Crown Agents
Bank

Crown Agents Bank Limited

Annual Report and Financial Statements

For the year ended 31st December 2017

Registered Number

2334687

Registered Office:

St Nicholas House

St Nicholas Road

Sutton

Surrey SM1 1EL

Contents

Chairman's Report for the year ended 31 December 2017

I am pleased to report that Crown Agents Bank Limited ("the Bank") has performed well in 2017, and we are already seeing the fruits of the transformation programme, which is now well underway.

As a result, the Bank re-established profitability on a monthly basis during the second half of the year. This resulted in a small profit overall for 2017 - reversing the Profit Before Tax deficit of GBP 4.6m recorded the previous year and posting a Profit Before Tax of GBP 0.1m in 2017. This is very gratifying.

This has also had a significant positive impact on staff morale, as the management team under Albert Maasland moves to drive further sustainable revenues from our attractive franchise across Africa, the Caribbean and other focus regions of the world.

Coupled to this, the strategic refresh also undertaken during 2017 has resulted in a sharper focus on building revenues based on flows both into and out of these regions. We continue to concentrate on clients that pass our comprehensive screening process whilst also building transaction volumes with counterparties looking to undertake transactions into Africa, the Caribbean and other focus regions of the world.

As a result, I remain confident that we will have another successful year in 2018, and the early signs are that a significant increase in business is already taking place.

I would like to thank the management team and all the staff of the Bank for their dedication and commitment in 2017 and for their contribution in 2018.

Jeremy Parrish

Chairman

18 April 2018

Chief Executive Officer's Report for the year ended 31 December 2017

Overview

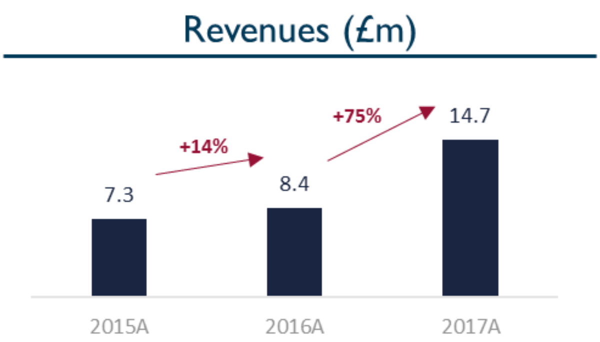
I take great pleasure in reporting that during 2017, the Bank made significant progress against goals laid out in our strategic growth plan. Since the change of control in April 2016, the Bank has targeted and achieved significant improvements across key areas of the organisation, which has not only resulted in year-on-year revenue growth of 75% but also established a base for sustainable expansion in 2018. Revenue growth came from a combination of increased flows from our traditional central bank, official institution and NGO client base and an expansion of our emerging market FX business, principally from OECD-based institutions. We also gained considerable traction in building out our international payments and G10 FX activities across our worldwide commercial bank client base. This has resulted in a notable reduction in client concentration risk. We have also made significant investments in building out teams across all aspects of the business. We encourage everyone in the organisation to challenge current practices and techniques to find better solutions for our clients and to foster a culture of continuous improvement and operational excellence.

We have significantly strengthened our governance framework and compliance infrastructure with a particular focus on our enhanced due diligence process for the on-boarding of new clients, the implementation of powerful transaction monitoring tools and an upgrade in cyber-security controls. In addition, we have taken the first important steps in implementing a next-generation digital infrastructure to better serve the needs of our existing and growing client franchise. Our ambition and growth plans are underpinned and predicated on an environment of governance and control, which we will not compromise on.

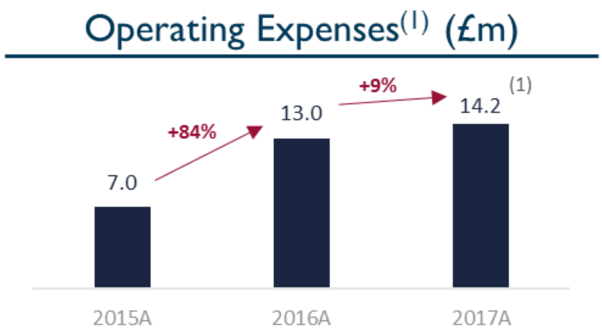
I would like to highlight the focus the Bank has on capacity building initiatives with local commercial banks in our focus geographies in Africa, the Caribbean and other select regions of the world. Often working in conjunction with the local supervisory authorities, the Bank has played a positive role in mitigating some of the negative impact that the international banking community's de-risking has had across many of our markets. We continue to stay committed to and reinforce the trusted reputation and expertise we have built in many small and mid-sized developing markets, helping to reopen or maintain payment and transaction banking access to international markets. This has helped reduce the cost, speed and complexity of transaction banking services. The Bank remains committed to working with our global clients and leveraging the resources of the firm to help them achieve their goals.

Our overriding philosophy is to do simple things in a transparent and effective manner, albeit sometimes in challenging places. We aspire to be the 'go to' transaction gateway into, between and out of small and mid-sized developing nations, specifically in our traditional focus markets. We are very conscious of the trust we have earned over the last almost 185 years but look forward with confidence as we solidify our relevance as a payment gateway for developing markets in a rapidly changing and evolving digitally driven world of cross-border financial services.

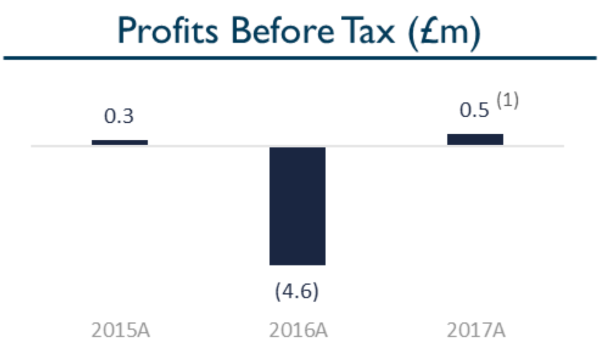
Chief Executive Officer's Report for the year ended 31 December 2017 (continued)



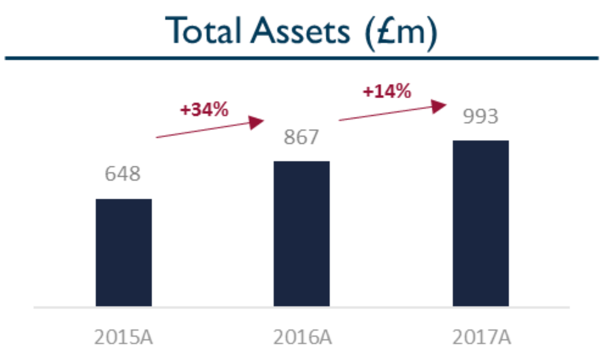
- All business lines contributed to strong revenue growth in 2017



- Effective cost management
- Investments in people, systems and operational infrastructure to support growth agenda including associated risk management processes



- Strong focus on execution
- Upfront investments in business resulted in losses during 2016, and the business became structurally profitable in 2017.



- Moderate asset growth
- Continued efforts to diversify deposit base and lower single name concentration

Source: Crown Agents Bank
Notes: Audited financials; (1) Excluding restructuring costs of £0.4m

Business Performance

2016 was a transitional year in terms of performance. Post change of control, a significant investment and remediation programme was initiated to ensure a fit for purpose governance and control environment, a robust, best of breed compliance and on-boarding process, and technology developments to drive operational excellence across the Bank and, notably transform Straight Through Processing (STP) rates to facilitate the planned scalability of transaction banking business volumes. Central to this programme was an investment in talent as we transformed the Executive Management team and the Board, laying the foundations for growth. This resulted in a loss for calendar 2016 of GBP 4.6m before tax and a loss of GBP 3.5m after tax on the back of modest revenue growth.

Having built out our infrastructure foundations, I am pleased to report that the Bank delivered significant improvements in performance for 2017. We became structurally profitable around the mid-year in 2017 making

Chief Executive Officer’s Report for the year ended 31 December 2017 (continued)

Business Performance (continued)

up deficits from H1 and posting a full year pre-tax profit (before exceptional items) of GBP 0.5m and, after tax and exceptional items, a profit of GBP 0.1m.

All business lines performed well with growth in all aspects of our business. We expanded our coverage and geographies with enhanced product capabilities, particularly capitalising on our expertise of delivering illiquid currencies in often fragile jurisdictions and environments. Our top line revenues grew 75% year on year with tightly controlled expense growth of 9% whilst continuing to support our ongoing infrastructure investment programme. This is a particularly satisfying set of results and I am confident the strong measured growth will continue into 2018.

We are, at our core, operating a specialised transaction banking model that has inherently low capital requirements compared to full service banks. Since change of control in April 2016, Helios Investment Partners LLP have injected additional capital of GBP 33.9m (GBP 15.9m in 2017) to allow us to achieve our investment goals and support our expanding operations. Although not a core driver of our strategy, our Balance Sheet has grown c.14% to GBP 993m in 2017 representing a measured growth of deposits from our expanding central and commercial bank counterparties and we are pleased to report that concentration levels have diversified over the period under review. This liability led model (note we have a moderate credit risk appetite and do not operate a traditional loan book) and judicious asset allocation results in high levels of liquidity with HQLA (High Quality Liquid Assets) of GBP 433m (or c.44% of our Balance Sheet) at year end 2017.

In December 2017 our Ratings Agency, Fitch confirmed the Bank’s BB long-term credit rating and revised up its outlook from “Evolving” to “Stable” in recognition of the progress we have achieved in our control and governance environment, our risk outlook and the traction against our growth plan.

