Moving money where it's needed

Crown Agents Bank Limited

Annual Report and Financial Statements

For the year ended 31st December 2022

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Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and Prudential Regulation Authority

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Chairman's Report for the year ended 31 December 2022

It gives me great pleasure to review 2022's performance for Crown Agents Bank Limited ("CAB"). CAB's strategy is to use our network, technology, and expertise to help governments, institutions, and organisations access hard-to-reach markets and move money where it's needed. CAB has spent the last five years building the team and infrastructure to be able to serve a broad range of large clients and we are now reaping the benefits of this investment. Even better, by moving money where it is needed, we have had a significant social impact, helping the communities we serve to thrive. I would also like to make a very special mention about the huge efforts and commitment of our colleagues, without whose contributions CAB wouldn't have been able to achieve such outstanding results for 2022.

We have been able to accelerate our financial progress by growing the amount of business we do with our existing clients and onboarding new clients, including some of the world's top banks. Our revenues have more than doubled and Adjusted Earnings Before Interest (but including net interest income – see note 4), Tax, Depreciation and Amortisation and non-recurring operating expense ("Adjusted EBITDA") has more than tripled when compared to prior year. These profits contribute into our regulatory capital growth, making us stronger, one of the many ways we drive integrity in our business. We have managed this economic success while emphasising collaboration both within our team and with our clients and partner network.

Most importantly, CAB has had significant social impact. We facilitated £3.3BN in aid flows, ensuring that aid arrives in difficult markets at difficult times and improving financial inclusion. We managed £1.9BN in remittance flows, strengthening local economies. Finally, we help to formalise financial markets, handling £14.6BN of flows into and out of the low and low-mid income economies (per World Bank definitions.) Our expertise allows us to provide access to the global financial markets to many who would otherwise struggle.

In all, 2022 was a great year for CAB, one that reflects our hard work and investment, and we look forward to what lies ahead of us.

Jeremy Parrish
Chairman
19 April 2023

Strategic Report for the year ended 31 December 2022

Introduction

Crown Agents Bank Limited ("CAB") uses its network, technology, and expertise to help governments, institutions, and organisations access hard-to-reach markets to move money where it is needed. CAB is a market leader in B2B cross-border payments and foreign exchange, specialising in emerging markets, covering over 150 countries as of 31 December 2022. Although it is a UK-regulated bank, CAB is not a traditional lending institution, and instead moves large interbank flows, with an average ticket size of over $100,000. The Directors believe CAB's proprietary network, dedicated technology, and UK banking licence subject it to developed market risk standards, while delivering emerging market growth. Its blue-chip customer base includes several top 20 major market banks, fintech companies, development organisations and governments. The Directors believe that this unique set of characteristics has delivered strong unit economics, which has driven growth and profitability. In addition, CAB aims to have a significant social impact by helping to drive financial inclusion, formalise financial markets and strengthen the local economies where it delivers funds.

CAB manages its business around the customers it serves and the types of services offered. CAB organises its business across three business lines with each business line addressing a certain combination of customer groups, distribution networks and services offered. These are offered via a range of channels including its API and GUI, as well as non-automated, human-to-human trader-supported and third party platform channels. The three business lines are:

FX: CAB provides its customers around the world with a real-time FX trading platform, designed especially for emerging markets. FX customers specify the currency they wish to buy and the currency they wish to sell and are quoted a real-time, competitive price. The purchased currency is delivered to an account of their choosing, typically in the market associated with that currency. CAB offers these services through multiple channels: EMpower FX via API or GUI, multi-dealer platforms and CAB's own traders. For select customers CAB provides overdraft and post-paid accounts where it earns interest. The FX service includes multi-channel access, integrated data analytics, built-in risk controls and a customisable customer experience.

Payments: CAB provides an end-to-end, cross-border payments gateway to its broad range of global customers. Payments customers specify an amount and a beneficiary of the payment. CAB then routes this money to the beneficiary account, converting it to the relevant local currency as required. CAB offers these services through three distinct platforms: EMpower Payments (API or GUI), EMpower Pensions (a pension payments full service platform) and EMpower Connect (a bank-oriented service for making hard currency payments in the most efficient currency).

Banking Services: CAB provides a range of banking and other services globally. CAB offers transaction and deposit accounts which earn a net interest margin between the rate CAB pays its deposit holders and the rate CAB receives in the money markets. CAB also offers trade finance and certain financial consulting related services.

Chief Executive Officer's report

2022 in Summary

2022 has seen continued growth. CAB has taken off from the platform built over the prior years and is now scaling up with our unique emerging markets payments and foreign exchange offering. Revenues more than doubled to £109m (2021: £53m) and Adjusted EBITDA has more than tripled to £56m (2021: £16m), establishing Adjusted EBITDA margins of c.51%. The business generated significant cash which contributes to our balance sheet reducing our credit risk. Perhaps more importantly we have had substantial impact driving financial inclusion, formalising financial markets and strengthening local economies.

CAB is living its values - we use our network, technology, and expertise to help governments, institutions, and organisations access hard-to-reach markets and move money where it's needed. We do this all with client focus, collaboration, impact and integrity.

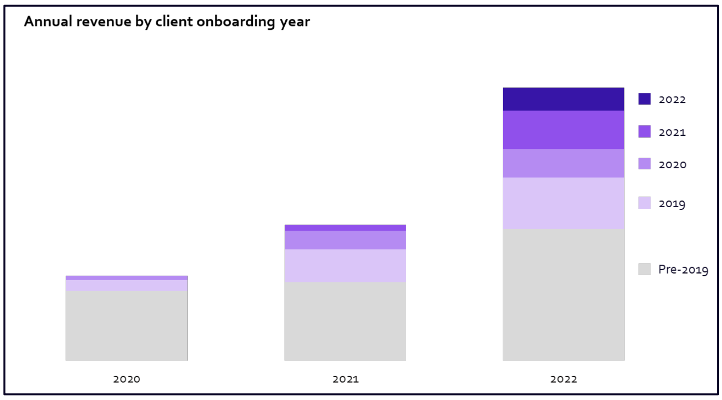
What has allowed us to perform to this level?

- ***Impressive client base:*** CAB works with the blue-chip clients 2022 saw our revenues with existing clients grow both from their underlying growth but also from them bringing new business;
- ***Large, fast-growing market:*** 2022 saw a continuation in the shift from banks to specialists in emerging markets payments;
- ***Well-invested tech platform purpose-built for emerging markets: 2022*** represented a coming out year for our electronic payment gateway, launched in 2021 now has a dozen payments clients driving part our transaction flows;
- ***Global payment network:*** CAB continues to invest in its global bank delivery network, increasing our network in 2022 even as we fine tune our chosen partner banks; and
- ***UK banking licence and compliance***: our UK banking licence helps us in many ways – notably it has helped smooth our growth into the major market banks segment in 2022.

Clients

CAB has a blue-chip client base focused on emerging markets. CAB has some of the world's largest aid organisations, governments, banks and fintechs as clients. By aggregating their volumes, CAB is one of the largest and most reliable sources of foreign currency into our chosen markets which makes it a key trade partner.

Our client focus in every element of our business allows us to shine. We have continued the trend of having every client cohort grow its revenue every year, with an average net revenue retention of >150% (3 years ended 31 December 2022).



We are particularly proud of our entry into the Major Market Bank segment, having contracted 3 of the world's largest banks in the last 15 months.

Market

CAB is in a large, fast-growing market undergoing favourable structural shifts. CAB facilitates less than 1% of global flows into emerging markets. This market is growing at 5% per annum. In addition, there is a structural shift from regional and domestic banks to specialists as banks seek to exit a business line which is subscale and difficult to do for them.

Network

We have a deep global payments network with whom we **collaborate** on a daily basis. The group has 135 distinct local bank accounts, including multiple bank accounts per market in our core markets. This allows us to send funds in a single step, load balance across partners, and gives us redundancy. We have 218 approved regular trading partners for emerging market foreign exchange. This means that even large tickets are subject to competition. We have grown from 115 to 135 local bank accounts in 2022, despite having closed various bank accounts where services levels were not adequate to our exacting standards.

Product set

CAB has built a well-invested technology platform purpose-built for emerging markets: CAB has a product set designed for emerging markets. The EMPower foreign exchange platform offers real-time competitive foreign exchange 'fx' quotes of a broad range emerging market currencies across multiple channels. CAB has a proprietary payment gateway purpose-built with the needs of our network in mind.

2022 has been a year of consolidation for our EMPower foreign exchange gateway and proof of our payments gateway. Application Programming Interface ('API') functionality has improved with the launch of the 'inform API' allowing clients to get real-time information on their payments. In addition, CAB launched our post-paid feature as part of the initiative to expand banking services to facilitate options for our fx and payments clients. Our pensions product has proven out its digital proof-of-life feature and logged a number of key client wins.

Banking Licence

CAB benefits from a UK banking licence. Bank grade compliance, reporting and oversight supports delivery of comparatively low levels of risk. This **integrity** makes us the preferred provider to many banks, governments and aid organisations.

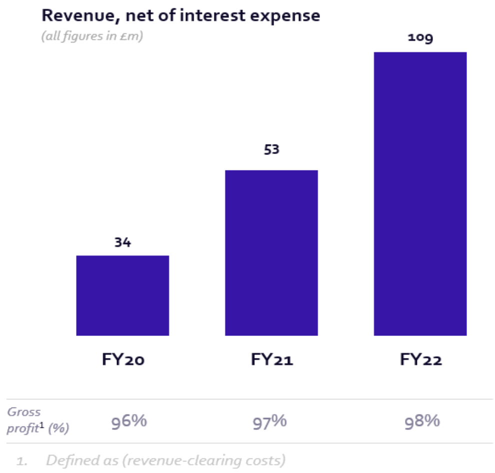
Being a bank also gives CAB flexibility in product delivery, such as retaining client funds and earning interest.

Strategy and objectives

CAB's vision is to connect emerging markets to the rest of the world using finance and technology. To this end, our 2022 business development focused on the institutions that drive most of the flows into these markets: major market banks, emerging market banks (EMFI), non-bank financial institutions (NBFI or fin techs), and international development organisations (IDOs). Our product suite, risk, and operations have been purpose-built for these services and markets. In 2022 we continued to refresh our strategy and ratified our strategic direction. Similarly CAB continues to invest in accelerating our growth and expanding our geographic footprint.

Financial performance and Key Performance Indicators ('KPIs')

CAB's revenue continues to grow at fast pace. This growth is underpinned by three major drivers. Emerging markets revenue pools grow yearly and within this, our clients are benefitting from even stronger tailwinds. We continue to increase share of wallet with clients as well as adding to the products they use. Finally we continue to generate new client sales which pace the overall growth of the business.

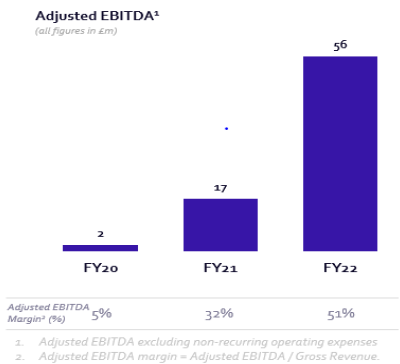


*revenue for FY20 was recognised in accordance with UK GAAP.

2022 represented a watershed year for CAB in terms of Adjusted EBITDA which is made up as follows:

Adjusted EBITDA	2022 £000	2021 £000
Profit before tax	**44,702**	**10,741**
Add back depreciation and amortisation	6,258	5,888
EBITDA	**50,960**	**16,629**
Add back non-recurring operating expenses (Note 7)	5,332	-
Adjusted EBITDA	**56,292**	**16,629**

The investment in capital expenditure has created significant operating leverage, allowing the business to translate revenue growth relatively directly into profit. CAB's Adjusted EBITDA margins are as follows:



*EBITDA for FY20 was recognised in accordance with UK GAAP.

Environmental, Social and Governance ('ESG') and impact

Driving financial inclusion *Providing backbone to make financial services accessible and affordable*	CAB | PAYMENTS Development aid flows	£3.3bn
Formalising financial markets *Digital payments via UK regulated bank provide enhanced transparency, security and traceability*	CAB | PAYMENTS Flows into Low and Lower-middle income countries	£14.6bn
Strengthening local economies *Facilitating cost-effective transactions for multilateral development banks, businesses and charities*	CAB | PAYMENTS Remittance flows	£1.9bn

On top of this **impact**, CAB has invested further in our ESG initiatives. Some highlights include:

- Application for Benefit Corporation (''B Corp'') certification in November 2021 with ongoing evaluation;
- UN Global Compact signatory since 2018;
- ESG performance indicators at Executive Committee level;
- Bank-wide targets to encourage employee participation in social impact volunteering schemes; and
- Ecovadis, a global sustainability ratings agency, awarded CAB with a gold rating for the second consecutive year. Refer to Directors' report for energy and carbon emission disclosures.

