to the Executive Committee. The framework includes the use of: - underwriting models which are regularly reviewed; - performance monitoring; and - key policies such as the Credit and Collections policies.	
Financial Crime	Financial crime is the risk of loss associated with criminal activities of customer and non-customer entities.	Money Laundering & Terrorist Financing External Fraud PEPs & Sanctions Financial Crime Reporting Internal Fraud	The financial crime framework focuses on minimising the loss associated with criminal activity. These risks are managed by the Economic Crime Committee which meets monthly and reports to the Executive Committee.	

PRINCIPAL RISKS AND UNCERTAINTIES

Risk	Description	Sub-Risks	Mitigating Actions and Committee Oversight	Over-Arching Processes
Financial	The risk associated with material financial disruption as a result of: • lack of financial control including internal daily controls, reconciliation of payment processing and regulatory returns; • not holding adequate capital; • inability to meet minimum liquidity requirements and payment of liabilities as they fall due, both in normal and stress conditions; • inability to raise sufficient funds; • movement in the level or volatility of market prices and rates; • non-customer counterparties failing to meet obligations in accordance with agreed terms.	Capital Adequacy Liquidity Adequacy Funding Concentration Risk Market Risk (IRRBB) Recovery & Resolution Planning Financial Controls, Accounting & Tax PRA Compliance & Regulatory Affairs Counterparty Credit Risk	The Financial Risk Framework focuses on minimising financial risks and adhering to the rules of the banking regime set out by the Prudential Regulation Authority. These risks are managed and monitored by the Asset and Liability Management Committee, which meets monthly and reports to the Executive Committee Capital risk management is focused around the annual Internal Capital Adequacy Assessment Process (ICAAP) which sets the level of capital required to meet forward looking requirements and stress scenarios. Liquidity risk management is set out in the Internal Liquidity Adequacy Assessment Process (ILAAP). Cashplus Bank also documents its Recovery Plan (RP), which includes the Liquidity Contingency Plan (LCP), and its Solvent Wind Down Plan (SWDP) to ensure that it effectively plans for all outcomes to minimise any potential disruption to customers and all stakeholders.	**Enterprise Risk Management Framework Metrics and Monitoring to Risk Committee** **Management Risk Committees Supporting Executive and Board Risk Committees**
Operational	Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or external events.	Project Management Key Supplier Management Execution, Delivery & Process Management Cyber risk & Information Security Service Delivery, Payment Processing Operational Resilience Software Development & Testing Data Protection (GDPR) Legal Risk	Operational risks are managed by the Operational and Security Risk Committee which meets monthly and reports to the Executive Committee. Key polices are the Business Continuity and Disaster Recovery plans that set out actions in the event of material IT systems disruption Cashplus Bank employs a suite of tools, software, and controls to minimise the potential impact of malicious cyber risk attacks. Dedicated functions are in place to monitor and manage information security risk. Regular penetration testing is also undertaken to assess perimeter and internal security.	
Governance and Strategic	The risk that Cashplus Bank's Governance Framework, culture, resources, capability and relationships with key stakeholders do not support the delivery of its stated strategic goals.	Financial Risk from Climate Change People & Resources Business Model Risk Governance & Culture Model Risk	The Board is primarily responsible for the management of strategy and governance. It delegates some of these responsibilities to the Executive Committee which meets twice a month. Processes to manage risk in this area include a strategic five-year plan, which is updated at least once a year, the execution of an annual budget and milestones. Monthly reporting of progress to these targets is provided by the Executive at Board meetings and in a Monthly Reporting Pack. Regulatory affairs are managed by the Risk and Compliance function with regular communication and meetings with regulators in place and reporting to the Board. Model risk is managed to defined standards and ongoing monitoring and review. Key polices include the Management Responsibility Map and the Corporate Governance Manual.	

PRINCIPAL RISKS AND UNCERTAINTIES

EMERGING RISKS

In addition to the principal risks and uncertainties, we consider medium and long-term emerging risks and evolving threats that could affect our ability to meet strategic goals and objectives.

External information, including emerging regulatory changes, upstream risks and macroeconomic factors are monitored to support a better understanding of threats and uncertainties.

Macroeconomic environment

The squeeze on the cost of living from the sharp rise in inflation in 2022, compounded by higher interest rates, the ongoing war in Ukraine and market uncertainty, places significant constraints and uncertainty on the economic outlook and consumer and business confidence levels. Inflation is projected to decline in 2023, but GDP growth and business investment is expected to be subdued and real disposable income levels face further constraints. Cashplus has access to diversified income streams that provide a large degree of financial resilience through the economic cycle. It has adopted a prudent strategy for its credit growth, taking account of cost-of-living increases in its affordability assessment calculations, but also identified opportunities to support its customers (e.g. increased product features such as cashback and credit builder).

Impact of Higher Interest Rates

Central banks (including the Bank of England) have raised interest rates sharply over the last 12 months in response to the higher inflationary environment. The abrupt end to the prolonged period of low interest rates since the 2008 crisis will continue to have implications for business performance, customer affordability and liquidity and funding risk management. Given the current structure of its balance sheet, Cashplus has benefited from higher interest rates on its treasury liquidity portfolio. Nevertheless, it continues to closely monitor the 'stickiness' of its depositor base, its funding costs and enhance its IRRBB capabilities. Cashplus' liquidity position remains strong and it only holds relatively short dated UK government bonds for liquidity management purposes.