I look forward with confidence to continued progress as we enter 2018 with excellent business development momentum underpinned by a solid execution strategy and controlled risk environment.

Albert Maasland

Chief Executive Officer

18 April 2018

Directors for the year ended 31 December 2017

Jeremy Parrish – Chairman and Independent Non-Executive Director (appointed 4 April 2017)
Jeremy Parrish joined the board with over three decades of banking experience. After starting his career with the ANZ Grindlays Group (which included postings to Hong Kong and Switzerland), he joined Standard Chartered Bank in 1994 as Head of Corporate Banking, Europe. Following further international postings to Singapore and Tokyo, he returned to London as the Regional Head of Wholesale Banking for Europe. In 2005, after five years in the role, he was transferred to Abu Dhabi as CEO for Standard Chartered Bank UAE with particular responsibility for the UAE area. In 2011 he returned to Switzerland as CEO of Standard Chartered Bank, Switzerland. He is currently a non-executive director and Chairman of the Risk and Audit Committee of Julius Baer International Ltd. He is also Chairman of the Challenger Trust and an advisor to Deloitte Financial Advisory.

Nick Beecroft – Senior Independent Non-Executive Director
Nick Beecroft joined the Bank's Board in March 2010. He brings over 30 years of international experience within the financial services industry, including senior managerial roles within Global Markets at Standard Chartered Bank, Deutsche Bank and Citibank. Nick was a member of the Bank of England's Foreign Exchange Joint Standing Committee and is currently Senior Independent Non-Executive Director and Chair of the Audit & Risk Committee at National Bank of Egypt UK Ltd, and Non-Executive Chairman of GKFX Financial Services Ltd.

Rajesh Bhatia - Independent Non-Executive Director
Rajesh Bhatia joined the Bank's Board in 2016 bringing with him 30 years of international banking experience. He has held senior Risk Management positions at Standard Chartered, ING, and Australia New Zealand Bank. He was the Group Treasurer at Standard Chartered during the financial crisis.

Carole Machell - Independent Non-Executive Director (appointed 4 April 2017)
Carole Machell is a chartered accountant and experienced business leader combining P&L responsibility with end to end infrastructure experience. Carole has held senior executive roles in Merrill Lynch, JP Morgan and Barclays. She joined Barclays in 2006 in the Investment Bank then transitioned to the Corporate Bank in 2010. As global COO of the Corporate Bank she had responsibility for all infrastructure groups. Later as Head of the International Corporate Bank she had responsibility for Europe, Asia, Africa and North America. Later roles included COO and Deputy CEO of Barclay's Wealth Business.

Carole has extensive experience as a NED. She currently sits on the Board of Weatherby's Bank and Chairs their Risk Committee. She is also a member of their Audit and Remuneration Committees. She is a Trustee for the Charities Aid Foundation, 'CAF' and a NED for CAF Bank where she chairs the Risk Committee.

Derek McMenamin – Independent Non-Executive Director
Derek McMenamin joined the Bank's Board in June 2013. He is a retired solicitor and former partner of Linklaters LLP where he specialised in all aspects of corporate work, including mergers and acquisitions as well as public offerings of securities. He has a wide experience of corporate and corporate finance transactions in the UK, Europe and the Far East, as well as experience of the Middle East and India. He was a non-executive director of Crown Agents Limited until July 2014 and is a director of the Scotts Project Trust, a corporate charity for adults with learning disabilities.

Directors for the year ended 31 December 2017 (continued)

Arnold Ekpe – Non-Executive Director

Arnold Ekpe, 64, joined the Board in April 2016 and has degrees in engineering and business administration. He has over 30 years of experience of international banking. He has previously served as the CEO of the two leading Pan African banks, Ecobank and UBA and was responsible for developing Citibank's corporate and structured trade finance business in Sub Saharan Africa.

He is currently the Honorary President of the UK based Business Council for Africa, one of the oldest NGOs focused on promoting trade and investments in Africa; Chairman of SFRE, a Luxembourg based global investment company; Chairman of Microcred, the leading France based pan African Microfinance Banking Group; Senior Adviser to the Dangote Group, the leading pan-African industrial group; and Senior Adviser and member of the Investment Committee of US based Equator Capital Partners LLC.

Simon Poole – Non-Executive Director

Simon Poole joined the Board in April 2016 bringing with him broad finance and administration experience across a range of businesses in numerous African countries. Previously, he was a CFO with Intela Global Ltd, Lawson's Corporation and Celtel International (in Burkina Faso, Chad and DRC). Earlier in his career he held finance and accounting roles with Price Waterhouse, Bank of America and BT. He currently serves on the boards of directors of Helios Towers Africa Limited, Vivo Energy Investments BV and Mall for Africa Ltd. He received his BSc in Geography from Exeter University, UK. He qualified as a Chartered Accountant with Price Waterhouse and is a member of the Institute of Chartered Accountants in England and Wales. Simon is fluent in French.

Albert Maasland – Chief Executive Officer

Albert Maasland started his career in banking at Chase Manhattan Bank – later JP Morgan – and during his 11 year career there, was involved in transforming and building a range of highly successful and profitable business units, including launching the world's first generation of cross-border electronic transaction banking services providing online account and payment services to European financial centres, developing transaction banking products and sales teams in global cash management, institutional and Global Custody areas before taking over as Head of FX sales.

Subsequently, Albert took over as Global Head of Business Development at HSBC Markets, and led the transformation of the FX business at Deutsche Bank – steering them from 24th to the number one FX provider worldwide.

Latterly, he helped establish the global e-commerce business at Standard Chartered before moving to Saxo Bank where he fulfilled numerous roles including CEO of Saxo Bank UK and then Chairman of Saxo Capital Markets UK. Albert has a keen interest in the fintech sector, and as a result acts as a trusted advisor, or NED, to a number of fintech firms. He was CEO of Knight Capital Europe and subsequently KCG Europe and is on the Board of EASDAQ NV, which is the parent company of Equiduct, a pan-European Regulated Market, operated by Bourse Berlin.

He joined the Board as a Non-Executive Director in September 2016 and was appointed as Group Chief Executive Officer on 16 February 2017.

Directors for the year ended 31 December 2017 (continued)

Richard Hallett – Chief Financial Officer (appointed 31 January 2017)
Richard Hallett is the Chief Financial Officer of the Bank and of Crown Agents Investment Management Limited, having joined in June 2016. Richard's career spans more than 25 years in top tier financial services organizations with an extensive track record across Investment Banking, Commercial and Retail Banking sectors both regionally and globally. He was formally CFO of Barclays Africa and CFO of Absa Capital. Previous roles to this include UK & Europe CFO and Global Business Unit Controller at RBS, Managing Director, European Head of Fixed Income Product Control and Global Head of Interest Rates Product Control at Morgan Stanley, and Director and Global Head of Expense Management at Credit Suisse First Boston. Richard started his career at Price Waterhouse, is a qualified accountant and holds a BSc. (Hons) in Chemistry from the University of East Anglia.

Doug MacLennan – Chief Risk Officer

Doug MacLennan joined the Bank in December 2012 as both CFO and CRO, and was appointed to the Board in June 2013. He stepped down from the CFO position in June 2016 to focus on the development of the risk management function within the Bank.

He has been involved in the UK Financial Services Industry for over 30 years, including previous appointments as Director of Finance at Merrill Lynch Limited; Deputy Managing Director at Sanwa International; Finance Director at the Bank of China International; and Senior Vice President of Risk Management at Northern Trust.

During his career Doug has been responsible for the design and implementation of financial and risk management systems; led the finance function in the acquisition and integration of multiple target companies; created several new UK regulated entities; led the negotiations for office premises in Europe, Ireland and the UK; and designed, implemented, and managed risk management frameworks from scratch.

Paul Batchelor – Chairman and Non-Executive Director (ceased to be a director on 30 April 2017)

Richard Jones – Executive Director (ceased to be a director on 6 February 2017)

Mary Reilly – Independent Non-Executive Director (ceased to be a director on 30 April 2017)

Crown Agents
Bank

Strategic Report for the year ended 31 December 2017

Strategic Business Model

In April 2016 Helios Investment Partners LLP completed the purchase of Crown Agents Bank along with its sister company, Crown Agents Investment Management Ltd (CAIM). The purchase, along with targeted capital injections, has built on the rich history the Bank is recognised for in our focus markets, refining and building the business model and strategy. As a UK regulated bank, Crown Agents Bank is primarily focused upon being a trusted provider of emerging market and G10 foreign exchange, international payments, cash management, cross-border pension and payroll services, trade finance and (via our sister company, CAIM) investment management services. We are growing rapidly and connecting markets from the OECD to and between developing emerging and frontier markets.

The Bank has storied roots dating back to 1833 with a wealth of experience providing practical, consistent and agile support to institutions in emerging economies. Our clients include central banks, supra-nationals, governments, official development organisations, commercial banks as well as large NGO's, non-bank financial institutions and corporates. Within a global framework that is systematically raising standards in compliance in general and to anti-financial crime and anti-money laundering measures as it relates to international cross-border transactions in particular, we are focussed on ensuring we maintain the highest enhanced due diligence standards ourselves. We also provide practical market-based capacity building initiatives to banks and institutions in our focus markets, improving compliance controls, KYC and banking standards. We strongly focus on promoting capacity building, the opening and expanding of trade corridors, controlling costs for moving money into and out of developing market jurisdictions, encouraging economic growth and financial inclusion. This is a core tenet of our philosophy.