Future Developments

In 2023 and beyond, CAB will continue to drive its vision of connecting emerging markets to the rest of the world using finance and technology. This will consist of recruiting more clients, both in our traditional segments of NBFIs and IDOs and progressively from Banks. CAB intend to further globalise, expanding sales and trading coverage to get more localised client support and ultimately 24 hour trading capabilities.

S172 Companies Act 2006

The Board is conscious of the need to consider the wider ramifications of individual decisions, and key considerations are as follows:

- Long-term consequences: CAB produces a three-year forecast on an annual basis and presents this to the Board. The effect of any decision on that forecast, and hence the long term consequences, will be considered as part of the decision making process.
- Interests of employees: as mentioned in the Directors' Report below, in recent years CAB has developed a robust Employee Engagement Survey process which is conducted at least annually. The last survey was conducted in January 2023. The results, which are considered by the Board, are borne in mind as subsequent Board decisions are made. Key findings included the need for greater cross departmental collaboration, improved change management processes and further support for flexible working.
- Relationships with clients and suppliers: CAB is regulated by both the PRA and FCA in the UK and as a result is governed by Conduct Rules requiring it at all times to treat its clients fairly. The effect on such relationships is therefore embedded within the Board's decision making processes.
- Effect on community/environment: given the type of business with which CAB is involved, the Board considered that its decisions will have no detrimental effect on either the community or the environment.
- Company's reputation for maintaining high business standards: the regulators' Conduct Rules include the requirement for banks to maintain the highest business standards at all times, the need for which is therefore embedded within the Board's decision making process. The various Board Committees and structure ensure these matters are not compromised.
- The need to act fairly as between CAB's shareholders: CAB has one shareholder. The majority of the directors of the shareholder are directors of CAB and therefore are closely involved with the decision making processes.

Employee Matters

(a) Employee Engagement Survey

On an annual basis CAB carries out an Employee Engagement Survey through a company-wide questionnaire and a series of focus groups. CAB explores its values in comparison to industry benchmarks and how well engaged employees are with their roles, line manager, and the company. The main survey, typically conducted in January and other required pulse surveys provide data to track year on year progress based on a set of standard questionnaire. Additional questions are designed to seek employees' experience and feedback on internal and external factors that may be affecting employees. The focus in 2022 was supporting employees in relation to health and wellbeing with a particular focus on financial wellbeing.

(b) Disabled Persons

Our commitment is to promote diversity and inclusion in the workplace to attract talented individuals. Our process is to treat all applications for employment in a fair and consistent manner. In the event of members of staff becoming disabled we make every effort to identify ways of adapting the workplace for those with disabilities.

(c) Employee Involvement

CAB 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. We continue to engage employees through our Diversity, Inclusion, Culture and Equality forum (DICE) established in 2022 with employee representatives across the business to raise awareness and advocate diversity, inclusivity and a collaborative culture. In addition, further information is given at quarterly townhall meetings hosted by the Chief Executive Officer and the Executive Committee members, through the intranet, notices and via webinars/ training programmes.

(d) Gender diversity

The percentage of women and men employed across the business is 39% and 61% respectively. CAB has 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.

Principal risks and uncertainties

CAB has an embedded Enterprise Risk Management Framework (ERMF) which is approved annually by the Board and sets out how risk is managed. The ERMF sets out how CAB manages risk on a firm-wide basis and enables CAB to identify and manage the material risks to which it is exposed in a consistent, efficient, and effective manner. It aligns to, and supports, the strategic and commercial objectives approved by the Board, ensures legal and regulatory requirements are met and reinforces the effective management of risks. The ERMF assists in the maintenance of the CAB's risk profile within parameters of its risk appetite, facilitates the effective escalation of material risk issues through ongoing and robust oversight and, where the CAB's risk profile exceeds its risk appetite, ensures appropriate action is taken to bring these back within tolerance.

CAB has exposure to Capital, Liquidity & Funding, Market, Credit, Operational, Financial Crime, Regulatory Compliance, Conduct and Business Risk (level 1 risk types) known as the Enterprise Risk Taxonomy (taxonomy).

Capital adequacy risk: As a PRA-regulated firm, CAB is subject to the UK Capital Requirements Regulation (CRR), which requires due consideration as to the suitable level of capital resources required by CAB, on both a Pillar 1 and Pillar 2 basis. CAB is thereby exposed to capital adequacy risks as part of its ongoing business operations.

The Board approves capital adequacy risk appetite statements and tolerance limits for CAB and defines the minimum amount and type of capital that CAB is prepared to hold. These levels are informed by the current regulatory capital requirements and the outputs of the Internal Capital Adequacy Assessment Process (ICAAP) and reviewed at least once per calendar year, or more frequently if required, to reflect changing stakeholder expectations, business activities and economic and/or market conditions.

The Board approved tolerance limit is based on the higher of the internal view of the level of capital required by CAB , as per the ICAAP, and the regulatory assessment of CAB's overall capital requirements as per the CRR.

CAB's regulatory capital is entirely CET 1 capital as follows:

	2022	2021
	£'000	£'000
Shareholders' funds	109,928	75,204
Less intangible assets	(17,523)	(18,297)
Regulatory capital	92,405	56,907
CET 1 ratio	33.4%	30.3%

Liquidity and Funding Risk: Liquidity risk is defined as the risk that CAB cannot meet its financial obligations in a timely manner as they fall due. Funding risk is defined as the risk that CAB cannot maintain access to a sufficient stable funding base to maintain its liquidity.

CAB acknowledges and accepts that liquidity risk is inherent within its business operations, principally relating to funding sources and intraday flows.

These risks are inherent within CAB's business operations primarily relating to funding sources, with a large quantity of deposits placed having short contractual maturities – often to support foreign exchange and payment transaction settlement. In managing these risks, CAB maintains a large portfolio of High Quality Liquid Assets (HQLA) to enable it to meet all reasonably foreseeable deposit outflow scenarios. Refer to Note 37 for the disclosure for fair valuation of debt securities. Further information concerning Liquidity Risk are provided in Note 32.

Market Risk: CAB is exposed to market risk, i.e. the risk of losses from adverse value movements in market prices, specifically in respect of foreign exchange/currencies and interest rate markets. CAB splits its market risk appetite framework to articulate each of these respective market risk sub-categories.

- **Foreign Exchange Risk:** As part of its day-to-day operations, CAB holds various currency balances in its own accounts with its Local Bank Account Network and in multi-currency money market funds, or in open positions within the banking book (i.e., resulting from spot fx trades in transit or fx forward positions held for treasury purposes). Currency movements can result in changes to the value (in GBP) of these positions; this market risk is mitigated by CAB hedging the vast majority of its balance sheet fx exposures, with unhedged fx position limits set on a net basis for the banking book in aggregate, and on a currency specific basis. These fx risk tolerance limits are measured on an intra-day and end of day basis, to monitor their implementation.

- **Interest Rate Risk in the Banking Book (IRRBB):** IRRBB is the risk to CAB's earnings or capital arising from movements in interest rates that affect the value of CAB's assets and liabilities. CAB does not operate a trading book (i.e. it does not trade for its own account); therefore, all activities are captured within the banking book. While the Bank's treasury approach is to attempt to match, to the extent it is operationally effective to do so, the interest rate profile of its assets and liabilities, there is generally a small degree of interest rate mismatch, albeit although this is tightly managed and capped according to CAB's appetite for IRRBB which is assessed with consideration given to both earnings sensitivity and economic value impact.

Credit Risk: Credit risk is defined as the risk of financial loss arising from a borrower or counterparty's failure or inability to meet its financial obligations to CAB in accordance with agreed terms.

CAB undertakes clients' transactions selectively, with approved counterparties and seeking to minimise individual clients and market concentrations in its business where possible (within the constraints of the type and geographic nature of the business). Where concentrations do exist, they are managed through a comprehensive set of portfolio and counterparty level limits set in CAB's credit risk policy. CAB's Credit Risk Committee (CRC) is responsible for allocating credit limits as appropriate, according to business objectives, risk profile, and the Board approved risk appetite and in accordance with CAB's credit risk policy.

Operational Risk: Operational risk is defined as the risk of loss or other non-financial impact, resulting from inadequate or failed internal processes, people, and systems, or from external events. It arises from day-to-day operations and is relevant to every aspect of CAB's business. These include risks arising from failing to properly manage outsourced and other third-party arrangements and cyber security.

CAB is exposed to operational risk in the execution of its core business activities and seeks to manage this exposure in a cost-effective manner. Operational risk incidents can have a major impact on CAB's operations, which in turn can lead to client dissatisfaction or harm, financial implications, and the potential for reputational and increased regulatory scrutiny if a theme or systemic failure is identified.

CAB uses various tools to identify, assess, mitigate, manage and report operational risk, and relies on a centralised risk system to record operational incidents, loss data, risk and control self-assessments etc., in a consistent way that is aligned to the ERMF.

Financial Crime Risk: Financial crime risk is presented by criminal activity in the form of money laundering, terrorist financing, bribery and corruption, sanctions, and tax evasion.

CAB is exposed to financial crime risk in its everyday dealings with clients from acts such as money laundering and sanctions violations, which will be detrimental to CAB, both reputationally and financially. Financial crime risk can be influenced by the type of clients, geographies, products, transactions, and delivery channels. The parameters and control requirements for these are set out in CAB's financial crime risk policy.

CAB has no appetite to operate in an environment where systems and controls do not enable the identification, assessment, monitoring, management, and mitigation of financial crime risk, or for staff to fail to have an appropriate understanding of financial crime risks and their responsibilities to mitigate them. CAB operates with zero tolerance for a breach of relevant financial crime regulations and laws, systematically or repeatedly.

Regulatory and Compliance Risk: Regulatory and compliance risk is defined as risk arising from non-compliance with laws and regulations governing financial services institutions in the markets it operates in. This could lead to legal or regulatory sanctions, material financial loss or reputational damage.

CAB's growth strategy is expected to increase its global footprint, which would result in its operations being subject to the supervision by multiple regulators, and therefore would introduce a wider set of regulatory requirements. CAB must therefore carefully monitor its growing regulatory exposure, and manage any divergence in regulatory impact across jurisdictions, to maintain a level of consistency across CAB. Non-compliance with complex regulatory requirements could lead to increased regulatory scrutiny, and impact CAB's clients, and has the potential for financial impact, including potentially significant regulatory fines.

Conduct Risk: Conduct risk is defined as the risk that the conduct of CAB and its staff towards clients (or in the markets in which it operates) leads to unfair or inappropriate client outcomes and results in reputational damage or financial loss.

The risk is that clients can suffer detriment due to actions, processes or products which originate from within CAB. Conduct risk can arise through the design of products that do not meet client needs, mishandling complaints in a way that results in inappropriate behaviour towards clients, inappropriate sales processes and otherwise exhibiting conduct that does not meet market or regulatory standards.

CAB seeks to develop and maintain long-term relationships with its clients, based on openness, trust and fairness in everything it does. CAB has no appetite for reputational risk arising from the way in which it or its staff behaves.

A suite of policies addressing compliance and conduct risks set appropriate standards, supported by on-going training. In addition, all employees are subject to CAB's code of conduct. Regular monitoring and targeted assurance are carried out as appropriate.

Business Risk: Business risk is defined as a set of risks to a firm arising from changes in its business, including:

- the acute risk to earnings posed by falling or volatile income;
- the broader risk of CAB's business model or strategy proving inappropriate due to macroeconomics, geopolitical, industry, regulatory or other factors; or
- its remuneration policy.

CAB is exposed to business risk in relation to changes in the external market environment / or respective participants that could correspondingly impact financial performance as well as via its own strategic direction and idiosyncratic decisions.

Impact of Russian Conflict

Following the Russian invasion of Ukraine on Thursday 24th February 2022, governments around the world reacted with unprecedented unity in imposing financial sanctions on Russia and Belarus. This rapid expansion of the sanctions regimes has been unprecedented, and their complexity and scale has led to multiple implementation challenges for the industry. UK Finance (trade association for UK banking and financial services sector) has led several sessions with participants to assist in understanding the scope and assisting in implementation. This is included engagements with the Foreign, Commonwealth & Development Office (FCDO) and Office of Financial Sanctions Implementation (OFSI).