Future Regulatory Change

Cashplus is preparing for the introduction of Basel 3.1 regulatory changes in the UK on 1 January 2025, but also recognises that it meets the PRA's criteria for a new 'strong and simple' regulatory framework for small, non-complex banks. It will be offered a choice in 2024 whether to move to Basel 3.1 or transition to the new 'strong and simple' regime. It will review the PRA's proposals for the capital and liquidity aspects of the new regime before making its decision. Cashplus is also required to meet the new Building Operational Resilience regulations by 31 March 2025.

PRINCIPAL RISKS AND UNCERTAINTIES

Resourcing capability and capacity
The recruitment market for finance and specialist resource remains competitive, potentially creating resource attrition and talent attraction headwinds. Cashplus Bank's profitability and flexible working approaches allow for talent retention and key hiring, augmented by specialist third party resource / consultancy support where required.

Economic Crime Risk
We note increasing risks faced by our customers, generated by social engineering, which are consistent with trends across the wider industry, particularly in Authorised Push Payment (APP) Fraud. Further, there is growing sophistication in organised money laundering rings trying to operate below detection levels. This means that continued investment, both at company and industry level, is required to address emerging Economic Crime activity. We further note political and regulatory views that consumers should not be made liable for socially engineered fraud losses; increasing previously expected firm liability for APP related losses. We have established an Economic Crime Unit to maximise our capabilities in this area, combining the experience of our expanded Fraud and Financial Crime teams.

Climate change risk
Financial risks from climate change arise through two primary channels: physical risks (related to specific weather events and longer-term shifts in the climate) and transitional risk (arising from the process of adjustment towards a low or net-zero carbon economy). Climate change risk can impact on the valuation of financial assets as well as the assumptions underpinning these valuations.

For Cashplus, the materiality of financial risks from climate change is currently assessed to be 'medium-low'. We are a small, microbusiness-focused bank with no secured lending portfolio and no significant concentration in high carbon-intensive industries (e.g. energy, transport and mining). Nevertheless, it is a key issue from both a regulatory and reputational aspect, that we monitor on an ongoing basis to consider how we can respond and adapt to longer-term changes that may expose key sensitivities in existing business plans.

The Board undertook a long-term scenario assessment exercise that analysed different 30-year paths for climate change and the wider economy as set out by the Network for Greening the Financial System (NGFS). In addition, a specific risk register has been added to the ERMF, with a clear risk appetite and key metrics. This will ensure a strong control framework is in place to monitor how risk exposure could develop, including indirectly through physical or transitional risks faced by our customers or suppliers.

PILLAR 3 DISCLOSURES

CAPITAL MANAGEMENT AND RESOURCES

CAPITAL MANAGEMENT AND RESOURCES

Risk Appetite

Our capital risk appetite seeks to ensure we maintain sufficient regulatory capital to meet minimum regulatory requirements and additional capital as required to absorb a series of extreme but plausible stress events. It is managed as follows:

- We hold a management buffer over regulatory capital requirements to provide time to enact effective management actions as part of our Early Warning Indicator trigger framework.
- We maintain an Internal Target Capital Ratio that is based on our own internal capital assessment plus a management buffer.
- Pillar 2A add-ons are reviewed regularly and adjusted upwards should an internal assessment identify an aggregate of risks not reflected by the minimum regulatory requirements.
- A stress-based target capital metric is used to assess the effectiveness of recovery actions should the bank be required to use its regulatory capital buffers.

Board-level metrics monitor key capital and leverage ratios and the large exposures limit. They are supplemented by Key Risk Indicators (KRIs) that are monitored and reviewed at ALCO and escalated if trends are moving in a significantly adverse direction.

Regulatory Capital Requirements

The regulatory capital requirements as they apply to Cashplus Bank are:

Pillar 1

We adopt the Basel Standardised Approach for the calculation of our Pillar 1 Risk-weighted assets (RWAs) for credit and market risk and the Basic Indicator Approach (BIA) for the calculation of Pillar 1 operational risk RWAs (see section 5). Pillar 1 capital requirements are 8% of RWAs, of which at least 4.5% of RWAs must be met by Common Equity Tier 1 (CET1) capital, 6% of RWAs by Tier 1 (T1) capital and 8% of RWAs by Total capital.

Pillar 2A

Designed to capture the risks that are not covered or are not adequately covered under Pillar 1. Our Pillar 2A requirement prescribed by the PRA is 3.49% of RWAs. When added to Pillar 1 this equates to a firm-specific Total Capital Requirement (TCR) of 11.49% of RWAs. At least 56.25% of the Pillar 2A requirement must be met by CET1 capital and at least 75% by T1 capital.

Capital Buffers

We hold the prevailing industry-wide Capital Conservation Buffer (CCB) and Counter-cyclical Buffer (CCyB). As at 31 March 2023 the CCB was 2.5% of RWAs and the CCyB was 1% of RWAs. The CCyB is scheduled to rise to 2% in July 2023, its target level in a normal environment. We are not classified as a systemically important bank and are not required to hold any systemic buffers. The PRA can also apply a firm-specific PRA buffer which is set on a confidential basis. All capital buffers must be met by CET1 capital.

CAPITAL MANAGEMENT AND RESOURCES

Pillar 1 Risk-weighted Assets (RWAs)

Pillar 1 requirements set out the rules used to determine the minimum capital requirement for credit, Market and operational risk. Our Pillar 1 RWAs and minimum capital requirements are set out in the table below. It aligns with template OV1 as set out in the Disclosure (CRR) part of the PRA rulebook, with any blank cells removed.