Our ambitious business development model recognises traditional banking models are being tested around the world with the emergence of new transactional channels, new nimble, technologically astute market participants and evolving concepts of financial service delivery as well as new cybersecurity challenges. We strive to be at the leading edge of this rapidly developing paradigm shift. We have begun implementing new, efficient, Application Programming Interface capable services such as our **EM**power^{fx} e-trading foreign exchange platform providing our clients with direct access to pricing and execution of over 100 emerging market and G10 currencies and many hundreds of FX currency crosses. Our strategy remains to monitor, build and partner as required with leading FinTech solutions providers to ensure we continue to facilitate and empower our clients to access first class banking solutions in a cost effective and transparent manner.

Strategic Report for the year ended 31 December 2017 (continued)

Principal risks and uncertainties

The principal risks facing the Bank are those relating to liquidity, credit, operational, market and compliance. Further details are provided in note 19 on pages 48-51.

The Board is responsible for determining the long-term strategy of the business, the markets in which it will operate and the level of risk acceptable to the Bank. Responsibility for the management of the Bank's exposure to liquidity, interest rate and currency risk is delegated to the Bank's Asset and Liability Committee, and that relating to credit risk is delegated to the Credit Committee. Responsibility for the monitoring and reporting of operational and compliance risk is delegated to the Compliance and Operational Risk Committee with all residual risks being delegated to the Executive Committee. Furthermore, all these committees report to the Audit and Risk Committee.

Review of business performance

The review has been considered in the Chief Executive Officer's Report

Albert Maasland

Chief Executive Officer

18 April 2018

Directors' Report for the year ended 31 December 2017

The directors submit their report and the audited financial statements of the Bank for the year ended 31 December 2017.

Principal Activity

The Bank provides banking services notably to customers in the overseas financial services sector. The Bank is authorised by the Prudential Regulation Authority (PRA), and regulated by the PRA and the Financial Conduct Authority (FCA).

Outlook for 2018/ Future Developments

We are pleased to report that 2018 has commenced well. Building on the financial foundations of 2017, our plans are equally stretching and challenging, and the Management Team are fully committed to driving shareholder value as well as exemplary service to our valued customers. Being the 'go to' transaction gateway into, between and out of small and mid-sized focus markets is our aspiration.

From a financial health perspective, we have and are generating significant momentum; we have a well-controlled capital and liquidity base and a programme of investing in new talent, building and partnering to create the next generation of payments technology, in an environment that strives to achieve the highest minimum standards for risk management, controls and governance.

We continue to expand our geographic footprint, to be a key enabler in capacity building and to facilitate the opening of trade corridors both in our traditional markets and new. We look forward to reporting on these developments in 2018.

Dividends

No dividend was paid or declared during 2017 or 2016.

Employee Matters

(a) Employee Engagement Survey

On an annual basis the Bank carries out an Employee Engagement Survey. Through a company-wide questionnaire and a series of focus groups, the Bank explores how it measures up to its stated values/ industry benchmark and how well engaged employees are with their roles. The most recent survey, carried out in late 2017, concluded that the level of staff engagement compares well with the industry benchmark and is above benchmark in many areas.

(b) Disabled Persons

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicants concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Bank continues. It is the policy of the Bank that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of persons fortunate enough not to suffer from a disability.

Directors' Report for the year ended 31 December 2017 (continued)

Employee Matters (continued)

(c) Employee Involvement

The Bank uses a variety of methods to disseminate relevant information to its employees. All managers hold regular meetings with their staff for this purpose, at which there are also opportunities for employees to contribute their ideas to the development of management policy. In addition, further information is given at quarterly townhall meetings hosted by the Chief Executive Officer, through the intranet, notices and via webinars/ training programmes.

(d) *Gender diversity*

The proportion of women and men employed by the business is 38% and 62% respectively. The Bank has in place policies to actively increase gender diversity within the business, which actively focusses on recruitment, flexible working and senior management sponsorship of diversity throughout its business.

Risk Management

The Bank's Board determines overall strategy, the markets in which it will operate and the levels of risk acceptable to the Bank.

Management, as part of its PRA Pillar 3 Capital Adequacy disclosure requirements, has performed an assessment of these requirements and the information, including remuneration, can be found on the Bank website www.crownagentsbank.com.

The Bank complies with the regulators' minimum capital requirement as at 31st December 2017.

Details of the principal risks and risk management arrangements are set out in Note 19 of the Notes to the Financial Statements beginning on page 48.

Directors' Report for the year ended 31 December 2017 (continued)

Directors

The directors of the Bank who were in office during the year and up to the date of signing the financial statements were:

	Committees	
	Remuneration	Audit/Risk
J Parrish* (Chairman - appointed 4 April 2017)	x	
N Beecroft*	x	x
R Bhatia*		x
C Machell* (appointed 4 April 2017)		x
D McMenamin*		
A Ekpe**	x	
S Poole**	x	
A Maasland		
R Hallett (appointed - 31 January 2017)		
D MacLennan		
P Batchelor* (ceased to be a director - 30 April 2017))	x	
R Jones (ceased to be a director - 6 February 2017)		
M Reilly* (ceased to be a director - 30 April 2017)		x

* independent non-executive director ** non-executive director

Note: following Richard Jones' departure Albert Maasland was appointed as Group Chief Executive Officer.

Statement of Directors' Responsibilities in respect of the Financial Statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position

Directors' Report for the year ended 31 December 2017 (continued)

Statement of Directors' Responsibilities in respect of the Financial Statements (continued)

of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Disclosure of Information to Auditors

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

(a) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and

(b) the director has taken all the steps that the director ought to have taken as a director in order to make the director aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Directors' Indemnities

As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The Bank also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its Directors.

Elective Resolutions

In accordance with the Companies Act 2006 elective resolutions have been passed which will facilitate the administration of the Bank. The Bank has dispensed with holding annual general meetings and with the laying of financial statements before the shareholders in general meeting.

Independent auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office.

By order of the Board,

A Maasland
Chief Executive Officer
18 April 2018

Independent Auditors' Report to the members of Crown Agents Bank Limited

Report on the audit of the financial statements

Opinion

In our opinion, Crown Agents Bank Limited's (the 'Bank') financial statements:

- give a true and fair view of the state of the Bank's affairs as at 31 December 2017 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements ("the Annual Report"), which comprise: the balance sheet as at 31 December 2017; the income statement, the statement of cash flows, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

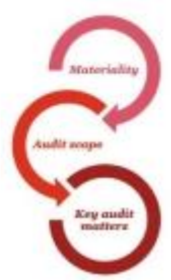
We remained independent of the Bank in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the Bank.

Other than those disclosed in note 3 to the financial statements, we have provided no non-audit services to the Bank in the period from 1 January 2017 to 31 December 2017.

Our audit approach

Overview



- Overall materiality: £147,000 based on 1% of total revenue
- We perform a full scope audit of the financial statements of the Bank
- The key audit matter was the risk of material misstatement in relation to fee and commission income

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

We gained an understanding of the legal and regulatory framework applicable to the Bank and the industry in which it operates, and considered the risk of acts by the Bank which were contrary to applicable laws and regulations, including fraud. We designed audit procedures to respond to the risk, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. We focused on laws and regulations that could give rise to a material misstatement in the Bank's financial statements, including, but not

Independent Auditors' Report to the members of Crown Agents Bank Limited (continued)

Report on the audit of the financial statements (continued)

limited to, the Companies Act 2006 and the Prudential Regulation Authority's and Financial Conduct Authority's regulations. Our tests included, but were not limited to, review of correspondence with and reports to the regulators, enquiries of management and review of internal audit reports in so far as they related to the financial statements. There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it.

We did not identify any key audit matters relating to irregularities, including fraud. As in all of our audits we also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	***How our audit addressed the key audit matter***
Risk of material misstatement of fees and commission income A significant portion of the Bank's income is generated by fees and commission income relating to account management and payments, pensions and documentary credits. The breakdown of fee and commission is shown in note 2 to the financial statements, and the recognition policy is described in note 1. We considered this risk of material misstatement a significant audit risk given the size of the balance and given that aspects of the revenue billing process are manual in nature.	We understood and evaluated the design of the key controls over fees and commission income and in some instances tested their operating effectiveness. Controls tested included: - Authorisation control over recording of certain fees in the system. - Controls over outbound and inbound payments. - IT general controls including user access, change management and segregation of duties within the core banking system and general ledger. We determined that we could rely on these controls for the purposes of our audit. In addition, we performed substantive procedures including those described below: - Vouching a sample of transactions to supporting evidence. This evidence varied depending on the type of fee and commission income and typically included some of invoices, fee schedules and client contracts. - Testing of journal entries including those impacting fee and commission income, using risk-based criteria. - Testing cut-off of revenue recorded. Based on the work performed, we found that the fee and commission income was supported by the evidence we obtained.

Independent Auditors' Report to the members of Crown Agents Bank Limited (continued)

Report on the audit of the financial statements (continued)

How we tailored the audit scope
We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole. The Bank prepares individual company financial statements and was tested as a single audit component.

Materiality
The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall materiality	£147,000
How we determined it	1% of total revenue.
Rationale for benchmark applied	The Bank is profit orientated and we would typically calculate materiality as a percentage of profits before tax. However, given the Bank's results were close to break-even in 2017 this would result in a materiality inconsistent with the size and nature of the business. We considered other benchmarks and, of these, concluded that using 1% of total revenues was the most appropriate measure.

We agreed with the Audit and Risk Committee that we would report to them misstatements identified during our audit above £7,300 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern
We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Bank's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Bank's ability to continue as a going concern.