CAB carried out a risk assessment on potential exposure which concluded that CAB has no clients located in Russia, Belarus, or Ukraine. CAB does not offer any local currency payments or relevant fx products. Management have concluded that the restriction of this activity will have limited financial and business impact on CAB. Actions have been implemented to mitigate the risks of not adhering to the current and evolving sanctions.

Going concern

The directors have considered the financial position of CAB, including the net current asset position, regulatory capital requirements and estimated future cash flows and have concluded that there is reasonable expectation that CAB has adequate resources to continue in operational existence for a period of 12 months from when these financial statements are authorised for issue and that CAB will be able to meet its obligations as they fall due. Furthermore, the Directors are of the view that:

- there are no material uncertainties relating to events or conditions that cast significant doubt on CAB's ability to continue as a going concern;
- there are no significant judgements made by management in determining whether or not the adoption of the going concern is appropriate; and
- there are no material uncertainties to disclose in respect of going concern.

Accordingly, the financial statements have been prepared on the going concern basis.

Post year-end events

There were no material events post year-end.

Approval by the Board

The report was approved by the Board and signed on its behalf by:

Bhairav Trivedi

Director

19 April 2023

Directors

Jeremy Parrish – Chairman and Independent Non-Executive Director

Jeremy Parrish joined CAB's Board in 2017 with over four 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 and, from 2010, as CEO UAE with overall 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 Julius Baer International Ltd. He is also Chairman of Anglo Gulf Trade Bank in Abu Dhabi, UAE.

Bhairav Trivedi – Chief Executive Officer

Bhairav joined Crown Agents Bank on the 4 January 2021 as CEO. He brings over 30 years' experience in financial services, with a core focus on digital payments, cross-border remittances and fintech development. His previous roles include that of Group CEO of Network International Payment Solutions, a UAE-based payments provider for the Middle East and Africa. He has been President and Chief Operating Officer of Sigue Global Services Ltd., a global money transfer company, and was Managing Director, Global Head of Remittance Services at Citi's Global Transaction Services from 2008 to 2010. He also founded PayQuik (later acquired by Citi) and has worked at McKinsey and Company, Fair Isaac and Providian Bancorp. He joins us after a nine-month stint as Group CEO of LSE-listed Finablr.

Bhairav holds an MBA from the Wharton School of the University of Pennsylvania, a Masters in Engineering Economic Systems from Stanford University and an undergraduate degree in Engineering from Birla Institute of Technology, India. He has also been in the Indian Navy.

Richard Hallett – Chief Financial Officer

Richard Hallett is the Chief Financial Officer of CAB 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 formerly 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.

Chris Green – Chief Risk Officer

Chris joined CAB in March 2020 as Chief Risk Officer and Head of Compliance. Chris has over 25 years of corporate financial services experience mainly in senior risk leadership roles. He joined Crown Agents Bank from Royal Bank of Scotland where his senior roles included: Head of Portfolio Management for Commercial Banking, Head of Commercial Credit, and Head of Risk for Business and Commercial Banking. Prior to that, he worked for GE Capital where he held Chief Risk Officer roles for several of their businesses both in France and EMEA.

Susanne Chishti - Independent Non-Executive Director

Susanne has over 25 years of industry expertise including at board-level, with a strong focus on organisational governance and the small and medium enterprise (SME) market. Her experience draws on 15 years in finance, having held senior positions at Deutsche Bank, Lloyds Banking Group, Morgan Stanley and Accenture.

She is an Independent Non-Executive Director at CMC Markets PLC, a FTSE 250 company where she is also a member of the Risk, Audit, Nomination and Remuneration Committees and the CEO of FINTECH Circle, Europe's first Angel Network focused on fintech innovation.

A bestselling author, Susanne co-edited "The FINTECH Book" series, which has been translated into 10 languages and sold across 107 countries, in addition to six further fintech books published by Wiley. Her wealth of experience led her to being recognised among the "Top 10 global Fintech influencers in 2022" (Evening Standard), the Fintech Champion of the Year in 2019 (Women in Finance Awards) and in the European Digital Financial Services "Power 50" 2015, an independent ranking of the most influential people in digital financial services in Europe. Susanne holds an MBA from Vienna University of Economics and Business.

Jennifer Johnson-Calari - Independent Non- Executive Director

Jennifer Johnson-Calari joined the Board in June 2020, with over four decades of experience in financial markets, portfolio and risk management, and bank supervision at the World Bank's Treasury, the US Comptroller of the Currency (OCC) and the Board of Governors of the Federal Reserve System (FRB).

At the World Bank Treasury, Ms. Johnson-Calari was part of the Executive Committee responsible for the management of over $110bn in global financial assets and led the Treasury's Reserves Advisory Management Program (RAMP), working globally with official sector asset managers in building capacity. She also contributed to the setting of standards of best practice for central bank reserves management and sovereign wealth funds. At the OCC and Federal Reserve Board, she contributed to bank supervisory policy governing multinational banks' market risk management and international harmonization of bank capital adequacy standards.

She has published extensively and spoken widely on governance and investment management issues. Ms. Johnson-Calari is a graduate of Harvard's General Management Program, earned an MA at Johns Hopkins University and is a Chartered Financial Analyst. She currently serves on the Advisory Committee of the World Gold Council and on the Board of Directors of a non-profit organization.

Karen Jordan – Independent Non-Executive Director

Karen has an auditing background and qualified as a Chartered Certified Accountant in 1992. Specialising in banking and asset management, Karen's executive roles included stints at PwC, Barclays and an international role at State Street, covering Europe and Asia. She has advised on global and cross-border regulatory and law enforcement matters involving a range of complex governance, regulatory and reputational challenges. She also took the lead role in ensuring that projects to provide redress to clients due to mis-selling or wrongdoing were well-managed and produced fair outcomes for those clients. Karen now holds a small number of roles as an independent non-executive director and Committee Chair. These roles include, in addition to CAB, two financial services companies and the whistle-blower protection charity, Protect.

Derek McMenamin – Senior Independent Non-Executive Director (resigned – 15 December 2022)

Derek McMenamin joined CAB'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.

Mario Shiliashki – Independent Non-Executive Director (Remuneration Chair)

Mario Shiliashki joined CAB's Board as an independent non-executive director in July 2020. Mario brings a wealth of experience in payments and fintech from across the world, currently as the CEO of PayU Global Payments – a leading global online payments player in high-growth emerging markets across Latin America, Africa, Europe and Asia. Prior to PayU, Mario led MasterCard's global eCommerce and cross- border trade initiatives, before launching and commercializing MasterCard's first Open API developer platform. At PayPal, Mario drove the expansion into Asia, building the PayPal business across Southeast Asia, India, Japan and Korea from the ground up, and was on the initial founding team of PayPal in Europe. In his earlier career, Mario was a Consultant at Bain & Company in London and an Equities Analyst at Goldman Sachs in New York.

Mario is a prolific speaker at payments and fintech conferences and contributor to a number of industry publications.

Mario holds an MBA from Harvard Business School and a Batchelor's degree in Finance and Economics from Bryant University. He also earned an International Directors Programme diploma from INSEAD.

Arnold Ekpe – Non-Executive Director

Arnold Ekpe joined the boards 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 Chairman of Baobab, the leading France based pan African Microfinance Banking Group; non-executive director of the Dangote Group, the leading pan-African industrial group; Senior Adviser and member of the Investment Committee of US based Equator Capital Partners LLC; non-executive director of Aavishkaar Venture Management Services, India; and Chairman of the Business Council for Africa.

Michael Faye – Non-Executive Director

Michael Faye joined the Board of CAB Tech HoldCo Limited (CAB's parent) in 2019 following the acquisition of Segovia Technology, which he co-founded and served as CEO. In November 2020 he also joined the Board of CAB. Michael is the co-founder and President of GiveDirectly and the co-founder and CEO of Taptap Send, a direct-to-consumer remittance platform focused on emerging markets. Previous to this, he was an Associate Partner at McKinsey where he focused on tech, risk and regulation in the financial services industry.

Michael's work on international development has been published in the American Economic Review, Brookings Papers on Economic Activity, Foreign Affairs, and he's spoken extensively on development and philanthropy. In 2020 he joined the World Economic Forum's community of Young Global

Leaders. In addition, Michael's a term member of the Council of Foreign Relations and was named one of Foreign Policy's 100 leading Global Thinkers in 2013. He holds a PhD in Economics from Harvard, where he also studied Math and Classics.

Simon Poole – Non-Executive Director

Simon brings to the Board, finance and administration experience across a range of businesses in numerous African countries. He has worked as an Operating Partner for Helios Investment Partners since 2011 and in this role he has served on Boards of Directors of Helios Towers Africa, Vivo Energy, Interswitch and Fawry. Earlier in his career he was CFO of Intela Global Ltd, Celtel International (in Burkina Faso, Chad and DRC).

He started his career in London with finance and accounting roles with Price Waterhouse, Bank of America and BT. He qualified as a Chartered Accountant with Price Waterhouse and is a member of the Institute of Chartered Accountants in England and Wales.

Caroline Brown – Independent Non-Executive Director (Appointed 2- January 2023)

Dr Brown brings a wealth of experience to Crown Agents Bank as an Independent Non-Executive Director and commercially focused business leader with over 20 years main Board experience driving strategic growth and leading high performing teams in the financial services and technology sectors. She is a member of Crown Agents Bank's group audit committee.

Caroline has delivered business strategy across EMEA, the Americas, former-CIS, India and the Far East in commercial leadership roles for FTSE100 groups, mid-cap companies, and innovative small and medium sized enterprises. Her early career was in corporate finance with BAML (New York), UBS and HSBC advising global corporations and governments. She currently chairs the audit and risk committees of two FTSE250 listed businesses, IP Group plc and WAG Payment Systems plc and formerly chaired the audit, risk and compliance committee of Earthport plc, a regulated payment institution, prior to its acquisition by VISA International.

Caroline holds a BA (first) and PhD from the University of Cambridge, is a Fellow of the Chartered Institute of Management Accounting and holds an MBA from the University of London.

Elizabeth Noel Harwerth: Independent Non-Executive Director – (Appointed 2-January 2023)

As well as her role at Crown Agents Bank, Noel Harwerth is Chairman of the UK Export Finance agency and serves on the Board of the UK Department of International Trade. She also serves on the boards of One Savings Bank (Senior Independent Director ('SID')) and Scotia Bank Europe (SID). Prior roles include the Boards of Standard Life (Chair, Risk Committee), 2012-2018, London Metals Exchange, 2012-2018, and Bank of England RTGS/CHAPS Board 2015-2021. She has served on the Boards of three mining companies – Dominion Diamond (Audit Chair), Avocet and Sirius Minerals (SID). She was Chairman of GE Capital Bank Europe until April 2017, and served as Chairman of Sumitomo Mitsui Bank (Europe, Middle East and Africa) from 2004 to June 2015. She has served on the Boards of Alent (Chair Compensation Committee), Corus (British Steel), Logica (Chair Compensation Committee), Impellam Group (SID), and RSA Insurance Group (Chair Risk Committee).

Noel was appointed by the UK government as Partnership Director of the London Underground and served in that role from 2003-2008, having previously served on the Board of Transport for London, where she chaired the Audit Committee. In 2006 she was appointed by the UK Government to the Board of the Tote and served as its audit chair until its privatization.

From 1998 to 2004, Noel was Chief Operating Officer of Citibank International PLC in London. She was responsible for infrastructure and governance of Europe's first truly pan European bank with branches in 18 countries. Prior to joining Citicorp in 1988, she held senior positions in Dun and Bradsheet and Kennecott Copper Corporation where she worked on large complex international mining transactions. Noel was educated at the University of Texas in Austin and holds a Juris Doctor Degree from the University of Texas Law School. She has both US and British citizenship. She is a liveryman of the Worshipful Company of International Bankers, Chairman of the UK chapter of Woman Corporate Directors, member of the International Women's Forum, and served on the Board of the British Horseracing Authority from 2013-2019.

Ann Cairns – Chairperson Designate and Non-Executive Director – (Appointed 10 March 2023)

Ann is on the board of Lightrock, a global private equity platform investing in sustainable businesses. She is Chair of Financial Alliance for women, a global peer-to-peer network whose members work in more than 135 countries to build programmes that support women with access to capital, information, education and markets. She is also a member of the UK Government's Artificial Intelligence Council. Ann has previously held board positions with ICE, AstraZeneca and Charity Bank and was the lead non-executive for BEIS, the UK Government's department for Business, Energy and Industrial Strategy.