Table 1: Overview of Risk Weighted Exposure Amounts (OV1)

		Risk Weighted Assets		Capital requirement	
		31 Mar 22 £'000	31 Mar 23 £'000	31 Mar 22 £'000	31 Mar 23 £'000
1	Credit risk	36,075	34,818	2,886	2,785
2	of which the standardised approach	36,075	34,818	2,886	2,785
20	Market Risk	353	-	28	-
21	of which the standardised approach	353	-	28	-
23	Operational Risk	72,554	62,464	5,804	4,997
23a	of which the basic indicator approach	72,554	62,464	5,804	4,997
29	**Total Risk-weighted Assets**	**108,982**	**97,282**	**8,718**	**7,783**

Available Capital

Our CET1 capital ratio was 18.17% on 31 March 2023 and our Total Capital ratio (including eligible Tier 2 capital) was 21.04%. We do not hold any Additional Tier 1 (AT1) capital.

Table 2: Capital Ratios

	31 March 2022	31 March 2023
CET1 ratio	14.79%	18.17%
T1 ratio	14.79%	18.17%
Total capital ratio	16.83%	21.04%

CET1 capital is the strongest form of capital, consisting of ordinary share capital, associated share premiums and allowable reserves, subject to appropriate regulatory deductions. Our available CET1 capital is stated after adjustments for the IFRS9 transitional arrangements. Tier 2 capital consists of subordinated debt instruments that are amortised over their lifetime.

CAPITAL MANAGEMENT AND RESOURCES

Table 3: Available Capital by Type

	31 March 2022 £'000	31 March 2023 £'000
Common Equity Tier 1		
Paid up share capital	9	9
Share premium	43,321	43,321
Other reserves	2,349	3,247
Retained losses	(29,061)	(23,609)
Total equity per balance sheet	**16,618**	**22,968**
Regulatory capital adjustments		
Intangible assets	(2,591)	(4,520)
IFRS 9 transitional adjustments	2,529	1,897
Deferred tax assets	(410)	(2,654)
Additional coverage for non-performing exposures	(30)	(19)
Common Equity Tier 1	**16,115**	**17,672**
Tier 2 capital		
Issued Tier 2 capital instruments	2,228	2,793
Total Tier 2 capital	**2,228**	**2,793**
Total own funds	**18,343**	**20,465**

Minimum Requirements for Eligible Liabilities (MREL)

MREL is set annually by the Bank of England on a case-by-case basis. In line with its preferred resolution strategy for Cashplus, the Bank of England does not currently require any additional MREL to be held by the bank over and above its minimum Pillar 1 and Pillar 2A requirements.

Leverage Ratio

Our Tier 1 Leverage ratio is our T1 capital resources expressed as a proportion of total exposure. On 31 March 2023 our T1 leverage ratio under the UK definition was 9.72%

Table 4: Summary reconciliation of accounting assets and leverage ratio exposures (LR1)

		31 March 2022 £'000	31 March 2023 £'000
1	Total assets per published financial statements	493,925	558,055
4	Adjustment for exemption of exposures to central banks	(318,094)	(373,432)
10	Adjustments for off balance sheet items	2,395	2,476
12	Other adjustments	(502)	(5,296)
13	**Leverage Ratio total exposure amount**	**177,724**	**181,803**

CAPITAL MANAGEMENT AND RESOURCES

Table 5: Leverage ratio common disclosure (LR2)

		31 March 2022 £'000	31 March 2023 £'000
On-balance sheet exposures			
1	Total assets per published financial statements	493,925	558,055
6	Asset amounts deducted in determining Tier 1 capital	(502)	(5,296)
7	**Total on-balance sheet exposures**	**493,423**	**552,759**
Off balance sheet items			
19	Off-balance sheet exposures at gross nominal amount	23,947	24,760
20	Adjustments for conversion to credit equivalent amounts	(21,552)	(22,284)
22	**Total off-balance sheet exposures**	**2,395**	**2,476**
Capital Ratios and Buffers			
23	Tier 1 capital	16,115	17,672
24	Total exposure measure inc. claims on central banks	495,818	555,235
24a	Claims on central banks excluded	(318,094)	(373,432)
24b	Total exposure measure exc. claims on central banks	177,724	181,803
25	Leverage ratio excluding claims on central banks	9.07%	9.72%
25a	IFRS9 Fully loaded leverage ratio exc. claims on central banks	7.75%	8.77%
25c	Leverage Ratio including claims on central banks	3.25%	3.18%

Table 6: Split of on-balance sheet exposures (LR3)

		31 March 2022 £'000	31 March 2023 £'000
1	Total on-balance sheet exposures	493,423	552,759
3	Banking book exposures, of which:	493,423	552,759
5	Exposures treated as sovereigns	443,290	503,381
7	Institutions	10,216	10,012
9	Retail exposures	18,962	19,881
11	Exposures in default	2,737	2,540
12	Other exposures	18,218	16,945

CAPITAL MANAGEMENT AND RESOURCES

IFRS9 transitional arrangements

IFRS9 transitional arrangements were agreed within the CRR to allow firms to phase-in the Day 1 capital impact of the change from IAS39 to IFRS9 over a five-year period. Cashplus applies the transitional arrangements in line with Article 473a (6a) of the UK CRR.