Reporting on other information
The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Independent Auditors' Report to the members of Crown Agents Bank Limited (continued)

Report on the audit of the financial statements (continued)

Strategic Report and Directors' Report
In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Bank and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements
As explained more fully in the Statement of Directors' Responsibilities set out on pages 14-15, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Bank's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Bank or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report
This report, including the opinions, has been prepared for and only for the Bank's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Independent Auditors' Report to the members of Crown Agents Bank Limited (continued)

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

Appointment

We were appointed by the directors in 1989 to audit the financial statements for the year ended 31 December 1989 and subsequent financial periods. The period of total uninterrupted engagement is 29 years, covering the years ended 31 December 1989 to 31 December 2017.

Luke Hanson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

April 2018

Profit and Loss Account for the year ended 31 December 2017

	Note	**2017 £'000**	2016 £'000
Interest income			
- interest receivable from debt securities		**2,415**	1,566
- other interest receivable and similar income		**9,987**	7,421
Interest payable		**(6,370)**	(6,192)
Net interest income		**6,032**	2,795
Fees and commissions receivable	2	**4,635**	2,899
Dealing profits		**4,034**	2,479
Other operating income	2	**-**	179
Operating income		**14,701**	8,352
Administrative expenses before exceptional item	3	**(13,491)**	(12,452)
Amortisation	4	**(567)**	(399)
Depreciation	5	**(88)**	(48)
Write-off of doubtful debts		**(40)**	(74)
Profit/(loss) before exceptional item and taxation	6	**515**	(4,621)
Exceptional item	3	**(428)**	-
Profit/(loss) before taxation		**87**	(4,621)
Tax credit on profit/(loss)	7	**16**	1,144
Profit/(loss) for the financial year		**103**	(3,477)

There were no other items of Comprehensive Income (2016: £nil).

The results for the year are wholly attributable to continuing operations.

The notes on pages 26 to 55 form part of these financial statements.

Balance Sheet as at 31 December 2017

	Note	**2017**	2016
		£'000	£'000
Assets			
Cash and balances at central banks		**423,127**	458,053
Loans and advances to banks	8	**228,721**	188,773
Cheques in the course of collection		**-**	13
Debt securities	9	**330,522**	203,977
Derivatives	10	**1,257**	11,762
Intangible assets	4	**4,092**	2,836
Tangible fixed assets	5	**514**	48
Deferred tax	11A	**913**	776
Other assets	12	**3,067**	610
Prepayments and accrued income		**832**	564
Total Assets		**993,045**	867,412

Balance Sheet as at 31 December 2017

	Note	2017 £'000	2016 £'000
Liabilities			
Customer accounts	13	**923,881**	816,592
Bank overdrafts		**-**	3
Items in course of transmission		**287**	401
Derivatives	10	**6,052**	1,225
Other liabilities	14	**2,921**	5,634
Accruals and deferred income		**2,240**	1,950
Called up share capital	15	**41,200**	25,300
Retained earnings		**16,464**	16,307
Total shareholders' funds		**57,664**	41,607
Total Equity and Liabilities		**993,045**	867,412

The notes on pages 26 to 55 form part of these financial statements.

The Board of Directors approved the financial statements on 18 April 2018.

A Maasland
Director

R Hallett
Director

Statement of Changes in Equity for the year ended 31 December 2017

	Called up share capital	Revaluation reserve	Profit & loss account	Total shareholders funds
	£'000	£'000	£'000	£'000
Balance as at 1 January 2016	7,300	746	19,038	27,084
Loss for the financial year	-	-	(3,477)	(3,477)
New share capital	18,000	-	-	18,000
Transfer to reserves	-	(746)	746	-
Balance as at 31 December 2016	25,300	-	16,307	41,607
Balance as at 1 January 2017	25,300	-	16,307	41,607
Profit for the financial year	-	-	103	103
Share based payment expense	-	-	54	54
New share capital	15,900	-	-	15,900
Balance as at 31 December 2017	41,200	-	16,464	57,664

The directors have not declared an interim (2016: £nil) or a final dividend (2016: £nil).

As at 31 December 2015, included within Retained Earnings was £5,854,000 relating to a property revaluation which was not distributable until the property to which it related had been sold. The property in question was sold in 2016.

Cash Flow Statement for the year ended 31 December 2017

	Note	**2017 £'000**	2016 £'000
Net Cash Inflow from Operating Activities	28	**3,597**	107,590
Cash flow from Investing Activities			
Sale of investment properties		**-**	10,767
Sale of tangible fixed assets		**-**	1,598
Purchase of tangible fixed assets	5	**(554)**	(58)
Purchase of intangible assets	4	**(1,853)**	(575)
Net cash (used in)/ generated from Investing Activities		**(2,407)**	11,732
Cash flow from Financing Activities			
Injection of new capital	15	**15,900**	18,000
Cash generated from financing activities		**15,900**	18,000
Net increase in cash and cash equivalent		**17,090**	137,322
Cash and cash equivalents at the beginning of the year		**493,776**	351,415
Bank overdrafts		**(3)**	(3)
Exchange gains on cash and cash equivalents		**(1,646)**	5,042
Cash and cash equivalents at the end of the year		**509,217**	493,776
Cash and cash equivalents consists of:			
Cash and balances at central banks		**423,127**	458,053
Loans and advances to banks repayable on demand	8	**86,090**	35,723
		509,217	493,776

Notes to the Financial Statements for the year ended 31 December 2017

Notes to the Financial Statements for the year ended 31 December 2017 (continued)

1. STATEMENT OF ACCOUNTING POLICIES

(a) General Information

Crown Agents Bank Limited is a private company limited by shares and is incorporated and domiciled in England. The address of its registered office is St Nicholas House, St Nicholas Road, Sutton, Surrey, SM1 1EL, United Kingdom.

The Bank provides banking services, largely to overseas clients. The Bank is authorised by the Prudential Regulation Authority (PRA), and regulated by the PRA and the Financial Conduct Authority (FCA).

(b) Statement Of Compliance

The financial statements of Crown Agents Bank Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, ‘‘The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland’’ (‘‘FRS 102’’) and the Companies Act 2006. The principal accounting policies are set out below and have been consistently applied throughout the year.

(c) Basis Of Preparation

The financial statements have been prepared under the historical cost convention in accordance with the Companies Act 2006 and Applicable Accounting Standards in the United Kingdom.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Bank’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 1(t).

(d) Going Concern

The directors have considered the financial position of the Bank, including the net current asset position, regulatory capital requirements and estimated future cash flows and have concluded that the Bank will be able to meet its obligations as they fall due. Accordingly, the financial statements have been prepared on the going concern basis.

(e) Interest Income And Expense

Interest income and expense for all interest-bearing financial instruments, including interest accruals on related foreign exchange contracts, are recognised within Interest Income and Interest Expense in the income statement using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating the interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability.

Notes to the Financial Statements for the year ended 31 December 2017 (continued)

1. STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

(f) Exemptions for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions, if certain conditions have been complied with. A qualifying entity is defined as a member of a group that prepares publicly available financial statements, which give a true and fair view, in which that member is consolidated. The Bank has taken advantage of certain disclosure exemptions.

(g) Dealing Profits

Dealing profits arise and are recognised at the time of translation or when the transactions from customer orders are undertaken in both spot/forward currency markets and revaluation of derivative fair values.

(h) Other Operating Income

This reflects rents receivable from other group companies**.**

(i) Foreign currency

(i) Functional and presentation currency

The financial statements are presented in pounds sterling and rounded to thousands. The Bank's functional and presentation currency is pounds sterling.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

(j) Provisions for doubtful debts

Specific provisions for doubtful debts are recognised if there is objective evidence that an impairment or loss has been incurred. Provisions are calculated as the difference between the carrying value and the future discounted estimated cash flows.

Notes to the Financial Statements for the year ended 31 December 2017 (continued)

1. STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

(k) Taxation

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

Current or deferred tax assets or liabilities are not discounted.

Current tax is the amount of corporation tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantially enacted by the period end.

Deferred taxation is provided at anticipated tax rates, using the full provision method, on all timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is recognised on all timing differences at the reporting date with certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits

(l) Intangible assets

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses. As decided by the directors, amortisation is calculated, using the straight-line method, to allocate the depreciable amount of the assets to their residual values over their estimated useful lives, as follows:

Software – 5 to 10 years

Costs associated with maintaining computer software are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Bank are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use;
- management intends to complete the software and use or sell it;
- there is an ability to use or sell the software;
- it can be demonstrated how the software will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software are available; and
- the expenditure attributable to the software during its development can be reliably measured.

Notes to the Financial Statements for the year ended 31 December 2017 (continued)

1. STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

(l) Intangible Assets (continued)

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

(m) Tangible fixed assets and depreciation

Tangible fixed assets are stated in the balance sheet at historic cost less accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bring the asset to its working condition for its intended use. Assets are depreciated from the date they are brought into use. Depreciation is calculated to write down assets to their residual value in equal instalments over their estimated useful lives, which are:

Computer equipment	5 years
Fixtures and fittings	5 years

(n) Impairment of non-financial assets

At each balance sheet date non-financial assets not carried at fair value are assessed to determine whether there is an indication that the asset may be impaired. If there is such an indication the recoverable amount of the asset is compared to the carrying amount of the asset.

The recoverable amount of the asset is the higher of the fair value less costs to sell and value in use. Value in use is defined as the present value of the future cash flows before interest and tax obtainable as a result of the asset's continued use. These cash flows are discounted using a pre-tax discount rate that represents the current market risk-free rate and the risks inherent in the asset.