Until December 2022, Ann served as the executive Vice Chair of Mastercard, having previously been President of International Markets for the company, responsible for the management of all client-related activities in over 200 countries around the world. During her time at Mastercard, Ann's role focused on building sustainable, strong growth rates across both mature and emerging markets and she led the company's expansion into new territories. Before joining Mastercard, Ann led the Financial Services Group with Alvarez & Marsal in London and during that time was the CEO of Lehman Holdings in Europe during their Chapter 11 process. Ann spent over 20 years in banking, predominately in the payments and fx businesses. She was the CEO of Transaction Banking at ABN-AMRO, following 15 years in senior operational positions at Citigroup. She ran the payments infrastructure of Citi across 103 countries with circa 6000 staff and she launched the first-ever electronic currency trading platform for Citi during her time in the investment bank.

Ann has a First Class Pure Mathematics degree and honorary doctorate from Sheffield University and a M.Sc. with research into medical statistics and honorary doctorate from Newcastle University. She is also a fellow of London Business School.

Directors' Report for the year ended 31 December 2022

The Directors submit their report and the audited financial statements of CAB for the year ended 31 December 2022.

Principal Activity

CAB is a regulated bank providing banking services particularly as a digital foreign exchange and payment partner for a globally diversified wholesale client base wishing to make payments in local currency across emerging markets. CAB is authorised by the Prudential Regulation Authority (PRA), and regulated by the PRA and the Financial Conduct Authority (FCA).

Business Review and Future Developments

The business review and future developments are discussed in the Strategic Report.

Results and Dividends

The profit for the year after taxation amounted to £34,258K (2021: £8,714K). No dividend was paid or declared during 2022 (2021: nil).

Political Donations

No political donations were made in 2022 (2021: nil).

Risk Management

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

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 CAB website www.crownagentsbank.com.

CAB complies with the regulators' minimum capital requirement as at 31st December 2022.

Details of the principal risks and risk management arrangements are set out in the Chief Executive Officer's Report.

Energy and Carbon Report

CAB recognises that the risks associated with climate change are subject to rapidly increasing prudential, regulatory, political, and societal focus both in the UK and internationally.

As the nature of our business model is relatively short-term, we consider that climate change is unlikely to have any significant medium to long term impact on the business.

As part of our enhanced approach we:

- have allocated overall responsibility for managing the financial risks associated with climate change to the Chief Risk Officer (SMF4) who is responsible for reporting to the Board and relevant committees;
- will continue to use the TCFD industry guidance and publicly available indices to assess our exposure against countries that are vulnerable to climate change;
- undertook Climate-related scenario analysis of our capital and liquidity risk profile as part of the 2022 Board approved ILAAP and ICAAP documents; and
- consider the potential impacts of climate change on our prudential risk profile, including capital adequacy and liquidity are viewed as being absorbed within our existing risk appetite threshold statements.

In addition, through our continued work with IDOs, NGOs, governments, and others, in countries vulnerable to Climate-related events, we can have a positive impact on the people most affected by helping move funds where they are most needed. This may have a short-term benefit to CAB in terms of a potential increase in revenues. CAB is however fully aware of the fact that it has exposures in a number of countries in Africa which are heavily reliant on the petro-chemical industry.

Reporting period

The reporting period for the data in this report is 1 January 2022 to 31 December 2022 with 2021 comparatives. As a business we have gathered information on our carbon emissions beginning 2019 and have disclosed this as the baseline year, with 2021 included as a prior year comparative. 2020 and 2021 were considered not appropriate baseline years due to significant disparities arising from the impact of COVID-19.

It should be noted that in the 2022 Greenhouse Gas ('GHG') assessment, we have expanded the measurement criteria for the scope 3 emissions compared to prior years. CAB will consider recalibrating the baseline year to 2022 for all future reporting. Refer to GHG emissions on page 23.

Measurement Methodology

Crown Agents have assessed their GHG emissions following the ISO 14064-1:2018 standard and has used the 2022 emission conversion factors published by Department for Environment, Food and Rural Affairs (Defra) and the Department for Business, Energy & Industrial Strategy (BEIS). The assessment follows the GHG protocol and has dual reported both their market and location-based emissions for assessing Scope 2. The operational control approach has been used.

Energy Efficiency Action plan

During 2022 we have taken a number of steps to improve energy efficiency going forward including the initiative listed in the Strategic Report. These include active tracking and creating scope for sustainable premise for office move in 2024, increased accountability for monitoring lowest carbon travel options with staff selection tools and staff awareness activities including a competition to reduce Carbon Emissions for all staff. During 2022 the steps taken to improve energy efficiency were demonstrated in 100% renewable electricity for the main office site informing baseline consideration for future office requirements.

Following recommendations by BEIS no omissions greater than 5% to the minimum boundary have been made. In 2021, the Executive Committee and the Board set out Carbon Emissions reduction target of 5% Year on year (YoY) per GBP million revenue in addition to the natural decarbonisation of industries and intends to increase the threshold year on year.

CAB's Streamlined Energy and Carbon Reporting disclosures are as follows:

	2022	2021	2019
Energy Usage (Kilowatt Hours)			
Gas	134,459	158,268	351,886
Electricity	328,676	235,140	502,082
	463,135	393,408	853,968
Carbon Emissions (Tonnes of Carbon Dioxide Equivalent)			
Scope 1 (burning fuel, typically gas)	26	33	77
Scope 2 (heating, cooling light, typically electricity)	62	49	111
Scope 3 (other including transport)	1,615	114	956
	1,703	196	1,144
Emission intensity metrics			
Tonnes of carbon dioxide equivalent per employee*	7.7	1.0	6.0

Directors

The directors of CAB who were in office during the year and, except as indicated, up to the date of signing the financial statements were:

Director	Gender	Committees		
		Remuneration	Audit	Risk
J Parrish* (Chairman)	M	X	-	-
S Chishti*	F	-	-	-
J Johnson-Calari*	F	-	X	X
K Jordan*	F	-	X	X
D McMenamin* (resigned 15.12.2022)	M	-	X	X
M Shiliashki*	M	X	-	-
A Ekpe**	M	X	-	-
M Faye**	M	-	-	-
S Poole**	M	X	-	-
B Trivedi	M	-	-	-
R Hallett	M	-	-	-
C Green	M	-	-	-
C Brown* (appointed 02.01.2023)	F	-	X	X
N Harwerth* (appointed 02.01.2023)	F	-	X	X
A Cairns* (appointed 10.03.2023)	F	-	-	-

* independent non-executive director　　** non-executive director
Lesley Martin is the Company Secretary.

Statement of Directors' Responsibilities

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 UK-adopted international accounting standards and with the requirements of Companies Act 2006.

Under company law, 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 CAB and of the profit or loss of CAB 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 IFRS 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 CAB will continue in business.

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain CAB's transactions and disclose with reasonable accuracy at any time the financial position of CAB and enable them to ensure that the financial statements comply with the Companies Act 2006.

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

Directors' confirmations

In the case of each director in office at the date the directors' report is approved:

- so far as the director is aware, there is no relevant audit information of which CAB's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that CAB'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. CAB also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its Directors.

Shareholders Matters

As laid out in its Articles of Association, CAB has dispensed with holding annual general meetings and with the laying of financial statements before shareholders in general meeting.

Independent auditors

CAB will be reappointing Mazars LLP as auditors for the year ended 31 December 2023.

By order of the Board,

Bhairav Trivedi
Director

19 April 2023

Independent auditor’s report to the members of Crown Agents Bank Limited

Opinion

We have audited the financial statements of Crown Agents Bank Limited (the ‘Bank’) for the year ended 31 December 2022 which comprise the Statement of profit or loss and other comprehensive income, Statement of financial position, Statement of changes in equity, Statement of cash flows, and Notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and UK-adopted international accounting standards.

In our opinion, the financial statements:

- give a true and fair view of the state of the Bank’s affairs as 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the “Auditor’s responsibilities for the audit of the financial statements” section of our report. We are independent of the Bank in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council’s (‘FRC’) Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors’ use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our audit procedures to evaluate the directors’ assessment of the Bank's ability to continue to adopt the going concern basis of accounting included but were not limited to:

- Undertaking an initial assessment at the planning stage of the audit to identify events or conditions that may cast significant doubt on the Bank’s ability to continue as a going concern;
- Reviewing the director’s going concern assessment including the most recent Internal Capital Adequacy Assessment Process and Internal Liquidity Adequacy Assessment Process;
- Making enquiries of the directors to understand the period of assessment considered by them, the assumptions they considered and the implication of those when assessing the Bank’s future financial performance;
- Challenging the appropriateness of the directors’ key assumptions in their forecasts by reviewing supporting and contradictory evidence in relation to these key assumptions and assessing the directors’ consideration of severe but plausible scenarios. This included assessing the viability of mitigating actions within the directors’ control;

- Assessing the historical accuracy of forecasts prepared by the directors;
- Considering the consistency of the directors' forecasts with other areas of the financial statements and our audit;
- Inspecting regulatory correspondence from the Prudential Regulation Authority ('PRA') and Financial Conduct Authority ('FCA') and board of directors meeting minutes to identify events or conditions that may impact the Bank's ability to continue as a going concern; and
- Evaluating the appropriateness of the directors' disclosures in the financial statements on going concern.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Bank's ability to continue as a going concern for a period of twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our 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) we identified, 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 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.

We summarise below the key audit matters in forming our opinion above, together with an overview of the principal audit procedures performed to address each matter and our key observations arising from those procedures.

These matters, together with our findings, were communicated to those charged with governance through our Audit Completion Report.

Key Audit Matter	How our scope addressed this matter
Impairment loss allowance - expected credit loss ('ECL') on loans and advances including undrawn commitments £332,000 (2021: £56,000) Refer to Significant Accounting policies (Note 1), and to Notes 2, 11, 23 and 31 of the Annual report and financial statements. The Bank has credit exposures with banks and customer counterparties located in a diverse range of countries around the world. Credit risk is an inherently judgmental area due to the use of subjective assumptions and a high degree of estimation. The Bank's business model involves credit risk exposure to counterparties in countries which do not maintain verifiable economic data and are not subject to external credit ratings by recognised agencies. With the transition of the financial reporting framework from FRS 102 to IFRS, this was the first year that the Bank has implemented an ECL model and calculated expected credit losses. We have therefore identified an enhanced audit risk related to the valuation of the impairment loss allowance on loans and advances and to the valuation of the ECL provision on undrawn commitments. The key areas of judgement and management estimation, as well as risk of error giving rise to an enhanced risk relate to:	Our audit procedures included but were not limited to: In relation to the overall ECL process we have performed the following procedures: • Obtained an understanding of the ECL process and assessed the design and implementation of key controls related to this process; • Performed a stand-back assessment of the ECL estimate to consider its appropriateness and reasonableness, taking into account the overall credit risk profile of the portfolio of loans and advances; and • Reviewed the financial statement disclosures to ensure compliance with IFRS 9. This included assessing appropriateness of the accounting policy related to ECL and evaluating whether the disclosures appropriately reflect and address the uncertainty which exists when determining ECL including sensitivity analysis and key judgements. We performed the following procedures to address the risk of error and key areas of judgement and management estimation giving raise to an enhanced risk: 1) ECL modelling With the assistance of our in-house credit modelling specialists, we: • Reviewed the overall soundness and logic of the model, inspecting the model documentation and assessing the underlying methodology; • Performed an independent re-build of the model based on our understanding of the model documentation; • Reviewed the key assumptions and judgements applied to determining adequacy of the PD, LGD and EAD inputs to the ECL model;

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1) ECL modelling

- A model is used to calculate the ECL which is reliant on a number of subjective assumptions and is sensitive to changes and movements in these assumptions which include forward looking macroeconomic variables ('MEV') and probability weightings applied to macroeconomic scenarios ('MES');
- There is estimation uncertainty and management judgement is required to determine the probability of default ('PD'), loss given default ('LGD') and exposure at default ('EAD') inputs to the ECL model and in estimating the impact of MES and MEV on the model; and
- Considering the prevailing economic and geopolitical environment, management has applied judgement in determining whether historical data inputs need further refinement through overlays to the model or post model adjustments ('PMAs'), concluding that there is no need to apply overlays to the model or PMAs of significance.

2) Input data
Owing to risk associated with collecting and transferring historical data to the ECL model, there is a risk that the data used in the model might be inaccurate.

This is a new risk for the current audit.