Table 7: IFRS9 transitional arrangements

		31 March 2022 £'000	31 March 2023 £'000
Available Capital (amounts)			
1	Common Equity Tier 1 (CET1) capital	16,115	17,672
2	CET1 capital without IFRS9 transitional arrangements	13,586	15,775
3	Tier 1 capital	16,115	17,672
4	Tier 1 capital without IFRS9 transitional arrangements	13,586	15,775
5	Total capital	18,343	20,465
6	Total capital without IFRS9 transitional arrangements	15,814	18,568
Risk-weighted assets (amounts)			
7	Total Risk-weighted assets (RWAs)	108,982	97,282
8	Total RWAs without IFRS9 transitional arrangements	106,453	95,385
Capital Ratios			
9	CET1 ratio (as a % of risk exposure amount)	14.79%	18.17%
10	CET1 ratio without IFRS9 transitional arrangements	12.76%	16.54%
11	Tier 1 ratio (as a % of risk exposure amount)	14.79%	18.17%
12	Tier 1 ratio without IFRS9 transitional arrangements	12.76%	16.54%
13	Total capital ratio (as a % of risk exposure amount)	16.83%	21.04%
14	Total capital without IFRS9 transitional arrangements	14.86%	19.47%
Leverage Ratio			
15	Leverage ratio total exposure	177,724	181,803
16	Leverage ratio	9.07%	9.72%
17	Leverage ratio without IFRS9 transitional arrangements	7.75%	8.77%

PILLAR 3 DISCLOSURES

LIQUIDITY AND FUNDING

LIQUIDITY AND FUNDING

Liquidity Risk

Liquidity risk is the risk that the Bank is unable to meet its obligations as they fall due or can only do so at an excessive cost. It is assessed in relation to potential losses arising from the liquidation of assets and increases in the cost of funding during periods of stress.

Our risk appetite for liquidity risk is low and we hold sufficient liquid assets to cover liquidity needs under normal and stressed conditions. This is articulated through the following:

- Our internal risk appetite is to survive up to a minimum period of 90 days under extreme but plausible stressed conditions
- Maintain a Net Stable Funding Ratio (NSFR) at a level of at least 150%

The risk appetite is reviewed by ALCO and RiskCo and approved by the Board as part of the annual review and approval of the Internal Liquidity Adequacy Assessment Process (ILAAP). Adherence to the risk appetite is monitored daily by the Finance department. As part of the risk appetite monitoring and reporting, key metrics are in place to help identify any adverse movements at an early stage and take necessary actions before the risk appetite limits are breached.

We currently have a strong liquidity position with a customer deposit base that is significantly higher than our current lending portfolio. Most of our funds are held at central banks and available to withdraw on a same day basis. A smaller portfolio of short dated UK government bonds is held for liquidity diversification purposes and to minimise the Bank’s exposure to interest rate risk. These qualify and are held as part of Cashplus Bank's liquidity buffer. On 31 March 2023, our Liquidity Coverage Ratio was 878%.

Table 8: Liquidity Coverage Ratio

	31 March 2022 £'000	31 March 2023 £’000s
High quality liquid assets	443,570	465,257
Cash outflows	57,316	63,375
Cash inflows	12,041	10,373
Net cash outflows	45,275	53,002
Liquidity coverage ratio	**980%**	**878%**

Our assets our primarily High-Quality Liquid Assets (HQLA), for which we adopt a conservative approach focused on UK gilts or cash held in the Bank of England reserve account. We assess our exposure to liquidity stresses through our annual ILAAP that concluded that our liquidity position is sufficient to withstand extreme but plausible liquidity stress events.

LIQUIDITY AND FUNDING

Funding Risk

Funding risk is the risk that the Bank does not have access to stable sources of funding to enable it to meet its financial obligations as they fall due. Funding concentration risk arises where funding is primarily from a single source and Cashplus is unable to raise sufficient funds.

Our funding is primarily sourced from customer deposits. We regularly analyse transactional usage in our customer deposit accounts to understand the stickiness of these accounts and review our strategic product offering at least annually. We also apply limits across our deposit portfolio to ensure we identify and manage any exposure to geographic, sector or single-name concentrations.

On 31 March 2023, our Net Stable Funding Ratio was 1102%.

Table 9: Net Stable Funding Ratio

	31 March 2022 £'000	31 March 2023 £'000s
Available Stable Funding	435,465	498,682
Required Stable Funding	38,105	45,238
Net Stable Funding Ratio	**1143%**	**1102%**

PILLAR 3 DISCLOSURES

CREDIT RISK

CREDIT RISK

Credit Risk

Credit risk is defined as the potential risk that a bank borrower or counterparty will fail to meet its obligations in accordance with agreed terms. We are willing to accept a moderate level of credit risk subject to associated pricing commensurate with our target markets, maintaining effective measurement and controls and ensuring that credit is being provided and used on a responsible basis and in accordance with applicable regulatory and legal obligations and standards.

Credit Risk Management

Our credit framework focuses on ensuring that appropriate and affordable lending is provided to customers. Credit is managed to a defined risk appetite and associated measures and monitored by the Credit Committee which meets monthly and reports to the Board Risk Committee. The framework includes the use of underwriting models which are regularly reviewed, performance monitoring and key policies including the Credit Policy and Collections policies.

Credit Risk RWAs

Cashplus adopts the Basel Standardised Approach to determine its Pillar 1 credit RWAs, applying the risk weights set out in Chapter 2, Section 2 of the CRR. Standardised risk weights are applied by type of asset class to each net exposure (gross exposure minus provisions and undrawn elements). On 31 March 2023, Cashplus had £34.8m of credit RWAs, against which it held £2.78m of Pillar 1 capital.