If the recoverable amount of the asset is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in the statement of comprehensive income, unless the asset has been revalued when the amount is recognised in other comprehensive income to the extent of any previously recognised revaluation. Thereafter any excess is recognised in the income statement.

If an impairment loss is subsequently reversed, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised in prior periods. A reversal of an impairment loss is recognised in the statement of comprehensive income.

(o) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

Notes to the Financial Statements for the year ended 31 December 2017 (continued)

1. STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

(p) Financial instruments

The Bank has chosen to adopt the Sections 11 and 12 of FRS 102 in respect of financial instruments.

(i) Financial assets

Basic financial assets, including loans and advances to banks, debt securities and trade debtors are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the income statement.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in the income statement.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

(ii) Financial liabilities

Basic financial liabilities, including customer deposits and trade creditors, are classified as debt and are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

Notes to the Financial Statements for the year ended 31 December 2017 (continued)

1. STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

(p) Financial instruments (continued)

(ii) Financial liabilities (continued)

Debt Securities and Certificates of Deposit are purchased for liquidity purposes and are generally held to maturity. As such they are stated at amortised cost on an effective interest rate basis.

(iii) Derivatives

The Bank's derivatives policy only permits dealing in forward foreign exchange contracts, and deposit linked swaps to hedge or provide services to customers. Derivatives are not basic financial instruments.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in the income statement in Dealing Profits.

Hedge accounting is not applied.

(iv) Offsetting

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

(q) Employee benefits

The Bank provides a range of benefits to employees, including annual bonus arrangements, paid holiday arrangements, medical insurance and a defined contribution pension plan. The Bank also provides a Long Term Incentive Plan to Executive Directors and certain other senior management.

Short-term benefits

Short-term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

Pension Contributions

All pension contributions are accounted for as defined contributions and paid over on a monthly basis. No liability for pension entitlement accrues to the Bank.

Long term Incentive Plan/ Share Based Payment

(i) The group provides share-based payment arrangements to certain employees.

(ii) Equity-settled arrangements are measured at fair value at the date of the grant. The fair value is expensed on a straight-line basis over the vesting period. The amount recognised as an expense is adjusted to reflect the actual number of shares that will vest.

(iii) Where equity-settled arrangements are modified, and are of benefit to the employee, the incremental fair value is recognised over the period from the date of modification to date of vesting. Where a modification is not beneficial to the employee there is no change to the charge for the share-based payment. Settlement and cancellations are treated as an acceleration of vesting and the unvested amount is recognised immediately in the income statement.

(iv) The group has no cash-settled arrangements.

Notes to the Financial Statements for the year ended 31 December 2017 (continued)

1. STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

(r) Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount of the obligation can be estimated reliably.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as a finance cost.

(s) Recognition of income

Income, including that arising from advances, which comprises fees earned, rental income receivable less rent payable, reimbursable expenditure from clients, interest receivable and interest payable, is recognised on an accruals basis in the periods in which it is earned.

(t) Critical judgements and estimates in applying the accounting policy

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Intangible assets

FRS 102 requires judgement to be exercised when determining whether software costs should be recognised as tangible or intangible assets. Where software is regarded an integral part of the related hardware and the hardware cannot operate without the particular piece of software, it is treated as a tangible asset. However, where the software is not an integral part of the related hardware, computer software is treated as an intangible asset. Management have decided that the software costs are not an integral part of the related hardware and so have classified these costs as an intangible asset.

Deferred Tax Asset

Tax losses have been recognised on the balance sheet at the corporation tax rates expected when the appropriate future profits will be generated. Management are confident that the Bank will make such profits in the future to utilise such carried forward tax losses.

Notes to the Financial Statements for the year ended 31 December 2017 (continued)

1. STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

(t) Critical judgements and estimates in applying the accounting policy (continued)

Amortisation/Depreciation
Management have decided to amortise software over 5 or 10 years (from 3 or 10 years as previously) and depreciate fixed assets over 5 years (from 3 years as previously). The management has not considered any residual value as it is deemed immaterial. The change in estimated useful life was a change in accounting estimate that has been applied prospectively from 1 January 2017.

The impact of the change in accounting estimates on net book value of assets and profit and loss are as follows:

Asset Type	Change in net book value* £'000
Intangible assets	207
Computer equipment	59
Fixtures and fittings	4
Total	270

* equates to depreciation/ amortisation reduction in 2017

(u) Exceptional Items

Exceptional items are disclosed separately in the financial statements where it is necessary to do so to provide further understanding of the financial performance of the Group. They are items that are material either because of their size or their nature and are considered as non-recurring.

Notes to the Financial Statements for the year ended 31 December 2017 (continued)

2. FEES AND COMMISSIONS RECEIVABLE AND OTHER OPERATING INCOME

	2017 £'000	2016 £'000
Fees and commissions receivable:		
Account management and payments	**2,711**	1,169
Pensions	**795**	794
Trade finance	**1,129**	844
Other	**-**	92
Total fees and commission receivable	**4,635**	2,899
Other operating Income:		
Rental income (net)	**-**	179
Total other operating income	**-**	179

The Company no longer receives net rental income following the sale of the Investment Property in 2016.

3. ADMINISTRATIVE EXPENSES

	2017 £'000	2016 £'000
Staff costs and directors' emoluments (before exceptional item)		
Salaries and bonuses	**8,242**	**7,217**
Share based payments	**54**	**-**
Social security costs	**829**	**511**
Pension costs	**337**	**197**
	9,462	**7,925**
Fees payable to the auditors		
Audit	**134**	**160**
Non-audit services	**12**	**26**
Other administrative expenses	**3,883**	**4,341**
Total - before exceptional item	**13,491**	**12,452**
Exceptional item*	**428**	**-**
Total – after exceptional item	**13,919**	**12,452**

* The Exceptional Item relates to restructuring costs relating to exit compensation payable to directors/staff.

Notes to the Financial Statements for the year ended 31 December 2017 (continued)

3. ADMINISTRATIVE EXPENSES (continued)

The aggregate emoluments (including pension contributions and exit compensation) of the directors were £1,371,722 (2016: £824,489).

The aggregate emoluments (including pension contributions) of key management personnel (excluding directors) were £988,809 (2016: £1,198,469).

No retirement benefits accrued for any director (2016: none) under a defined benefits pension scheme.

The Bank has made contributions of £18,287 (2016: £70,310) on behalf of three directors (2016: three) accruing benefit in defined contribution pension schemes.

The aggregate emoluments and accrued pension contributions of the highest paid director were £378,815 (2016: £220,020) and £4,972 (2016: £17,396) per annum respectively.

The Bank had loans outstanding at the year end to three (2016 – none) directors totalling £21,930 (2016 - £nil) and to five (2016 - none) key management totalling £13,809 (2016 - £nil). The loans do not accrue interest.

The monthly average number of full time equivalent staff, including executive directors, was 118 (2016: 92).

Up until 31 March 2016, all employees and directors were paid by the then parent company, Crown Agents Limited, with which they had contracts of employment. From 1 April 2016, all employees were contracted with, and paid by, the Bank.

From April 2015 all members were moved to the Crown Agents Limited group defined contribution pension plan. Up until 31 March 2016, employees were entitled to join the Crown Agents Limited group's defined contribution scheme. The Bank contributed £nil (2016: £76,233) to this scheme during the year. No further contributions were made after 31 March 2016.

From 1 April 2016, the Bank set up a new defined contribution pension scheme which all current and future employees were able to join. The Bank contributed £336,640 (2016: £121,050) to this scheme during the year of which all but £28,918 (2016: £35,633) was paid during the year.

During the year three directors (2016 – nil) and five (2016 – nil) key management personnel have purchased the equitable interest in a new class of share (£1 Ordinary Class B) in the Bank's parent, CABIM Limited, at a nominal cost of £1.00 per share. The equitable interest in the shares vest at various times as follows:

Date	%
31 March 2018	40
31 March 2019	20
31 March 2020	20
31 March 2021	20
	100

Notes to the Financial Statements for the year ended 31 December 2017 (continued)

3. ADMINISTRATIVE EXPENSES (continued)

The movement in the number of shares is as follows:

	Price Paid	2017 Number of Shares
As at 1 January		-
Granted	£1.00	8,500
As at 31 December		8,500

Depending on the outcome of a number of future events, the class of shares will be entitled to receive a proportion of the return to CABIM Limited's parent on its underlying investment.

4. INTANGIBLE ASSETS

	Software £'000
Cost	
At 1 January 2017	4,430
Additions	1,853
Disposals	(47)
At 31 December 2017	6,236
Accumulated Amortisation	
At 1 January 2017	1,594
Charged in year	567
Disposals	(17)
At 31 December 2017	2,144
Net Book Value at 31 December 2017	**4,092**
Net Book Value at 31 December 2016	2,836

Notes to the Financial Statements for the year ended 31 December 2017 (continued)

5. TANGIBLE FIXED ASSETS

	Computer equipment £'000	Fixtures and fittings £'000	**Total £'000**
Cost/Valuation			
At 1 January 2017	137	25	162
Additions	547	7	554
Disposal	-	-	-
At 31 December 2017	**684**	**32**	**716**
Accumulated Depreciation			
At 1 January 2017	107	7	114
Charge for year	83	5	88
Disposals	-	-	-
At 31 December 2017	**190**	**12**	**202**
Net Book Value			
At 31 December 2017	**494**	**20**	**514**
At 31 December 2016	30	18	48

6. PROFIT/(LOSS) BEFORE EXCEPTIONAL ITEM AND TAXATION

Profit/ (loss) before exceptional item and taxation is stated after charging:

	2017 £'000	2016 £'000
Management charge payable to former parent company	**-**	204

The management charge levied by the former parent company (Crown Agents Limited and whilst the parent company) covered a number of group level expenses the largest of which was the provision of a full range of information technology services. Other services provided included human resources and governance functions. No management charge has been levied by the current parent company.