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- Performed sensitivity analysis over the probability weighting assigned to each economic scenario; and
- Assessed the model calibration and management's rationale for not implementing overlays to the model or PMAs of significance, taking into consideration the prevailing economic and geopolitical environment.

With the assistance of our in-house economists, we assessed the appropriateness and relevance of the macroeconomic variables and of the probability weighted macroeconomic scenarios used by the Bank.

2) Input data
We reviewed the data used in the Bank's ECL model and traced it back to underlying source data on a sample basis, as follows:

- PD model - we verified the internally generated inputs applied in the model for consistency with internal credit scores. We also tested the inputs into internal credit scores against information from recognised external credit rating agencies.
- LGD model - we assessed the relevance and accuracy of the data used by management in the estimation of recovery rates taking into consideration information from recognised external credit rating agencies.
- EAD model - we reconciled the data applied in the model against the underlying exposure balance information from the general ledger.
- MEV and MES - we verified the accuracy of the quarterly macro-economic variables information and scenario weighting data against the respective information published by a recognised independent economic advisory firm.

Our observations
We found that the assumptions used by management in the ECL assessment and the balance of the impairment loss allowance on loans and advances as at 31 December 2022 are materially correct in accordance with the requirements of IFRS 9.

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Risk of misstatements arising from conversion of accounting framework from FRS 102 to IFRS	Our audit procedures included, but were not limited to:
Refer to Significant Accounting Policies (Note 1) and to Notes 38, 39, 40 and 41 of the Annual report and financial statements. The Bank transitioned from FRS 102 "The financial reporting standard applicable in the UK and Republic of Ireland", to UK-adopted international accounting standards. The transition involved the adoption of International Financial Reporting Standards ('IFRS') for the first time in the financial statements for the year ended 31 December 2022. The date of transition was 1 January 2021. The preparation of IFRS financial statements for the year ended 31 December 2022 includes the presentation of IFRS compliant comparative balances as at 31 December 2021 and the disclosure of an opening balance sheet as of 1 January 2021. We identified the following areas related to financial reporting subject to specific risk of error: • Conversion approach. First time adopters of IFRS are required to follow the requirements of IFRS 1 – First-time adoption of IFRS, which sets out the procedures that the Bank must follow in adopting IFRS for the first time as the basis for preparing its general purpose financial statements. IFRS 1 grants limited exemptions from the general requirement to comply with each IFRS effective at the end of its first IFRS reporting period. It requires an element of retrospective application and specific disclosures. Specific area impacting the Bank and involving complexity include those related to IFRS 9, IFRS 15, IFRS 16 and any related IFRS conversion adjustments;	• Obtaining an understanding of the Bank's approach to the conversion to IFRS of its financial accounting framework and assessing the design and implementation of key controls over the transition from FRS 102 to IFRS. • Evaluating the appropriateness of management's systems and processes for compliance with IFRS. • Assessing the appropriateness of the IFRS disclosures in the financial statements. Performing the following substantive procedures: • Assessing the completeness of the Bank's conversion gap analysis performed; • Reviewing, with the assistance of our technical accounting in-house team, all of the Bank's technical accounting memos related to the conversion from FRS 102 to IFRS covering the relevant accounting balances and transactions, assessing the appropriateness of the selected IFRS accounting policies and conversion methodology applied; • Evaluating the adequacy of the application of IFRS 1, including application of exemptions; • Assessing the completeness and accuracy of the GAAP reconciliations and conversion adjustments included in notes to the financial statements; and • Testing material GAAP conversion adjustments against underlying supporting documentation. Our observations We found that the procedures followed by the Bank in adopting IFRS are adequate and in compliance with the requirements of IFRS 1. Moreover, we found the IFRS conversion adjustments to be materially correct and in compliance with IFRS.

• New processes and controls. Some of the business processes and internal controls needed to evolve and adapt in order to enable the Bank to generate financial reporting information which is IFRS compliant, notably as it relates to the implementation of the ECL model to comply with IFRS 9; and • The conversion imposes additional disclosure requirements, and it is pervasive to the financial statements. As such, we identified an enhanced audit risk in relation to the appropriateness of the conversion from FRS 102 to IFRS. This is a new risk for the current audit.	

Our application of materiality and an overview of the scope of our audit

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 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	£1,099,000 (2021: £550,000)
How we determined it	1% of Revenue, net of interest expense (2021: 1% of revenue)
Rationale for benchmark applied	The Bank is a transactional bank and revenue, net of interest expense, is one of the key areas of focus for the shareholder and for the ultimate parent company. We have determined revenue, net of interest expense, to be a metric which is of common interest to the users of the financial statements.
Performance materiality	Performance materiality is set to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements in the financial statements exceeds materiality for the financial statements as a whole. We set performance materiality at £659,000 (2021: £330,000), which represents 60% (2021: 60%) of overall materiality.
Reporting threshold	We agreed with the directors that we would report to them misstatements identified during our audit above £33,000 (2021: £16,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

As part of designing our audit, we assessed the risk of material misstatement in the financial statements, whether due to fraud or error, and then designed and performed audit procedures responsive to those risks. In particular, we looked at where the directors made subjective judgements, such as assumptions on significant accounting estimates.

We tailored the scope of our audit to ensure that we performed sufficient work to be able to give an opinion on the financial statements as a whole. We used the outputs of our risk assessment, our understanding of the Bank, its environment, controls, and critical business processes, to consider qualitative factors to ensure that we obtained sufficient coverage across all financial statement line items.

Other information

The other information comprises the information included in the Annual report and financial statements, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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 course of audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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 in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the Bank and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of Directors

As explained more fully in the statement of directors' responsibilities set out on page 24, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors 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.

Auditor's 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 auditor's 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.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

Based on our understanding of the Bank and its industry, we considered that non-compliance with the following laws and regulations might have a material effect on the financial statements: regulatory and supervisory requirements of the PRA and of the FCA and financial crime regulations.

Auditor's responsibilities for the audit of the financial statements (continued)

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to:

- Gaining an understanding of the legal and regulatory framework applicable to the Bank, the industry in which it operates, and considering the risk of acts by the Bank which were contrary to the applicable laws and regulations, including fraud;
- Inquiring of the directors, management and, where appropriate, those charged with governance, as to whether the Bank is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- Inspecting correspondence with the PRA and FCA and holding discussions with the PRA;
- Inspecting minutes of directors' meetings in the year;
- Attending board audit committee and board risk committee meetings and inspecting minutes of those meetings; and
- Discussing amongst the engagement team the laws and regulations listed above, and remaining alert to any indications of non-compliance.

We also considered those laws and regulations that have a direct effect on the preparation of the financial statements, such as UK tax legislation and the Companies Act 2006.

In addition, we evaluated the directors' and management's incentives and opportunities for fraudulent manipulation of the financial statements, including the risk of management override of controls, and determined that the principal risks related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates and significant one-off transactions.

Our procedures in relation to fraud included but were not limited to:

- Making enquiries of the directors and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud;
- Addressing the risks of fraud through management override of controls by performing journal entry testing and testing of significant one-off transactions; and
- Being skeptical to the potential of management bias through judgements and assumptions in significant accounting estimates.

The primary responsibility for the prevention and detection of irregularities, including fraud, rests with both those charged with governance and management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

The risks of material misstatement that had the greatest effect on our audit are discussed in the "Key audit matters" section of this report.

A further description of our responsibilities is available on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters which we are required to address

Following the recommendation of the board audit committee, we were appointed by the board of directors on 28 June 2021 to audit the financial statements for the year ending 31 December 2021 and subsequent periods. The period of total uninterrupted engagement is 2 years, covering the years ending 31 December 2021 to 31 December 2022.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Bank and we remain independent of the Bank in conducting our audit.

Our audit opinion is consistent with our additional report to the audit committee.

Use of the audit report

This report is made solely to the Bank's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Bank's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Bank and the Bank's members as a body for our audit work, for this report, or for the opinions we have formed.

Maximiliano Bark (Senior Statutory Auditor) for and on behalf of Mazars LLP
Chartered Accountants and Statutory Auditor
30 Old Bailey
London, EC4M 7AU

19 April 2023

Statement of profit or loss and other comprehensive income for the year ended 31 December 2022

	Note	2022	2021
		£'000	£'000
Interest income	3		
- interest income calculated using Effective Interest Rate (EIR)		**17,100**	2,705
- other interest and similar income		**63**	1
Interest expense	3	**(10,398)**	(1,410)
Net interest income	3	**6,765**	1,296
Gain on money market funds		**3,585**	3
Net gain on financial assets mandatorily held at fair value through profit or loss		**1,009**	889
Fees and commission income	4	**15,831**	11,755
Net foreign exchange gain	5	**82,682**	39,133
Revenue, net of interest expense		**109,872**	53,076
Other operating (loss) / income	6	**(484)**	347
Total income, net of interest expense		**109,388**	53,423
Operating expenses	7	**(64,357)**	(42,788)
- Recurring	7	**(59,025)**	(42,788)
- Non-recurring	7	**(5,332)**	-
Net impairment (loss) / reversal on financial asset at amortised cost	31	**(329)**	106
Profit before taxation		**44,702**	10,741
Income tax expense	8	**(10,444)**	(2,027)
Profit for the year		**34,258**	8,714

Statement of profit or loss and other comprehensive income for the year ended 31 December 2022 (continued)

	Note	2022	2021
		£'000	£'000
Profit for the year		**34,258**	8,714
Other comprehensive income for the year:			
Items that will not be reclassified subsequently to profit or loss:			
Movement in investment revaluation reserve for equity instruments at fair value through other comprehensive income ('FVTOCI')	26	**88**	12
Income tax relating to these items	20	**(17)**	(2)
Other comprehensive income for the year net of tax		**71**	10
Total comprehensive income for the year		**34,329**	8,724

Company registration number 2334687

The notes on pages 42 to 140 form part of these financial statements.

Statement of financial position as at 31 December

	Note	2022	2021	1 January 2021
		£'000	£'000	£'000
Assets				
Cash and balances at central banks	9	**607,358**	676,492	677,864
Money market funds	10	**209,486**	336,737	52,738
Loans and advances on demand to banks	11	**89,957**	100,238	72,803
Other loans and advances to banks	11	**91,691**	79,360	151,856
Loans and advances to customers	11	**4,748**	-	-
Derivative financial assets	12	**6,589**	1,641	2,305
Unsettled transactions	16	**12,960**	10,450	18,272
Accrued income	15	**857**	1,344	802
Investment in debt securities	13	**414,061**	73,248	162,369
Investment in equity securities	14	**488**	382	154
Other assets	16	**24,022**	11,707	9,239
Property, plant, and equipment	17	**1,568**	2,043	2,500
Right of use assets	18	**1,134**	761	1,065
Intangible assets	19	**17,523**	18,298	18,841
Total Assets		**1,482,442**	1,312,701	1,170,808

Company registration number 2334687

The notes on pages 42 to 140 form part of these financial statements.

Statement of financial position as at 31 December (continued)

	Note	2022	2021	1 January 2021
		£'000	£'000	£'000
Liabilities				
Customer accounts	21	**1,310,809**	1,194,683	1,077,109
Derivative financial liabilities	12	**4,565**	7,669	13,511
Unsettled transactions	22	**25,782**	18,338	2,094
Other liabilities	22	**11,314**	7,417	4,534
Provisions	23	**79**	32	138
Lease liabilities	18	**1,281**	819	1,051
Deferred tax liabilities	20	**316**	400	824
Accruals		**18,368**	8,193	5,378
		1,372,514	1,237,551	1,104,639
Equity				
Called up share capital	24	**41,200**	41,200	41,200
Retained earnings	25	**68,624**	33,917	24,946
Investment revaluation reserve	26	**104**	33	23
Shareholders' funds		**109,928**	75,150	66,169
Total Equity and Liabilities		**1,482,442**	1,312,701	1,170,808

Company registration number 2334687

The notes on pages 42 to 140 form part of these financial statements.

The Board of Directors approved the financial statements on 19 April 2023.