Table 10: Pillar 1 Standardised Credit Risk Weighted Assets (31 March 2023)

£'000	Gross Exposure	Provision	Net Exposure	Risk-Weight	RWAs
Retail - Consumer	**21,390**	**(3,556)**	**17,834**	**-**	**14,190**
Non-defaulted assets	17,390	(1,605)	15,785	75%	11,839
Default (>20% provision)	3,290	(1,844)	1,446	100%	1,446
Default (<20% provision)	710	(107)	603	150%	905
Retail - SME	**5,832**	**(1,245)**	**4,587**	**-**	**2,847**
Non-defaulted assets	4,781	(685)	4,097	57%	2,341
Default (>20% provision)	1,018	(558)	460	100%	460
Default (<20% provision)	33	(2)	30	150%	46
Central Banks	**503,381**	**-**	**503,381**	**0%**	**0**
Institutions	**10,012**	**-**	**10,012**	**-**	**2,869**
Bank Balances	7,122	-	7,122	20%	1,424
Collateral	2,890	-	2,890	50%	1,445
Other	**16,570**	**-**	**16,570**	**-**	**14,912**
Fixed Assets	3,528	-	3,528	100%	3,528
Deferred Tax Asset	693	-	693	250%	1,733
Cash in collection	3,373	-	3,373	20%	675
IFRS9 transition	1,897	-	1,897	100%	1,897
Other	7,079	-	7,079	100%	7,079
Total	**557,185**	**(4,801)**	**552,384**	**-**	**34,818**

CREDIT RISK

In calculating Pillar 1 credit RWAs, the following approach is used:

- Unsecured retail exposures – Non defaulted assets. In line with UK CRR Article 123 a 75% risk weight is applied to the bank's non-defaulted exposure to natural person or persons and to SMEs.

- Application of the SME scaling factor. In line with UK CRR Article 501(1), a scaling factor of 0.7619 is applied to non-defaulted SME exposures, resulting in a net risk weight of 57.1%.

- Unsecured retail exposures – defaulted assets. In line with UK CRR Article 127(1), a 100% risk weight is applied to defaulted assets where provisions are > 20% of exposure and a 150% risk weight is applied to defaulted assets where provisions are < 20% of exposure.

- Undrawn commitments. In line with UK CRR Article 166 annex 1 the bank's undrawn credit commitments, which can be withdrawn unconditionally, are classed as low risk and are assigned a 0% risk weight.

- Central Banks. In line with UK CRR Articles 114(2) and 114(4), the bank's exposure to the Bank of England Reserve account and UK gilts are assigned a 0% risk weight.

- Institutions – Bank balances. In line with UK CRR Article 119(2) and 119(3), bank balances have a residual maturity of less than 3 months and are assigned a 20% risk weight

- Institutions – Mastercard Collateral. In line with UK CRR Article 120(1), the Mastercard collateral has a maturity greater than 3 months and is with a counterparty (Barclays) rated as CQS2, so a 50% risk weight is applied.

- Deferred Tax Assets. In line with UK CRR Article 48(4), the portion of the bank's Deferred Tax Assets that are deemed to depend upon future profitability and arise from temporary timing differences are assigned a risk weight of 250% (as the relevant aggregate DTA amount is less than the threshold of 10% of CET1 capital).

- Cash in the process of collection. In line with UK CRR Article 134(3), cash items in the process of collection are assigned a 20% risk weight.

- IFRS9 transition. In line with Regulation (EU) 2020/873, the transitional arrangements are applied on a tapered basis, with a 75% weight applied to the adjustment made to CET1 capital for FY 22/23.

- Fixed / Other Assets. In line with UK CRR Article 134(1), tangible assets are assigned a 100% risk-weight.

Further information on our credit risk exposures and provisioning is detailed in note 27 to the 2022/23 Annual Report & Accounts.

PILLAR 3 DISCLOSURES

MARKET RISK

MARKET RISK

Market Risk

Market risk is defined as the potential for changes in the market value of a firm's trading and investment positions. We do not operate a Trading Book and our Banking Book operates primarily in the UK and in £ sterling. However, we do have some small-scale Foreign Exchange exposures against which we assess the need to hold Pillar 1 capital using the standardised approach. We do not hold any LIBOR linked products and are not materially impacted by other market risks such as currency exchange.

Interest Rate Risk in the Banking Book (IRRBB)

IRRBB is the risk of losses arising from volatility in interest rates associated with the mismatch between assets and liabilities in the banking book. These losses can arise from financial assets or liabilities being adversely affected by the movement in market prices, interest rates or exchange rates. It can be reflected in near term earnings or in the longer-term capital because of changes in the economic value of future cashflows.

The Bank's primary exposure to market risk is interest rate risk. As the Bank holds its interest rate sensitive assets in a mix of credit, cash held at central banks and financial institutions, and UK Government securities, the risk to the business comes from the impact to earnings associated with the interest rates on these balances, particularly negative rates. The Bank has a policy to manage this risk within set parameters using a combination of repricing of liabilities and managing maturity mismatches using GILTs at fixed rates. The Bank is also in the process of onboarding hedging counterparties to help mitigate its interest rate exposure.

The Bank measures and assesses interest rate risk primarily through variances on two methods:

- the risk arising from potential changes in interest rates impacting economic value of equity (EVE), which applies six prescribed interest rate scenarios, and
- changes in net interest income (NII), which applies 250 basis points parallel up and down shifts with a planned hedging instrument over a 12-month time horizon.