Notes to the Financial Statements for the year ended 31 December 2017 (continued)

7. TAX ON PROFIT/ (LOSS)

A. Analysis of Credit in Year

	2017 £'000	2016 £'000
Corporation tax based on the taxable profit/ (loss) for the year at 19.25% (2016: 20.00%)	**(34)**	**(834)**
- Prior year adjustment	**(2)**	**21**
- Group relief	**14**	**19**
Deferred tax		
- Prior year	**(111)**	**-**
- Originating and reversal of timing differences	**123**	**(397)**
- Impact of change in tax rate	**(6)**	**47**
Total tax credit for the year	**(16)**	**(1,144)**

B. Factors Affecting Tax Credit for the Year

The tax assessed for the year is lower (2016: lower) than the standard rate of Corporation Tax in the UK.

	2017 £'000	2016 £'000
Profit/(loss) on before taxation	**87**	**(4,621)**
Standard rate corporation tax of 19.25% on profit/(loss) before taxation (2016: 20.00%)	**17**	**(924)**
Effect of:		
- re-measurement of deferred tax – change in UK tax rate	**-**	**(54)**
- expenses not deductible for tax/other	**12**	**90**
Release of deferred tax charge re property sale	**-**	**(296)**
Tax available for group relief	**14**	**19**
Current year timing differences	**(63)**	**-**
Deferred tax	**6**	**-**
Prior year adjustment	**(2)**	**21**
Total tax credit for the year	**(16)**	**(1,144)**

Notes to the Financial Statements for the year ended 31 December 2017 (continued)

8. LOANS AND ADVANCES TO BANKS

A By External Long-Term Credit Rating*:

	No.	2017 £'000	No.	2016 £'000
AA	**12**	**19,773**	11	8,020
AA-	**7**	**18,815**	7	35,854
A+	**19**	**86,568**	7	50,583
A	**12**	**11,779**	8	56,276
A-	**8**	**34,460**	6	11,440
BBB-	**1**	**8,888**	1	63
BBB+	**1**	**12,822**	7	25,764
BB+	**1**	**214**	-	-
B-	**5**	**5**	-	-
Unrated	**30**	**35,397**	7	773
	96	**228,721**	54	188,773

* based on a basket of credit rating agencies, all approved by the European Central Bank.

B By Country – location of counterparty:

	2017 £'000	2016 £'000
UK	**108,394**	148,653
Other Europe	**12,723**	1,755
Japan	**26,536**	19,973
US	**45,308**	9,109
Middle East	**4**	6,885
Africa	**34,750**	679
Other	**1,006**	1,719
	228,721	188,773

Notes to the Financial Statements for the year ended 31 December 2017 (continued)

8. LOANS AND ADVANCES TO BANKS (continued)

	2017 £'000	2016 £'000
C By Maturity:		
Repayable on demand	**86,090**	35,723
Other loans and advances by residual maturity repayable:		
- 3 months or less excluding overnight deposits	**107,117**	62,321
- 1 year or less but over 3 months	**35,514**	90,729
	228,721	188,773

There are no (2016: £nil) amounts included in loans and advances to banks outstanding at 31 December 2017 that are overdue.

Loans and Advances include £1,713,311 of encumbered assets (2016: £nil) in relation to derivative contracts with other financial institutions.

9. DEBT SECURITIES

The Bank's debt securities consist of certificates of deposit and fixed rate bonds issued by banks. The fair value of these securities was as follows:

	2017 Book Value £'000	2017 Market Value £'000	2016 Book Value £'000	2016 Market Value £'000
Certificates of deposits	285,399	285,398	180,461	180,461
Fixed rate bonds	43,763	43,394	22,611	22,086
Accrued interest	1,360	1,360	905	905
At 31 December	330,522	330,152	203,977	203,452

Notes to the Financial Statements for the year ended 31 December 2017 (continued)

10. DERIVATIVES

The fair value of a derivative contract represents the amount at which that contract could be exchanged in an arm's length transaction, calculated at market rates current at the balance sheet date.

Positive fair values arise where gross positive fair values exceed gross negative fair values on a contract by contract basis. This equates to replacement cost. The totals of positive and negative fair values arising on trading derivatives at the balance sheet date have been netted where the Bank has a legal right of offset with the relevant counterparty. The total positive fair values after netting equates to net replacement cost, which is regarded as the maximum credit exposure. No credit value/ debit value adjustments were made to arrive at the fair value of derivatives.

All derivatives are used for hedging foreign exchange. As at 31 December the positive and negative fair values of the derivatives were as set out below:

Forward Foreign Exchange:	Notional Principal **£'000**	Positive Fair Value **£'000**	Negative Fair Value **£'000**
2017	**613,707**	**1,257**	**6,052**
2016	463,962	11,762	1,225

Forward foreign exchange contracts and currency swaps have been transacted to economically hedge assets and liabilities in foreign currencies. The net unrealised loss (2016 – gain) at the balance sheet date is £4,795,000 (2016: £10,537,000). These derivatives and the underlying transactions they hedge will mature during 2018.

Fair value methodology

Fair value is the amount for which an asset or liability could be exchanged between willing parties in an arm's length transaction. Fair values are determined at prices quoted in active markets. In some instances, such price information is not available for all instruments and the Bank applies valuation techniques to measure such instruments. These valuation techniques make maximum use of market observable data but in some cases management estimate other than observable market inputs within the valuation model. There is no standard model and different assumptions would generate different results. To provide an indication about the reliability of the inputs used in determining fair value, the Bank has classified its financial instruments into the three levels. An explanation of each level follows underneath the table. Assets and liabilities carried at fair value have been categorised using a fair value hierarchy as detailed below:

Fair value hierarchy:

Level 1 - Quoted price for an identical asset in an active market
Inputs to level 1 fair value are quoted prices (unadjusted) in active markets for identical assets. An active market is one in which transactions for the asset occurs with sufficient frequency and volume to provide pricing information on an on-going basis. The Bank did not have any such instruments.

Notes to the Financial Statements for the year ended 31 December 2017 (continued)

10. DERIVATIVES (continued)

Level 2 – Price of a recent transaction for an identical asset
The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. Derivatives (ie forward foreign exchange contracts) are included in level 2.

Level 3 – Valuation technique ie Internal models with significant unobservable market parameters
Inputs to level 3 fair values are based on unobservable inputs for the assets at the last measurement date. If all significant inputs required to fair value an instrument are observable then the instrument is included in level 2, if not it is included in level 3. The Bank did not have any such instruments.

11. DEFERRED TAX

A Deferred Tax Asset

The deferred tax asset recognised in the financial statements is as follows:

	2017	2016
	£'000	£'000
At 1 January (at 19/17%; 2016: 20%)	**776**	29
Credit/ (charge) to profit and loss - prior year	**117**	(21)
Current year tax losses carried forward	**20**	768
At 31 December (at 19%; 2016: 19/17%)	**913**	776

B Deferred Tax Liability

The deferred tax liability recognised in the financial statements is as follows:

	2017	2016
	£'000	£'000
At 1 January (at 19%; 2016: 20%)	**65**	462
Charge/ (credit) to profit and loss	**123**	(397)
At 31 December (at 19%; 2016: 19%) (note 14)	**188**	65

Changes to the UK corporation tax rates were substantially enacted as part of the Finance Bill 2017. These included reductions to the main rate to 19% from 1 April 2017. Deferred taxes at the balance sheet date have been measured using this enacted tax rate and reflected in these financial statements.

Notes to the Financial Statements for the year ended 31 December 2017 (continued)

12. OTHER ASSETS

	2017 £'000	2016 £'000
Trade debtors	**19**	173
Amounts due from group companies	**304**	213
Unsettled foreign exchange transactions	**2,600**	-
Other assets	**144**	224
	3,067	610

13. CUSTOMER ACCOUNTS

	2017 £'000	2016 £'000
Repayable on demand	**489,291**	308,846
Other customers' accounts with agreed maturity dates or periods of notice by residual maturity repayable:		
3 months or less	**344,064**	368,917
1 year or less but over 3 months	**89,962**	138,829
2 years or less but over 1 year	**564**	-
	923,881	816,592

14. OTHER LIABILITIES

	2017 £'000	2016 £'000
Trade creditors	**43**	661
Corporation tax	**-**	2
Deferred tax (note 11B)	**188**	65
Unsettled foreign exchange transactions	**286**	4,047
Funds received in error	**609**	-
Amounts due to immediate parent company	**1,160**	-
Other creditors	**635**	859
	2,921	5,634

Notes to the Financial Statements for the year ended 31 December 2017 (continued)

15. CALLED UP SHARE CAPITAL

	2017 £'000	2016 £'000
Allotted, issued and fully paid (£1 Ordinary Shares)		
As at 1 January	**25,300**	7,300
New shares issued:		
31 March 2016	**-**	5,000
16 December 2016	**-**	13,000
21 September 2017	**7,400**	-
8 December 2017	**8,500**	-
As at 31 December	**41,200**	25,300

There is a single class of ordinary shares. There are no restrictions on the distribution of dividends and the repayment of capital.