B Trivedi
Director

R Hallett
Director

Statement of Changes in Equity for the year ended 31 December 2022

	Share Capital £'000	Retained Earnings £'000	Investment revaluation reserve £'000	Total £'000
At 1 January 2021	41,200	24,946	23	66,169
Profit for the year (note 25)	-	8,714	-	8,714
Movement in investment revaluation reserve for equity instruments at FVTOCI (note 26)	-	-	12	12
Income tax relating to these items (note 20)	-	-	(2)	(2)
Other comprehensive income	-	-	10	10
Total comprehensive income	-	8,714	10	8,724
Transactions with owners in their capacity as owners:				
Share based payments movements	-	257	-	257
At 31 December 2021	41,200	33,917	33	75,150
At 1 January 2022	41,200	33,917	33	75,150
Profit for the year (note 25)	-	34,258	-	34,258
Movement in investment revaluation reserve for equity instruments at FVTOCI (note 26)	-	-	88	88
Income tax relating to these items (note 20)	-	-	(17)	(17)
Other comprehensive income	-	-	71	71
Total comprehensive income	-	34,258	71	34,329
Transactions with owners in their capacity as owners:				
Share based payments movements	-	449	-	449
At 31 December 2022	**41,200**	**68,624**	**104**	**109,928**

Company registration number 2334687

The notes on pages 42 to 140 form part of these financial statements.

Statement of Cash Flows for the year ended 31 December 2022

	Note	2022 £'000	2021 £'000
Net cash (outflow) / inflow from operating activities	28	**(242,642)**	315,823
Income tax paid		**(9,583)**	(1,984)
Payments for interest on lease liabilities		**(19)**	(20)
Net cash (used in) / generated from operating activities		**(252,244)**	313,819
Cash flow from investing activities			
Purchase of investments		**-**	(216)
Purchase of property, plant and equipment	17	**(346)**	(302)
Purchase of intangible assets	19	**(4,375)**	(4,312)
Net cash used in investing activities		**(4,721)**	(4,830)
Cash flow from financing activities			
Repayment of principal portion of the lease liabilities		**(233)**	(232)
Net cash used in financing activities		**(233)**	(232)
Net (decrease) / increase in cash and cash equivalents		**(257,198)**	308,757
Cash and cash equivalents at the beginning of the year		**1,113,467**	803,409
Exchange gains on cash and cash equivalents		**50,531**	1,301
Cash and cash equivalents at the end of the year		**906,801**	1,113,467
Cash and cash equivalents			
Cash and balances at central banks		**607,358**	676,492
Loans and advances repayable on demand		**89,957**	100,238
Money market funds (Open Ended Investment Companies (OEICs))		**209,486**	336,737
		906,801	1,113,467

Company registration number 2334687

The notes on pages 42 to 140 form part of these financial statements.

Notes to the Financial Statements for the year ended 31 December 2022

1. STATEMENT OF ACCOUNTING POLICIES

(a) General Information

Crown Agents Bank Limited ('CAB', also referred to as the 'Company' or the 'Bank') is a private company limited by shares and is incorporated and domiciled in England. The address of its registered office is Quadrant House, The Quadrant, Sutton, Surrey, SM2 5AS.

CAB is a regulated bank providing banking services particularly as a digital foreign exchange transactions (FX) and payment partner for a globally diversified wholesale customer base wishing to make payments in local currency across Frontier and Emerging markets. CAB is authorised by the Prudential Regulation Authority (PRA) and regulated by the PRA and the Financial Conduct Authority (FCA).

(b) Basis of Preparation

The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies set out within these financial statements, and in accordance with the Companies Act 2006 and the UK-adopted International Financial Reporting Standards (IFRSs).

For all periods up to and including the year ended 31 December 2021, CAB prepared its financial statements in accordance with The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102"). These financial statements for the year ended 31 December 2022 are the first CAB has prepared in accordance with IFRS. The results for the comparative periods have been restated under UK-adopted international accounting standards on the same basis.

The preparation of financial statements in conformity with UK-adopted IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies. Due to the inherent uncertainty in making estimates, actual results reported in future periods may be based upon amounts which differ from those estimates. Estimates, judgements and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The significant judgements, apart from those involving estimation, made by management in applying the CAB's accounting policies in these financial statements (critical judgements) and the key sources of estimation uncertainty that may have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year (key sources of estimation uncertainty), which together are considered critical to CAB's financial statements are disclosed in note 2.

The disclosures required by IFRS 1 First time adoption of International Financial Reporting Standards concerning the transition from Financial Reporting Standard 102 to IFRS are provided in note 38. Details of those IFRS pronouncements which will be relevant to CAB but which were not effective at 31 December 2022 and which have not been applied in preparing these financial statements are given in note 1(t).

As permitted, the company has taken advantage of the disclosure exemptions as set out in section 400 of the Companies Act, as well as the exemptions set out in IFRS 10 to not prepare consolidated group accounts. Where required, equivalent disclosures are given in the group financial statements of CAB Payments Holdings Limited (formerly CABIM Limited), which are available to the public and can be obtained as set out in note 29.

(c) Going concern

The Directors have considered the financial position of the Company, including the net current asset position, regulatory capital requirements and estimated future cash flows and have concluded that the Company will be able to meet its obligations for a period of 12 months from the signing of these accounts. Furthermore, the Directors are of the view that:

i. there are no material uncertainties relating to events or conditions that cast significant doubt on CAB's ability to continue as a going concern;
ii. there are no significant judgements made by management in determining whether or not the adoption of the going concern is appropriate and
iii. there are no material uncertainties to disclose in respect of going concern.

Accordingly, the financial statements have been prepared on the going concern basis.

(d) 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 statements of profit or loss and other comprehensive income. The interest income on assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, is recognised 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 (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) 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.

(e) Recognition of fee and commission income

Fees and commissions receivable which are not an integral part of the effective interest rate are recognised as income as CAB fulfils its performance obligations. Fee and commission income include following key streams:

- Account management and payment services: CAB's performance obligation in relation to account management services is to provide management or maintenance services to its current account holders. The revenue for these services is recognised over the period of time on a monthly basis as fees are received and CAB provides the service. No significant element of financing is deemed present as the management fee is recoverable after a credit term of 30 days and is settled on a month basis, which is consistent with market practice.
  Payment services fee relate to payment services offered by CAB to its customers by executing payment transactions. Revenue from providing services is recognised at a point in time when the services are rendered i.e., when the payments are executed. Payment of the transaction price is due immediately when the payment transaction takes place.

- Pension payment fees: Pension payment fees are charged to pension companies for making payment to pension beneficiaries on their behalf. CAB acts as a principal in rendering these services to its customers. Revenue from providing services is recognised at a point in time when the services are rendered i.e., when the payments are executed. Payment of the transaction price is due immediately when the pension payments are executed.

- Trade finance income
  - Financial guarantee income: Financial guarantee income includes fixed fees earned by CAB for issuing financial guarantee contracts. The performance obligation of CAB is to provide financial assurance to the recipient of the guarantee in case of payment default. Revenue from providing financial guarantee services is recognised over the period of time across the contract term. The fees for providing financial guarantee services is charged and collected upfront.
  - Income from letters of credit: CAB also receives certain fees in respect of its finance business against issue of letters of credit where the performance obligations are typically fulfilled towards the end of the customer contract, such income is recognised as part of interest income. Where it is unlikely that the letter of credit will be exercised, letter of credit fees are recognised in fee and commission income over the life of the facility, rather than as an adjustment to the effective interest rate for loans expected to be drawn. The fees for acceptance of letter of credits include fee is charged and collected upfront. Other charges relating to the services offered including advising fee, confirming bank's fee and bank charges are collected when on the completion of the term of the letter of credit.
- Electronic platform fees: Platform fees include the services provided by CAB using its electronic platform to facilitate bulk payments to its customers. Revenue from providing platform fees services is recognised at a point in time when the services are rendered i.e., when the payments are executed. Payment of the transaction price is due immediately when the payment transaction takes place.
- Risk assessment fees: Risk assessment services include income from enhanced due diligence services provided by CAB under fixed price contracts. Revenue from providing services is recognised over the period of time in the accounting period on the basis of the actual service provided. As the fixed contracts are time-based contracts, revenue is determined based on the time elapsed relative to the total time as per the contract period. The invoicing for the risk assessment services is done on the completion of services or on a quarterly basis in accordance with the contractual terms. No significant element of financing is deemed present as the services provided allow a credit term of 30 days.
- Introductory fees are fees earned by CAB for introducing a new client to a third party to facilitate cash payment transactions. Revenue is recognised at a point in time when the services are rendered.

(f) Net foreign exchange gains / losses

These profits arise on foreign exchange settlements involving the transfer of customer funds to specified recipients. Under CAB's foreign exchange and payment services, customers agree to terms and conditions for all transactions at the time of signing a contract with CAB. Until the settlement of the contract, CAB measures these transactions at fair value with changes in fair value being recognised in profit or loss.

This income also includes the profits and losses on remeasurement of forward foreign exchange derivatives carried at fair value through profit and loss (FVTPL). See note 5 for more details.

(g) Foreign currency

i. **Functional and presentation currency**
The financial statements are presented in pound sterling and rounded to thousands.
CAB functional and presentation currency is pound 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.

(ii) Transactions and balances (continued)
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 consolidated statement of profit or loss except for foreign exchange gains and losses in relation to FVOCI instruments which are recognised in other comprehensive income.

(h) Taxation

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Current or deferred tax assets or liabilities are not discounted.

Current tax
The tax currently payable is based on taxable profit for the year and amounts unpaid from previous years. Taxable profit differs from net profit as reported in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. CAB's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

A provision is recognised for those matters for which the tax determination is uncertain but it is

considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable.

Deferred tax
Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Current tax and deferred tax for the year
Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

(i) Intangible assets

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses. 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:

Core accounting software – 10 years

Other software – 5 years (or over the life of the licence if less)

Brand / name – 50 years (acquired)

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 CAB 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.

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.

Long term software-as-a-service type contracts that do not meet the definition of an asset (rental of software) are expensed to profit and loss over the period of the contract in line with the benefits received.

(j) Property, plant and equipment and depreciation

Property, plant and equipment are stated in the statement of financial position 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. Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Depreciation commences when an asset is available for use. The depreciation rate for each class is as follows. Depreciation is calculated to write down assets to their residual value in equal instalments over their estimated useful lives, which are:

Leasehold improvements	Life of lease
Computer equipment	5 years
Mobile phones	3 years
Fixtures and fittings	5 years
Artwork	20 years

(k) Impairment of non-financial assets

At each statement of financial position date non-financial assets not carried at fair value are assessed to determine whether there is an indication that the asset may be impaired such as, decline in operational performance, changes in the outlook of future profitability among other potential indicators. If there is such an indication the recoverable amount of the asset is compared to the carrying amount of the asset.

Individual assets are grouped for impairment assessment purposes at the lowest level at which there are identifiable cash flows that are largely independent of the cash flows of other groups of assets. This should be at a level not higher than an operating segment.

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. In determining fair value less costs to sell, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. 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 profit or loss unless the asset has been revalued then the amount is recognised in other comprehensive income to the extent of any previously recognised revaluation.

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 profit and loss.

(l) Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held at call with commercial or central banks and exposures to money market funds (transacted via open ended investment companies). Cash equivalents are short-term highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather for investment or other purposes.

(m) Financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when CAB becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss (FVTPL)) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

i. Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised using trade date accounting. The trade date is the date of the commitment to buy or sell the financial asset.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets
Financial assets that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Despite the foregoing, the Company may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if equity instruments are held as a strategic investment and not held with the intention to realise a profit.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FTVPL).

CAB's financial asset measured at amortised cost comprise primarily of loans and advances to banks and customers, cash and balances at central banks, investment in debt securities, and other assets such as unsettled transactions, amounts due from group companies, and balances with mobile network operators.

CAB's financial assets measured at FVTPL comprise primarily of money market funds and derivative financial instruments.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the 'other interest and similar income' line item (note 3). Fair value is determined in the manner described in note 37.

CAB's financial assets designated at fair value through other comprehensive income (FVTOCI) comprise primarily of its investments in equity instruments, which is not held for trading, (see note 14). The equity instruments are held as a strategic investment and not held with the intention to realise a profit.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the Investment revaluation reserve. The cumulative gain or loss is not reclassified to profit or loss on disposal of the equity investments, instead, it is transferred to retained earnings.

Dividends on these investments in equity instruments are recognised in profit or loss in accordance with IFRS 9 unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the 'other interest and similar income' line item (note 3) in the statement of profit or loss and other comprehensive income.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost (note 1(d)) above. Interest income is recognised in the statement of profit or loss and other comprehensive income in the " interest income" line item (note 3).

Derecognition of financial assets
CAB derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

ii. Financial liabilities

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the contractual substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Classification of financial liabilities
All financial liabilities are measured subsequently at amortised cost using the effective interest method or at fair value through profit and loss.

Financial liabilities at fair value through profit and loss.
CAB's financial liabilities at fair value through profit and loss comprise primarily of foreign exchange forwards recognised as derivative financial liabilities (see below for policy on derivative financial instruments).