The sensitivity scenario is unchanged from the prior year. The ΔEVE on 31 March 2023 is £(1,417)k (2022: £(0.87)k) and ΔNII on 31 March 2023 is £(1,371)k (2022: £(0.63)k).

The Bank does not hold any LIBOR linked products, and so does not have any sensitivity to LIBOR. The Bank is not materially impacted by other market risks such as currency exchange.

Our Treasury Management function calculates and reviews our IRRBB exposure daily, monitoring movements and trends as the business grows and ensuring that we remain within risk appetite through hedging of net-liability maturity mismatches. This is also reviewed at the ALCO along with an IRRBB forecast and results of the underlying stresses. The IRRRBB policy and calculation methodology is reviewed annually or when there is a significant change in business strategy or balance sheet composition.

PILLAR 3 DISCLOSURES

OPERATIONAL RISK

OPERATIONAL RISK

Operational Risk

Operational Risk is defined as the risk of loss resulting from failed or inadequate internal processes, people and systems or external events. Our risk appetite seeks to optimise Operational Risk to ensure an appropriate balance between customer outcomes, financial sustainability and operational stability in line with our strategic objectives.

Operational Risk Management

Operational risks are managed by the Operational and Security Risk Committee which meets monthly and reports to the Risk Committee. Key polices are the Business Continuity and Disaster Recovery plans that set out actions in the event of material IT disruption. Cashplus employs a suite of tools, software and controls to minimise the potential impact of malicious cyber risk attacks. Dedicated functions are in place to monitor and manage information security risk. Regular penetration testing is also undertaken to assess perimeter and internal security.

Operational Risk RWAs

Cashplus adopts the Basel Basic Indicator Approach (BIA) to determine its Pillar 1 operational risk RWAs. This is based on 15% of the average relevant income over the previous three years.

Table 11: Operational risk own funds requirements and risk-weighted exposure amounts (OR1)

	Relevant Indicator (£'000)			Pillar 1 Capital	RWAs
	20/21	21/22	22/23	£'000	£'000s
Banking activities subject to Basic Indicator Approach (BIA)	25,051	32,473	42,418	4,997	62,464

PILLAR 3 DISCLOSURES

REMUNERATION

REMUNERATION

Remuneration Policy

Our Remuneration Policy covers our approach to remuneration for all staff including Material Risk Takers (MRTs). The Policy is applied consistently for all colleagues and is designed to be inclusive for all. We understand that remuneration can influence behaviours and we wish to encourage the right activity from our colleagues. The focus is on simplicity, rewarding behaviours aligned to our values and which will produce the right outcomes for customers, shareholder, colleagues, and other key stakeholders, focusing on long-term sustainable growth, while ensuring that a risk-based approach and good conduct remain core to our remuneration policy and practices.

We've designed our policy to attract, motivate and retain people with the required experience and skills to meet the demands and complexity of the roles required, regardless of gender, ethnicity, age, disability, race, social class or background, sexual orientation, or any other factor unrelated to performance or experience within the Company.

The Remuneration Committee (RemCo) is responsible for, and oversees, the Remuneration Policy. The Board appoints the members of RemCo which is made up of five of our independent non-executive directors. RemCo reviews the Remuneration Policy annually to check it's aligned to the business strategy, objectives, and values, and that it complies with regulatory requirements, in consideration of proportionate requirements for Cashplus Bank as a Level 3 firm. The Remuneration Policy was reviewed and re-approved in March 2023.

RemCo may appoint external consultants to help it discharge its duties and obligations as required. No such external consultancy appointment was made in the period ending 31 March 2023. The Risk and Audit functions contribute to remuneration decisions where appropriate. RemCo meets at least four times each year with additional meetings as required. In the financial year ending 31 March 2023 RemCo met four times.

Link between pay and performance

Remuneration for our people is made up of fixed pay (salary, life assurance, pension, and other benefits) and variable pay which, in the period ending 31 March 2023, was in the form of share options granted under the terms of the company's Long Term Incentive Plan, providing our people with an opportunity to share in our long-term success. The value of shares options is only delivered in the event of an exit event, which will depend on the overall performance of the business, including financial performance, our customer experience and our compliance and risk management.

The Remuneration Policy incorporates a framework that, alongside ensuring we meet all legal and regulatory requirements, includes the principle that remuneration decisions are made based on a combination of:

1. Business performance, including performance against strategic objectives and metrics from our Enterprise Risk Management Framework.
2. Individual performance against Company strategic objectives as set out in personal performance scorecards.
3. Adherence to the Company values, business principles, risk-related policies and procedures and global standards of the banking and financial services industry.

REMUNERATION

Fixed Pay

Fixed salaries are determined based on role accountability, impact and level of responsibility and contribution. We use external benchmarking data to determine the appropriate level of pay. We review salaries annually, although salaries may not be adjusted each year.

In addition, a fixed range of relevant benefits is provided for employees. The range of benefits on offer is reviewed from time to time by RemCo to ensure continued relevance and alignment to the market. Alongside life assurance and pension, we provide a Flexible Cash Benefit payment to each member of staff amounting to 7.5% of base salary. Although this is a direct cash benefit, colleagues are encouraged to use this towards the arrangement of their own private medical coverage and to support contributions to their company pension plan. We provide several different leave options including enhanced Paid Core Holiday, Sabbatical Opportunities, Enhanced Maternity and Parental Leave policies. Other voluntary benefits are made available to colleagues to support their financial wellbeing, their physical and emotional wellbeing, their social wellbeing and personal development and career wellbeing. There are no individual or Company performance measures related to benefits.