16. CONTINGENT LIABILITIES

		2017 £'000	2016 £'000
Guarantees	- direct	**7,814**	808
	- syndicated	**-**	5,255
		7,814	6,063
Letter of credit confirmations/ bill acceptances		**29,794**	45,939
		37,608	52,002

The uncertainties relating to the amount or timing of any outflow are those inherent within the products concerned, notably that the relevant counterparty will not carry out its obligations. Cash collateral of £18,399,300 (2016: £25,981,609) was held in respect of the contingent liabilities noted above.

Notes to the Financial Statements for the year ended 31 December 2017 (continued)

17. COMMITMENTS

Capital Commitments

Capital commitments that have been contracted but not provided for in the financial statements amounted to £nil (2016: £ 329,366) and which have been approved but not contracted amounted to £nil (2016: £nil).

Operating lease commitments

The Bank had the following minimum lease payments under non-cancellable operating leases for each of the following periods

Payment Due	**2017**	2016
	£'000	£'000
Not later than one year	**129**	129
Later than one year and not later than five years	**289**	418
	418	547

The lease payments charged as an expense for the year totalled £128,700 (2016: £128,700).

18. FINANCIAL INSTRUMENTS

The carrying values of the Bank's financial assets and liabilities are summarised by category below:

	2017	2016
	£'000	£'000
Financial Assets		
Measured at fair value through profit and loss		
- Derivative financial assets - foreign exchange related contracts	**1,257**	11,762
	1,257	11,762
Measured at amortised cost		
- Cash and balances at central banks	**423,127**	458,053
- Loans and advances to banks	**228,721**	188,773
- Cheques in course of collection	**-**	13
- Debt securities	**330,522**	203,977
- Other assets	**3,067**	610
- Accrued income	**195**	114
	985,632	851,540

Notes to the Financial Statements for the year ended 31 December 2017 (continued)

18. FINANCIAL INSTRUMENTS (continued)

Financial Liabilities

Measured at fair value through profit and loss

- Derivative financial liabilities - Foreign exchange related contracts		
	6,052	1,225
	6,052	1,225

Measured at amortised cost

- Customer accounts	**923,881**	816,592
- Bank overdrafts	**-**	3
- Items in course of transmission	**287**	401
- Creditors	**2,446**	1,380
- Accruals	**2,025**	1,884
	928,639	820,260

(a) **Classification of financial assets and liabilities at fair value through profit or loss**

Forward foreign exchange contracts and currency swaps have been transacted to hedge assets and liabilities in foreign currencies with movements recognised at fair value through profit or loss.

(b) **Amounts recognised in profit or loss**

The income, expense and changes in fair values of financial assets at fair value through profit or loss recorded in the income statement is as follows:

	2017	**2016**
	£'000	**£'000**
(Expense)/ Income from forward foreign exchange contracts	**(15,354)**	**9,334**
	(15,354)	**9,334**

(c) **Risk exposure and fair value measurements**

Information about the methods and assumptions used in determining fair value is provided in note 10 above.

(d) **Fair values of financial assets measured at amortised cost**

Apart from the fixed rate bonds, the carrying amounts of financial assets and liabilities measured at amortised cost are assumed to be the same as their fair values due to their short-term nature. The fair values of the fixed rate bonds are detailed in Note 9.

(e) **Impairment and risk exposure**

There were no impaired debtors. Information about the impairment of trade and other debtors, their credit quality and the Bank's exposure to credit risk can be found in the accounting policy note for financial instruments and note 19 below.

(f) **Financial liabilities measured at amortised cost**

The carrying amounts of trade creditors and other creditors are assumed to be the same as their fair values due to their short-term nature.

Notes to the Financial Statements for the year ended 31 December 2017 (continued)

19. RISK MANAGEMENT

Through its normal operations the Bank is exposed to a number of risks, the most significant of which are liquidity, credit, operational, market (interest and currency) and compliance risk. The Board is responsible for determining the long-term strategy of the business, the markets in which it will operate and the level of risk acceptable to the Bank. The Bank operates only in the UK, albeit it transacts with counterparties globally.

Responsibility for the management of the Bank's exposure to liquidity, interest rate and currency risk is delegated to the Bank's Asset and Liability Committee, and that relating to credit risk is delegated to the Credit Committee. Responsibility for the monitoring and reporting of operational and compliance risks is delegated to the Compliance and Operational Risk Committee; and all other risks are delegated to the Executive Committee. All these committees report to the Audit & Risk Committee. Risk Management has an oversight role in the development of policies and procedures, evaluating risk levels and reporting to the Board on risk issues.

Liquidity Risk: It is the Bank's policy that its assets shall be sufficiently liquid for it to repay all of its liabilities as they fall due.

A substantial proportion of customer accounts are current accounts that, although repayable on demand, have historically formed a stable deposit base. Liquidity is subject to daily monitoring against PRA guidelines and is subject to periodic stress tests both idiosyncratic and market wide.

The liquidity profile of the Bank's assets and liabilities is as follows:

Assets 2017

More than Less than	0 months 3 months £'000	3 months 1 year £'000	1 year 2 years £'000	2 years 5 years £'000	Total £'000
Cash and balances at central banks	423,127	-	-	-	423,127
Loans and advances to banks	193,208	35,513	-	-	228,721
Debt securities	44,561	245,704	13,092	27,165	330,522
Derivatives - assets	1,234	23	-	-	1,257
Deferred tax	-	913	-	-	913
Other assets	3,067	-	-	-	3,067
Prepayments/acc'd income	832	-	-	-	832
	666,029	282,153	13,092	27,165	988,439
Fixed assets					
- Intangible					4,092
- Tangible					514
Total Assets					993,045

Notes to the Financial Statements for the year ended 31 December 2017 (continued)

19. RISK MANAGEMENT (Continued)

Liabilities 2017

More than Less than	0 months 3 months £'000	3 months 1 year £'000	1 year 2 years £'000	Total £'000
Customer accounts	833,355	89,962	564	923,881
Items in course of transmission	287	-	-	287
Derivatives - liabilities	5,586	466	-	6,052
Other liabilities	2,733	-	188	2,921
Accruals and deferred income	2,240	-	-	2,240
	844,201	90,428	752	935,381
Shareholders' funds				57,664
Total Equity and Liabilities				993,045

Assets 2016

More than Less than	0 months 3 months £'000	3 months 1 year £'000	1 year 2 years £'000	2 years 5 years £'000	Total £'000
Cash and balances at central banks	458,053	-	-	-	458,053
Loans and advances to banks	98,044	90,729	-	-	188,773
Cheques in the course of collection	13	-	-	-	13
Debt securities	43,253	142,011	-	18,713	203,977
Derivatives - assets	9,130	2,632	-	-	11,762
Deferred tax	-	-	776	-	776
Other assets	610	-	-	-	610
Prepayments/ acc'd income	564	-	-	-	564
	609,667	235,372	776	18,713	864,528
Fixed assets					
- Intangible					2,836
- Tangible					48
Total Assets					867,412

Notes to the Financial Statements for the year ended 31 December 2017 (continued)

19. RISK MANAGEMENT (Continued)

Liabilities 2016

More than Less than	0 months 3 months £'000	3 months 1 year £'000	1 year 2 years £'000	Total £'000
Customer accounts	677,763	138,829	-	816,592
Bank overdrafts	3	-	-	3
Items in course of transmission	401	-	-	401
Derivatives - liabilities	1,109	116	-	1,225
Other liabilities	5,569	-	65	5,634
Accruals and deferred income	1,950	-	-	1,950
	686,795	138,945	65	825,805
Shareholders' funds				41,607
Total Equity and Liabilities				867,412

Credit Risk: Credit risk arises from extending credit in all forms where there is a possibility that counterparties may default on their obligations. Credit policy, covering limits, restrictions, minimum credit ratings and concentration criteria, is set out in policy papers approved and affirmed by the Bank's board of directors. Credit risk is managed by the Credit Committee which approves all counterparty limits and is responsible for concentration risk both in terms of individual counterparties and country exposures. The committee's activities are reported and discussed at the Audit & Risk Committee. All exposures are monitored daily against the limits set.

Operational Risk: Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Business units within the Bank are responsible for managing operational risk, with measurement and monitoring carried out by Risk Management. Internal controls include procedures, segregation of duties, reconciliations, exception and exposure reporting, business continuity planning and authorisation processes, and are based on management information. Risk Management provides an independent assessment of the strength of the operational risk framework to the Board.

Interest Rate and Currency Risk: Interest rate risk arises in the Bank's balance sheet as a result of fixed rate, variable rate and non-interest bearing assets and liabilities. Exposure to interest rate movements arises when there is a mismatch between interest rate sensitive assets and liabilities. This risk is managed by limiting the mismatch allowed in predetermined time bands.

Currency risk arises from transactional positions and comprises the monetary assets and monetary liabilities of the Bank denominated in non-sterling currencies. These risks are managed by adherence to limits for intra-day and overnight positions. Risk Management independently review positions.

Currency risk on transactional currency exposures which arise from income in currencies other than Sterling, the Bank's operating (or functional) currency, is mitigated by hedging, where appropriate. Such hedging is undertaken using forward foreign exchange deals to cover the anticipated net cash inflows.