Financial liabilities at fair value through profit and loss are measured at fair value, with any gains or losses arising on changes in fair value recognised in profit or loss.

Financial liabilities at amortised cost
CAB's financial liabilities at amortised cost comprise primarily of customer accounts, other liabilities such as unsettled transactions, funds received in advance, and accruals.

Financial liabilities at amortised cost are measured subsequently at amortised cost using the effective interest method (see note 1(d) above).

Derecognition of financial liabilities
Financial liabilities are derecognised when, and only when, CAB's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

iii. Derivative financial instruments

CAB's derivatives policy only permits dealing in forward foreign exchange contracts to hedge or provide services to customers.

Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value at the reporting date.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability.

Hedge accounting is not applied.

iv. Offsetting

Financial assets and liabilities are offset, and the net amounts presented in the financial statements only 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.

v. Equity

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Repurchase of CAB's own equity instruments is recognised and deducted directly from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of CAB's own equity instruments.

vi. Financial guarantee contracts and letters of credit confirmations / bill acceptances – provisions

Financial guarantee contracts
A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Letters of credit confirmations / bill acceptances
Letters of credit confirmation / acceptance is a letter from an issuing bank guaranteeing that a buyer's payment to a seller will be received on time and for the correct amount. CAB confirms / accepts the letters of credits issued by an issuing bank and charges fixed fees which are received either in advance or at a later date.

For financial guarantee contracts and letter of credit confirmations / bill acceptances issued by CAB with the fee received upfront, they are initially measured at their fair values which generally equal to the fee received in accordance with IFRS 9. For financial guarantee contracts and letter of credit confirmations / bill acceptances issued by CAB with the fee received at termination date, they are recognised initially at zero, as the term has not yet started. The receivable increases over the life of the contract as service is performed with the corresponding recognition of income in the statement of profit or loss.

All financial guarantee contracts issued by CAB are subsequently measured at the higher of:
- the amount of the loss allowance determined in accordance with IFRS 9; and
- the amount initially recognised less, where appropriate, cumulative amount of income recognised in accordance with CAB's revenue recognition policies.

Financial guarantee contracts are presented as provisions on the statement of financial position and the remeasurement is presented in other income. CAB has not designated any financial guarantee contracts and letter of credit confirmations / bill acceptances as at FVTPL.

vii. Impairment of financial assets

CAB recognises loss allowances for Expected Credit Loss (ECL) in accordance with IFRS 9 on the following financial instruments that are not measured at FVTPL and are not equity instruments measured at FVTOCI:
- Cash and balances at central banks
- Loans and advances
- Investment in debt securities
- Other assets including balances with mobile operators
- Accrued income
- Financial guarantees (guarantee and letters of credit confirmations / bill acceptances)
- Unsettled transactions

Equity investments are not subject to impairment, consistent with IFRS 9.
ECLs are required to be measured through a loss allowance at an amount equal to:

- 12-month ECL (referred to as Stage 1); or
- full lifetime ECL (referred to as Stage 2 and Stage 3).

The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. For these financial assets, CAB recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, CAB measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Significant increase in credit risk

CAB monitors all financial assets, financial guarantee contracts that are subject to the impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk CAB will measure the loss allowance based on lifetime rather than 12-month ECL.

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, CAB compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, CAB considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which CAB's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to CAB's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, CAB presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless CAB has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, CAB assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

- the financial instrument has a low risk of default;
- the debtor has a strong capacity to meet its contractual cash flow obligations in the near term; and
- adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

CAB considers a financial asset to have low credit risk when the asset a credit rating of 'investment grade' in accordance with the globally understood definition, and a high credit risk when the asset has a credit rating of 'sub-investment grade'. Throughout the lifetime of the account, CAB monitors the behaviour of the asset to based on its financial position and assesses whether the asset has any amounts past due. CAB assigns a "performing" status when the counterparty has a strong financial position and there is no past due amounts, and a "non-performing" status when there is a degradation in the financial position and subsequent arrears.

For financial guarantee contracts, the date that CAB becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a financial guarantee contract, CAB considers the changes in the risk that the specified debtor will default on the contract.

CAB regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default
CAB considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet the earlier of either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including CAB, in full.

Irrespective of the above analysis, CAB considers that default has occurred when a financial asset is more than 90 days past due unless CAB has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Write-off policy

CAB writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under CAB's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of expected credit losses (ECL)

ECLs are a probability-weighted estimate of the present value of credit losses. These are measured as the present value of the difference between the cash flows due to CAB under the contract and the cash flows that CAB expects to receive arising from the weighting of multiple future economic scenarios, discounted at the asset's Effective Interest Rate (EIR).

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described in note 31. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount of guaranteed debt that has been drawn down as at the reporting date, together with any additional guaranteed amounts expected to be drawn down by the borrower in the future by default date determined based on historical trend, CAB's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to CAB in accordance with the contract and all the cash flows that CAB expects to receive, discounted at the original effective interest rate.

For a financial guarantee contract, as CAB is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed, the expected loss allowance is the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that CAB expects to receive from the holder, the debtor or any other party.

If CAB has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period but determines at the current reporting date that the conditions for lifetime ECL are no longer met, CAB measures the loss allowance at an amount equal to 12-month ECL at the current reporting date.

CAB measures ECL on an individual basis, or on a collective basis for a small number of sundry exposures such as intercompany loans that share similar economic risk characteristics. The measurement of the loss allowance is based on the present value of the asset's expected cash flows using the asset's original EIR, regardless of whether it is measured on an individual basis or a collective basis.

Presentation of expected credit losses (ECL)
Loss allowances for ECL are presented in the statement of financial position as follows:

- financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets; and
- financial guarantee contracts: as a provision

CAB recognises an increase or decrease in impairment in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

(n) Employee benefits

CAB provides a range of benefits to employees, including annual bonus arrangements, paid holiday arrangements, medical insurance and defined contribution pension plans. CAB also provides a Long-Term Incentive Plan to Executive Directors and certain other key employees or 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 CAB.

Long Term Incentive Plan
CAB provides share-based payment arrangements to certain employees.

Equity-settled arrangements are measured at fair value of the equity instruments at the grant date. 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. A corresponding increase is recognised in retained earnings over the period in which the service is fulfilled (the vesting period).

There are no performance conditions (market or non-market conditions). Service conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of CAB's best estimate of the number of equity instruments that will ultimately vest. Any other conditions attached to an award, but without an associated service requirement, are non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award. Share awards vest when service conditions are met.

Where equity-settled arrangements are modified before the vesting date, 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. If modified after vesting, it is recognised immediately. 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 statements of profit or loss and other comprehensive income.

CAB has no cash-settled arrangements.

Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 27.

(o) Provisions and contingent liabilities

Provisions are recognised in respect of present obligations arising from past events where it is probable that outflows of resources will be required to settle the obligations and they can be reliably estimated. Contingent liabilities are possible obligations whose existence depends on the outcome of uncertain future events or those present obligations where the outflows of resources are uncertain or cannot be measured reliably. Provision is made for expected credit losses in respect of irrevocable undrawn loan commitments and financial guarantee contracts. Contingent liabilities are not recognised in the financial statements but are disclosed unless they are remote.

(p) Share capital

On issue of ordinary shares, any consideration received net of any directly attributable transaction costs is included in equity.

(q) Leases (CAB as lessee)

CAB assesses whether a contract is or contains a lease, at inception of the contract. CAB recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as small items of fixtures and equipment and value of less than £10,000). For these leases, CAB recognises the lease payments as an Operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, CAB uses its incremental borrowing rate.

The incremental borrowing rate depends on the term, currency and start date of the lease and is determined based on a series of inputs including: the risk-free rate based on government bond rates; a country-specific risk adjustment; a credit risk adjustment based on bond yields; and an entity-specific adjustment when the risk profile of the entity that enters into the lease is different to that of CAB.

Lease payments included in the measurement of CAB's lease liability are fixed lease payments less any lease incentives receivable.

The lease liabilities are presented as a separate line in the statement of financial position.

The lease liabilities are subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs and estimations of any dilapidation obligations. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the right-of-use asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the statement of financial position.

CAB applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'impairment of non-financial assets' policy.

Refer to Note 38 IFRS 1 reconciliation note for further details on the adoption of IFRS 16 leases on transition and prospective recognition.

(r) Investments in subsidiaries

Investments in subsidiaries are measured at cost less impairment.

(s) New and revised IFRS accounting standards in issue but not yet effective

At the date of authorisation of these financial statements, CAB has not applied the following new and revised IFRS Accounting Standards that have been issued and endorsed for use in the UK but are not yet effective.

CAB does not expect that the adoption of the Standards listed above will have a material impact on the financial statements of CAB in future periods. The effective date of these amendments is 1 January 2023 (except for classification of liabilities as current or non-current for which it is 1 January 2024).

Standards	Details of the Amendments
Amendments to IAS 1	Classification of Liabilities as Current or Non-current
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
IFRS 17	Insurance contracts

CAB does not expect that the adoption of the Standards listed above will have a material impact on the financial statements of CAB in future periods. The effective date of these amendments is 1 January 2023 (except for classification of liabilities as current or non-current for which it is 1 January 2024).

(t) Revised financial statements lines

Upon the adoption of IFRS, CAB has amended the nomenclatures of the following financial statement lines in accordance with IFRS.

CAB FRS 102 balance sheet	CAB IFRS Statement of Financial Position
<u>Assets</u>	
• Loans and advances to banks	• Loans and advances on demand to banks • Other loans and advances to bank • Loans and advances to customers
• Other assets	• Unsettled transactions • Derivative financial assets • Other assets
• Investment in debt securities	• Investment in debt securities
• Equity shares	• Investment in equity securities
• Prepayments and accrued income	• Accrued income • Other assets
• Tangible fixed assets	• Property, plant, and equipment
• Deferred tax	• Deferred tax assets

(t) Revised financial statements lines (continued)

CAB FRS 102 balance sheet	CAB IFRS Statement of Financial Position
Liabilities	
• Other liabilities	• Unsettled transactions • Derivative financial instruments • Deferred tax liabilities • Other liabilities
• Accruals and deferred income	• Accruals •

CAB FRS 102 income statement	CAB IFRS Statement of profit or loss and other comprehensive income
Statement of profit or loss and other comprehensive income	
• Interest income - interest receivable from debt securities	• Interest income - interest income calculated using Effective Interest Rate (EIR)
• Interest payable	• Interest expense
• Fees and commissions receivable	• Fees and commission income
• Foreign exchange transaction income	• Net foreign exchange gain /(loss)
• Administrative expenses • Amortisation • Depreciation • Write-off of doubtful debts	• Operating expenses
• Other operating income	• Other operating income / (loss)
• Tax charge on profit	• Income tax expense

2. CRITICAL JUDGEMENTS AND ESTIMATES IN APPLYING THE ACCOUNTING POLICY

In applying the Company's accounting policies, which are described in note 1, the directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the Company's accounting policies
There are no critical judgements, apart from those involving estimations (which are presented separately below), that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

Key sources of estimation uncertainty
The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Research and development tax rebate
The Company recognises the research and development tax rebate (which is a tax claim) as an accrued income in the statement of financial position, when it is highly probable that the claim will result in a future economic benefit and can be reliably measured. The amount of the research and development tax rebate recognised in the financial statement is based on the management's best estimate of the probable amount that will be received (please see Note 15).

Impairment losses on financial assets
The measurement of impairment losses under IFRS 9 across all categories of financial assets in scope requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Company determines impairment losses on financial assets based on estimates which entail elements of uncertainty. Estimation uncertainty is relevant in respect of the following measures:

- Probability of default – please see note 31.
- Loss given default – please see note 31.
- Forward looking information – please see note 31.
- Exposure at default - - please see note 31.

3. NET INTEREST INCOME

INTEREST INCOME

	2022 £'000	2021 £'000
Interest on cash and balances at central banks	**8,216**	680
Interest on loans and advances	**3,716**	1,393
Interest on investment in debt securities	**5,168**	632
Total interest income calculated using Effective Interest Rate (EIR)	**17,100**	2,705
Other interest income and similar income*	**63**	1
Total other interest and similar income	**63**	1
Total interest income	**17,163**	1,296

INTEREST EXPENSE

	2022 £'000	2021 £'000
Interest on financial liabilities at amortised cost	**(10,328)**	(1,389)
Interest expense on lease liabilities	**(19)**	(20)
Other interest expense*	**(51)**	(1)
Total interest expense	**(10,398)**	(1,410)
Net interest income	**6,765**	1,296

*Other interest income and similar income and other interest expense are interest received / interest paid on collateral balances.