Variable Pay

The purpose of any variable pay arrangement is to recognise and reward performance. In the period ending 31 March 2023, variable pay was, in general, provided in the form of share options. All staff are eligible for an award of shares following appointment, the value of which considers their role, accountabilities, and contribution.

Our approach to delivering variable pay through the award of share options focusses on the delivery of longer-term financial and strategic objectives. The Remuneration Policy provides that a portion (up to 40%) of any cash annual variable pay award (if such arrangement is operated) may be deferred and, where deferred, will vest over a period of two years. Deferred awards are subject to malus and can be cancelled, reduced, or repaid in appropriate circumstances. The total value of variable pay in each year is limited to a maximum of 100% of salary. Variable pay awards granted to colleagues identified as Material Risk Takers are subject to malus and clawback.

The Remuneration Policy incorporates a policy that limits any guaranteed variable remuneration to exceptional circumstances, for example to secure a candidate for a role. Where approved by RemCo, such arrangement will be applicable only in the first year of employment. Any payments related to an early termination of contract will not reward failure or misconduct. Termination payments for Material Risk Takers will be approved by RemCo.

REMUNERATION

Alignment of Remuneration and Risk

The Terms of Reference for RemCo set out the full duties of the Committee which include responsibility for ensuring remuneration arrangements are consistent with and promote sound and effective risk management. RemCo oversees the remuneration policy and its application to the businesses and functional areas.

To ensure the alignment of remuneration and risk alongside our business growth the following applies:

- The Chief Risk Officer (CRO) provides input to inform RemCo of risk-related issues across the Company, so they are considered by this committee in applying the remuneration framework and reaching remuneration decisions. The CRO also updates RemCo on the performance against the Enterprise Risk Management Framework, which describes and measures the amount and appetite for types of risk that the Company takes in executing its strategy. RemCo uses these updates to consider any risk-related adjustments made to any variable pay pool, to ensure that return, risk, and remuneration are aligned.

- The Internal Audit Director (IAD) will also provide input to RemCo on material issues that have been raised via the Audit Committee resulting from the work of Internal Audit, including communication of relevant internal audit findings on remuneration matters and the timeliness of clearing outstanding audit matters.

- RemCo seeks input from both Risk and Audit Committee Chairs (in consultation with second- and third-line management) who are also members of RemCo on the alignment of risk and remuneration and on any risk adjustments to be applied in assessing the annual variable pay pool and in respect of individuals within its remit.

Control Functions

In view of a potential conflict, RemCo will determine whether Control Function employees are included within variable pay schemes in operation for other staff in consideration of:

- the impact of personal performance within variable pay schemes looking at the performance assessment relative to objectives specific to the functional role;
- the extent of involvement in, and broader contribution, to variable plan design proposals;
- the materiality (value) of potential award including a review of values as a % of fixed remuneration;
- whether, or not, the schemes are felt to have the potential to impair independence and objectivity.

The remuneration of any senior members of Control Functions, such individuals identified as Material Risk Takers, will be reviewed by the People Team, and approved by the Remuneration Committee.

REMUNERATION

Remuneration for Material Risk Takers

Material Risk Takers (MRTs) are defined as individuals whose professional activities can have a material impact on the firm's risk profile. We identify MRTs in line with the European Banking Authority's regulatory technical standards.

The remuneration of MRTs is managed in line with our overall reward approach, applying the Remuneration Code requirements in a way that is proportionate to our size, nature, and complexity.

In the financial year ending 31 March 2023 we identified 29 Material Risk Takers. Remuneration for identified MRTs in the financial year 2022/23 is shown in the table below.

Table 12: Remuneration awarded for the financial year 2022/23 (REM1)

	MB Supervisory and Management Function £'000	Other Senior Management £'000	Other Identified Staff £'000s
Number of identified staff	**6**	**10**	**13**
Fixed Remuneration			
Cash-based	634.7	1,667.3	1,465.1
Total Fixed Remuneration	**634.7**	**1,667.3**	**1,465.1**
Variable Remuneration			
Cash-based	0	0	10.0
Shares or equivalent interests	148.3	156.9	4.8
of which: deferred	148.3	156.9	4.8
Total Variable Remuneration	**148.3**	**156.9**	**14.8**
Total Remuneration	**782.9**	**1,824.2**	**1,479.8**

PILLAR 3 DISCLOSURES

APPENDICES

APPENDIX 1: KEY METRICS

The following table shows key metrics in the format prescribed by the Disclosure (CRR) part of the PRA rulebook. Any blank cells in the template have been removed.