Notes to the Financial Statements for the year ended 31 December 2017 (continued)

19. RISK MANAGEMENT (Continued)

Compliance risk: The Bank seeks to comply at all times with all rules, regulations and laws to which it is exposed through all of its activities. It has a daily monitoring system where it monitors regulatory compliance such as capital adequacy and required liquidity. These daily controls feed into monthly reviews and periodic reporting to the PRA. The Bank continues to develop staff training programmes to ensure its staff are both aware of and comply with such regulations. As a result, whilst it has zero tolerance for financial crime, Regulatory Risk, and Conduct of Business Risk, the Bank recognises that some markets for its activities are higher risk areas, which may heighten its exposure to such risks from time to time.

20. RELATED PARTY TRANSACTIONS

The Bank has taken advantage of the exemption provided under section 33.1A of FRS 102 “Related party transactions", because it was/is a wholly owned subsidiary of Crown Agents Limited/CABIM Limited, as appropriate.

21. INTEREST RATE SENSITIVITY GAP ANALYSIS

Part of the Bank’s return on financial instruments is obtained from controlled mismatching of the dates on which the instruments mature or, if earlier, the dates on which interest receivable on assets and interest payable on liabilities are next reset to market rates. The table below summarises these re-pricing mismatches on the Bank’s book as at 31 December. Items are allocated to time bands by reference to the earlier of the next contractual interest rate re-pricing date and the maturity date.

Interest rate re-pricing	*Not more than three months*	*More than three months but not more than six months*	*More than six months but not more than one year*	*More than one year but not more than five years*	*Non-interest bearing*	*Total*
	£’000	***£’000***	***£’000***	***£’000***	***£’000***	***£’000***
2017						
Assets						
Cash and balances at central banks	**423,127**	**-**	**-**	**-**	**-**	**423,127**
Loans & advances to banks	**193,208**	**33,775**	**1,738**	**-**	**-**	**228,721**
Debt securities	**44,561**	**102,543**	**143,161**	**40,257**	**-**	**330,522**
Other assets*	**-**	**-**	**-**	**-**	**10,675**	**10,675**
Total assets	**660,896**	**136,318**	**144,899**	**40,257**	**10,675**	**993,045**
Liabilities:						
Customer accounts	**833,355**	**21,642**	**68,320**	**564**	**-**	**923,881**
Other liabilities**	**-**	**-**	**-**	**-**	**11,500**	**11,500**
Shareholders’ funds	**-**	**--**	**-**	**-**	**57,664**	**57,664**
Total liabilities	**833,355**	**21,642**	**68,320**	**564**	**69,164**	**993,045**
Interest rate sensitivity gap	**(172,459)**	**114,676**	**76,579**	**39,693**	**(58,489)**	**-**
Cumulative gap	**(172,459)**	**(57,783)**	**18,796**	**58,489**	**-**	**-**

*** includes fixed assets, derivatives, prepayments and accrued income.**
**** includes items in course of collection, derivatives, accruals and deferred income.**

Notes to the Financial Statements for the year ended 31 December 2017 (continued)

21. INTEREST RATE SENSITIVITY GAP ANALYSIS (continued)

Interest rate re-pricing	*Not more than three months*	*More than three months but not more than six months*	*More than six months but not more than one year*	*More than one year but not more than five years*	*Non-interest bearing*	*Total*
	£'000	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*
2016						
Assets						
Cash and balances at central banks	458,053	-	-	-	-	458,053
Loans & advances to banks	98,043	20,852	69,878	-	-	188,773
Debt securities	43,254	67,671	74,339	18,713		203,977
Other assets*	-	-	-	-	16,609	16,609
Total assets	599,350	88,523	144,217	18,713	16,609	867,412
Liabilities:						
Customer accounts	677,763	14,367	124,462	-	-	816,592
Bank overdrafts	3	-	-	-	-	3
Other liabilities**	2,763	-	-	-	6,447	9,210
Shareholders' funds	-	-	-	-	41,607	41,607
Total liabilities	680,529	14,367	124,462	-	48,054	867,412
Interest rate sensitivity gap	(81,179)	74,156	19,755	18,713	(31,445)	-
Cumulative gap	(81,179)	(7,023)	12,732	31,445	-	-

*** includes fixed assets, derivatives, prepayments and accrued income.**
**** includes items in course of collection, derivatives, accruals and deferred income.**

22. CURRENCY RISK

The Bank does not have any structural exposure. The table below shows the Bank's transactional currency exposures in its book; that is those non-structural exposures that give rise to the net currency gains and losses recognised in the income statement. Such exposures comprise the monetary assets and monetary liabilities of the Bank that are not denominated in sterling.

As at 31 December, these exposures were as follows:

Functional currency (£'000 equivalent)	US Dollar	Euro	Yen	SA Rand	Other	Total
2017						
Assets/(liabilities)	**(376,100)**	**14,127**	**6,578**	**(2,087)**	**(15,000)**	**(372,482)**
Net forward purchases/(sales)	**377,174**	**(14,259)**	**(6,569)**	**2,120**	**15,937**	**374,403**
	1,074	**(132)**	**9**	**33**	**937**	**1,921**
2016						
Assets/(liabilities)	(370,961)	31,310	(32,889)	(37,068)	(11,567)	(421,175)
Net forward purchases/(sales)	371,967	(31,313)	32,906	37,277	11,647	422,484
	1,006	(3)	17	209	80	1,309

Notes to the Financial Statements for the year ended 31 December 2017 (continued)

23. CREDIT EXPOSURE

At 31 December the replacement costs by residual maturity and net replacement costs by counterparty of the Bank's trading and non-trading over-the-counter derivatives were:

Potential Credit Risk Exposure	**Up to 1 year 2017 £000**	**Total 2017 £000**	Up to 1 year 2016 £000	Total 2016 £000
Forward Foreign Exchange Contracts	**613,707**	**613,707**	463,962	463,962
Total notional principal amount	**613,707**	**613,707**	463,962	463,962
Replacement cost by counterparty				
Other banks	**1,257**	**1,257**	11,762	11,762
Total replacement cost	**1,257**	**1,257**	11,762	11,762

24. CAPITAL MANAGEMENT

The Bank is subject to regulatory requirements imposed by the PRA and the FCA. Such regulations include the requirement, at all times, to carry sufficient regulatory capital to meet the underlying capital requirements.

In order to do so, the Bank calculates those capital requirements on a daily basis, and using a traffic light warning system based on an internal buffer, reports to ALCO, or as appropriate, the Board should the need arise.

All of the above remained unchanged from 2016.

The Bank's regulatory capital consists of its Ordinary Share Capital and its P&L Reserve (both Tier 1 capital), subject to the normal regulatory deductions. In 2016 the capital included a revaluation reserve (Tier 2 capital).

The Bank manages its capital on an entity basis with no consideration of other group companies.

As noted earlier, full details of the Bank's capital adequacy requirements are provided in its Pillar 3 Disclosures which can be found on the Bank's website (www.crownagentsbank.com).

Notes to the Financial Statements for the year ended 31 December 2017 (continued)

25. ASSETS AND LIABILITIES – CURRENCY DENOMINATION

	2017 £'000	2016 £'000
Assets:		
Denominated in sterling	**604,820**	604,616
Denominated in other currencies	**388,225**	262,796
	993,045	867,412
Liabilities and Equity		
Denominated in sterling	**232,338**	183,441
Denominated in other currencies	**760,707**	683,971
	993,045	867,412

26. SEGMENTAL ANALYSIS

The Bank operates in one area of activity, that of banking and related services, within the United Kingdom.

27. HOLDING COMPANY

Up until 31 March 2016, the immediate parent undertaking was Crown Agents Limited. The ultimate parent undertaking and controlling party was The Crown Agents Foundation, which was the parent undertaking of the smallest and largest group to consolidate these financial statements at 31 March 2016. Copies of both companies' financial statements may be obtained from 110 Southwark Street London SE1 0SU.

From 1 April 2016, the immediate parent undertaking has been CABIM Limited which is the smallest and largest group to consolidate these financial statements as at 31 December 2017. The ultimate parent undertaking and controlling party has been Helios Investors III LP, acting through its general partner Helios Investors Genpar III LP. Helios Investors Genpar III LP is registered in the Cayman Islands with its registered office at PO Box 309GT, Ugland House, South Church Street, Grand Cayman, Cayman Islands KY1-1104.

Copies of the financial statements of CABIM Limited may be obtained from St Nicholas House, St Nicholas Road, Sutton, Surrey SM1 1EL.

Notes to the Financial Statements for the year ended 31 December 2017 (continued)

28. NOTES TO THE CASH FLOW STATEMENT

Reconciliation of profit/ (loss) before taxation to net cash inflow from operating activities

	2017 £'000	2016 £'000
Profit/ (loss) before taxation	**87**	(4,621)
Increase in prepayments and accrued income	**(268)**	(258)
Increase in accruals, provisions and deferred income	**290**	1,187
(Decrease)/ increase in provision for doubtful debts	**(25)**	25
Effect of currency exchange rate changes	**16,979**	(14,442)
Amortisation	**567**	399
Depreciation	**88**	48
Net cash inflow/ (outflow) from trading activities	**17,718**	(17,662)
Net (decrease)/increase in items in course of transmission	**(114)**	178
Net decrease/(increase) in loans and advances to banks	**10,443**	(46,400)
Net increase in customers' accounts	**107,289**	197,620
Net increase in debt securities	**(126,545)**	(30,602)
Net decrease/(increase) in cheques in the course of collection	**13**	(13)
Net increase in other assets	**(2,594)**	(598)
Net (decrease)/ increase in other liabilities	**(2,697)**	5,067
Share based payment charge	**54**	-
Loss on disposal of fixed assets	**30**	-
Net cash inflow from operating activities	**3,597**	107,590

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