Table 13: Key Metrics (KM1)

	Available Own Funds	31 Mar 22 £'000	31 Mar 23 £'000
1	Common Equity Tier 1 capital	16,115	17,672
2	Tier 1 Capital	16,115	17,672
3	Total Capital	18,343	20,465
	Risk Weighted Assets (RWAs)		
4	Total Risk Weighted Assets	108,982	97,282
	Capital ratios (as a % of RWAs)		
5	Common Equity Tier 1 ratio	14.79%	18.17%
6	Tier 1 ratio	14.79%	18.17%
7	Total capital ratio	16.83%	21.04%
	Additional own funds requirements based on SREP (% of RWAs)		
7a	Additional CET1 SREP requirements	1.74%	1.96%
7b	Additional AT1 SREP requirements	0.58%	0.65%
7c	Additional T2 SREP requirements	0.78%	0.87%
7d	Total SREP own funds requirements	11.10%	11.49%
	Combined buffer requirement (% of RWAs)		
8	Capital conservation buffer	2.50%	2.50%
9	Institution specific countercyclical capital buffer	0.00%	1.00%
11	Combined buffer requirement	2.50%	3.50%
11a	Overall capital requirements	13.59%	14.99%
12	CET1 available after meeting SREP own funds requirements	3.69%	6.68%
	Leverage ratio		
13	Leverage ratio total exposure measure	177,724	181,803
14	Leverage ratio	9.07%	9.72%
	Liquidity Coverage Ratio		
15	Total high-quality liquid assets (HQLA)	443,570	465,257
16a	Cash outflows	57,316	63,375
16b	Cash inflows	12,041	10,373
16	Total net cash outflows	45,275	53,002
17	Liquidity coverage ratio (%)	980%	878%
	Net Stable Funding Ratio		
18	Total available stable funding	435,465	498,682
19	Total required stable funding	38,105	45,238
20	NSFR ratio (%)	1143%	1102%

APPENDIX 2: COMPOSITION OF OWN FUNDS

The following table shows the composition of own funds for the Bank in the format prescribed by the Disclosure (CRR) part of the PRA rulebook. Any blank cells in the template have been removed.

Table 14: Composition of regulatory own funds (CC1)

		31 Mar 22	31 Mar 23
Common Equity Tier 1 capital: instruments and reserves		**£'000**	**£'000**
1	Capital instruments and related share premium	43,330	43,330
2	Retained Earnings	(29,061)	(23,609)
3	Accumulated other reserves	2,349	3,247
5a	Independently reviewed interim profits	0	0
6	**Common Equity Tier 1 before regulatory adjustments**	**16,618**	**22,968**
Common Equity Tier 1 capital: regulatory adjustments			
8	Intangible assets	(2,591)	(4,520)
10	Deferred tax assets	(410)	(2,654)
27a	Other adjustments	2,499	1,878
28	**Total Regulatory adjustments to CET1**	**(502)**	**(5,296)**
29	**Common Equity Tier 1**	**16,115**	**17,672**
45	**Tier 1 capital**	**16,115**	**17,672**
Tier 2 capital and provisions			
46	Tier 2 capital instruments and related share premium	2,228	2,793
51	**Tier 2 capital before regulatory adjustments**	**2,228**	**2,793**
58	**Tier 2 capital**	**2,228**	**2,793**
59	**Total Capital**	**18,343**	**20,465**
60	**Total Risk-weighted assets**	**108,982**	**97,282**
Capital Ratios and Buffers			
61	Common Equity Tier 1 (as % of total risk exposure amount)	14.79%	18.17%
62	Tier 1 (as % of total risk exposure amount)	14.79%	18.17%
63	Total capital (as % of total risk exposure amount)	16.83%	21.04%
64	Institution CET1 overall capital requirement	8.74%	9.96%
65	Of which: capital conservation buffer requirement	2.50%	2.50%
66	Of which: counter-cyclical buffer requirement	0.00%	1.00%
68	Common Equity Tier 1 available to meet buffers	8.54%	11.70%
Amounts below the threshold for deduction (before risk weighting)			
75	Deferred tax assets arising from temporary differences	590	693
Applicable caps on the inclusion of provisions in Tier 2			
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	451	435

APPENDIX 3: RECONCILIATION TO BALANCE SHEET

The following table shows the reconciliation of own funds to balance sheet for the Bank in the format prescribed by the Disclosure (CRR) part of the PRA rulebook. Any blank cells in the template have been removed.

Table 15: Reconciliation of regulatory own funds to balance sheet (CC2)

		Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference
Assets		31-Mar-23 £'000	31-Mar-23 £'000	
1	Cash and balances at other banks	380,533	380,533	
2	Investment Securities	129,949	129,949	
3	Loans and Advances to Customers	22,593	22,593	
4	Other assets	13,585	13,585	
5	Net Deferred Tax Assets	3,347	3,347	CC1 (10)
6	Plant, property and equipment	3,528	3,528	
7	Intangible Assets	4,520	4,520	CC1 (8)
	Total On B/S Assets	**558,055**	**558,055**	
8	Other items - IFRS9 adjustment and NPE charge	0	1,878	CC1 27(a)
	Total Assets	**558,055**	**559,933**	
Liabilities				
1	Customer deposits	511,463	511,463	
2	Provisions for Liabilities and Charges	0	0	
3	Tier 2 debt	2,793	2,793	CC1 (46)
4	Tier 2 debt amortisation	207	207	
5	Loan Stock	-	-	
6	Other Liabilities and Accruals	18,386	18,386	
7	Deferred Income	2,238	2,238	
	Total Liabilities	**535,087**	**535,087**	
Shareholder's Equity				
1	Share Capital	9	9	CC1 (1)
2	Share Premium	43,321	43,321	CC1 (1)
3	Other Reserves	3,247	3,247	CC1 (3)
4	Retained Earnings	(23,609)	(23,609)	CC1 (2) & 5(a)
	Total Shareholder's Equity	**22,968**	**22,547**	

Registered Number: 04947027

Cashplus Bank is the trading name of Advanced Payment Solutions Limited –
Pillar 3 Disclosures for the year ended 31 March 2023