4. FEES AND COMMISSIONS INCOME

	2022	2021
	£'000	£'000
Fees and commissions income:		
Account management and payments	**12,151**	8,781
Pension payment fees	**1,395**	1,156
Trade finance	**645**	768
Electronic platform fees	**819**	467
Risk assessment services	**-**	583
Introductory fees	**821**	-
Total fees and commission income	**15,831**	11,755

At 31 December 2022, CAB held on its statement of financial position £611k (2021: 613k) of accrued income in respect of services provided to customers and £171k (2021: £128k) of deferred income (entirely recognised within one year) in respect of amounts received from customers for services to be provided after the year end.

5. NET FOREIGN EXCHANGE GAIN

	2022 £'000	2021 £'000
Profits on settlement of foreign exchange contracts, fair value gains and losses on derivatives, and remeasurement of non-sterling balances	**63,006**	28,736
Foreign exchange gains on payment transaction revenue	**19,676**	10,397
Total	**82,682**	39,133

Foreign exchange derivative financial instruments are mandatorily held at fair value through profit or loss.

6. OTHER OPERATING (LOSS) / INCOME

	2022 £'000	2021 £'000
Other operating (loss) / income	**(484)**	347

Other operating income balance consists of an estimate of the R&D claim submitted to HMRC from 2020 and 2021. It relates to tax credits received under the UK Research and Development Expenditure Credit (RDEC) scheme and is recognised in the Statement of Profit or Loss in the same period in which the expense is incurred.

In 2022, CAB re-estimated the calculation of the R&D claim which resulted in the reversal of the other income in the Statement of Profit or Loss totalling £552k (2021: nil). This change will not impact future income.

7. OPERATING EXPENSES

	2022 £'000	2021 £'000
Staff costs and directors' emoluments (before non-recurring item)		
Salaries and bonuses	**26,705**	19,119
Share based payments	**449**	257
Social security costs	**3,425**	2,365
Pension costs	**1,445**	1,070
	32,024	22,811
Fees payable to the auditors		
Audit – current year	**471**	175
Audit – prior year	**210**	30
Non audit services	**-**	-
	681	205
Depreciation and amortisation:		
Amortisation of intangible assets	**5,121**	4,748
Depreciation of property, plant, and equipment	**815**	836
Depreciation charge for right-of-use assets	**322**	304
Impairment of intangible assets	**-**	26
Low-value lease expenses	**25**	23
Other Operating expenses	**20,037**	13,835
	26,320	19,772
Total recurring operating expenses	**59,025**	42,788
Non-recurring operating expenses	**5,332**	-
Total operating expenses	**64,357**	42,788

Other Operating expenses includes bank charges, software licence, and other software services.

7. OPERATING EXPENSES (continued)

Non-recurring operating expenses disaggregate as follows:

	2022	2021
	£'000	**£'000**
Professional costs regarding the review of strategic options	**1,868**	-
Non-performance staff bonuses relating to commitments on take-on	**3,464**	-
	5,332	-

The aggregate emoluments of the Directors were as follows:

	2022	2021
	£'000	£'000
Salaries, fees, benefits, and bonuses	**3,601**	2,227
Pension contributions	**38**	64
Share based payments	**158**	63
	3,797	2,354

No retirement benefits accrued for any director (2021: none) under a defined benefits pension scheme.

The aggregate emoluments and accrued pension contributions of the highest paid director in CAB were £2,1135k (2021: £699k) and £nil (2021: £25k) per annum respectively.

The aggregate emoluments (including pension contributions and exit compensation) of the key management personnel (excluding directors) were £6,202k (2021: £2,753k). See breakdown in note 29 on 'Related party transactions policy'.

The monthly average number of full-time equivalent staff employed within CAB, including executive directors, was 221 (2021: 192, 1 January 2021: 176).

8. INCOME TAX EXPENSE

A. Analysis of income tax expense for the year

i. Income tax expense

	2022	2021
	£'000	£'000
Current Tax		
Corporation tax based on the taxable profit for the year	**10,565**	2,182
Prior year adjustment	**(20)**	271
	10,545	2,453
Deferred Tax		
Prior year	**59**	(357)
Impact of tax rate changes	**10**	25
Origination and reversal of temporary differences	**(170)**	(94)
Deferred tax credit in profit or loss (note 20)	**(101)**	(426)
Total income tax expense for the year	**10,444**	2,027
Effective tax rate (%)	**23.36%**	18.87%

ii. Amounts recognised directly in other comprehensive income

	2022	2021
	£'000	£'000
Aggregate deferred tax arising in the reporting period and not recognised in net profit or loss and recognised in other comprehensive income:		
Deferred tax (note 20)	**17**	2
	17	2

B. Factors affecting income tax expense for the year

The tax assessed for the year is higher (2021: lower) than the standard rate of Corporation Tax in the UK.

	2022	2021
	£'000	£'000
Profit before taxation	**44,702**	10,741
Standard rate corporation tax of 19.00% on profit before taxation (2021: 19.00%)		
- 19.00%	**8,493**	2,041
Effect of:		
- Fixed asset differences	**67**	-
- Expenses not deductible for tax purposes	**141**	331
- Temporary differences regarding capital items	**-**	(308)
- Prior year adjustments	**39**	(37)
- Permanent difference due to banking surcharge levy	**1,695**	-
- Remeasurement of deferred tax following change of tax rates	**9**	-
Total income tax expense for the year	**10,444**	2,027

The Finance Act 2021 enacted that from 1 April 2023 the main corporation tax rate will increase to 25%. In addition, there is a surcharge of 3% in relation to taxable profits of banks in excess of £100 million from 1 April 2023. The effects of this increase are reflected in these financial statements. The figures above incorporate the increased tax rate in respect of timing differences expected to reverse after that date.

9. CASH AND BALANCES AT CENTRAL BANKS

	2022 £'000	2021 £'000	1 January 2021 £'000
Cash and balances at central banks	**607,358**	676,492	677,864
Less: Impairment loss allowance	**-**	-	-
	607,358	676,492	677,864
Component of cash and balances included in cash flow under:			
Cash and cash equivalent balances	**607,358**	676,492	677,864

There are no restricted cash and balances at central bank.

These are measured at amortised cost as they meet the SPPI criterion and are held to collect the contractual cashflows.

The carrying amount of these assets is approximately equal to their fair value. Cash and cash equivalents at the end of the reporting period as shown in the statement of cash flows can be reconciled to the related items in the reporting position as shown above.

Refer to note 31 on Credit risk for further details on impairment loss allowance.

10. MONEY MARKET FUNDS

	2022	2021	1 January 2021
	£'000	£'000	£'000
Open Ended Investment Companies			
Goldman Sachs USD Treasury Liquid Reserves Fund	**209,486**	336,735	32,962
Black Rock ICS USD Liquidity Fund	**-**	1	8,790
JP Morgan USD Liquidity LVNAV Fund	**-**	1	10,986
	209,486	336,737	52,738
Component of Money Market Funds included in cashflow under:			
Cash and cash equivalent balances	**209,486**	336,737	52,738

Money market funds are mandatorily held at fair value through profit or loss as they do not satisfy the SPPI criterion. The funds are all rated AAA based on a basket of credit ratings agencies, all approved by the Financial Conduct Authority.

Refer to note 37 on fair value measurements for further details.

11. LOANS AND ADVANCES

Loans and advances are measured at amortised cost as they meet the SPPI criterion and are held to collect the contractual cashflows:

	2022	2021	1 January 2021
	£'000	£'000	£'000
Loans and advances:			
- Loans and advances on demand to banks	**89,961**	100,243	72,807
- Other loans and advances to banks	**91,741**	79,379	151,859
- Loans and advances to customers	**4,947**	-	-
Loans and advances	**186,649**	179,622	224,666
Less: Impairment loss allowance			
- Loans and advances on demand to banks	**(4)**	(5)	(4)
- Other loans and advances to banks	**(50)**	(19)	(3)
- Loans and advances to customers	**(199)**	-	-
Total impairment loss allowance	**(253)**	(24)	(7)
Net loans and advances on demand banks	**89,957**	100,238	72,803
Net other loans and advances to banks	**91,691**	79,360	151,856
Net loans and advances to customers	**4,748**	-	-
Net loans and advances	**186,396**	179,598	224,659
Component of loans and advances included in cashflow under:			
Cash and cash equivalent balances	**89,957**	100,238	72,803
	89,957	**100,238**	**72,803**

There are no (2021: £nil, 1 January 2021: £nil) amounts included in Loans and advances outstanding as at 31 December 2022 that are overdue.

CAB's other Loans and advances to banks include £1,827k of encumbered assets (2021: £5,354k, 1 January 2021: £12,301k) in relation to derivative contracts with other financial institutions.

Refer to note 31 on Credit risk for further details on impairment loss allowance.

12. DERIVATIVE FINANCIAL INSTRUMENTS

At 31 December the derivative assets and liabilities are set out below, these are held to manage foreign currency exposure and are not designated in hedge accounting relationships for risk management purposes:

Foreign Exchange Forwards:	Principal £'000	Assets £'000	Liabilities £'000
2022	**714,810**	**6,589**	**(4,565)**
2021	755,154	1,641	(7,669)
1 January 2021	764,508	2,305	(13,511)

The forward foreign exchange contracts have been transacted to economically hedge assets and liabilities in foreign currencies. The net unrealised profit (2021: loss, 1 January 2021: loss) at the statement of financial position date is £2,024k (2021: £6,028k 1 January 2021: £11,206k). These derivative financial instruments and the underlying transactions they hedge will mature during 2023 (2021: 2022, 2020: 2021).

CAB has entered into arrangements that do not meet the criteria for offsetting but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or the termination of a contract.

The following table presents the recognised financial instruments that are offset, or subject to enforceable master netting arrangements and other similar agreements but not offset, as at 2022, 2021 and 1 January 2021. The column 'net amount' shows the impact on the Group's balance sheet if all set-off rights were exercised.

2022 £'000	**Gross amounts**	**Gross amounts set off in the balance sheet**	**Net amounts presented in the balance sheet**	**Amounts subjected on master netting arrangements***	**Net amount**
Financial assets					
Derivative assets	**6,589**	**-**	**6,589**	**3,523**	**3,066**
Financial liabilities					
Derivative liabilities	**4,565**	**-**	**4,565**	**4,219**	**346**

2021 £'000	Gross amounts	Gross amounts set off in the balance sheet	Net amounts presented in the balance sheet	Amounts subjected on master netting arrangements*	Net amount
Financial assets					
Derivative assets	1,641	-	1,641	1,141	500
Financial liabilities					
Derivative liabilities	7,669	-	7,669	5,118	2,551

12. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

1 January 2021 £'000	Gross amounts	Gross amounts set off in the balance sheet	Net amounts presented in the balance sheet	Amounts subjected on master netting arrangements*	Net amount
Financial assets					
Derivative assets	2,305	-	2,305	-	2,305
Financial liabilities					
Derivative liabilities	13,474	-	13,474	13,220	254

*Agreements with derivative counterparties are based on an ISDA Master Agreement and other similar master netting arrangement with other parties. Under the terms of these arrangements, only where certain credit events occur (such as termination of the contract or default of the other party), will the net position owing / receivable to a single counterparty in the same currency be taken as owing and all the relevant arrangements terminated. As CAB does not presently have a legally enforceable right of set-off, these amounts have not been offset in the balance sheet, but have been presented separately in the table above.

The fair value of a derivative contract represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price).

13. INVESTMENT IN DEBT SECURITIES

CAB's investment in debt securities consist of fixed rate bonds issued (or guaranteed) by central and private banks. These are measured at amortised cost as they meet the SPPI criterion and are held to collect the contractual cashflows.

	2022	2021	1 January 2021
	£'000	£'000	£'000
Investment in debt securities at amortised cost	**414,074**	73,249	162,370
Less: Impairment loss allowance	**(13)**	(1)	(1)
	414,061	73,248	162,369

Refer to note 31 on Credit risk for further details on impairment loss allowance.

14. INVESTMENT IN EQUITY SECURITIES

Investment securities designated at FVTOCI:

	2022	2021	1 January 2021
	£'000	£'000	£'000
Shares in The Society for Worldwide Interbank Financial Telecommunication ("SWIFT SCRL")	**488**	382	154
	488	**382**	**154**

	2022	2021
	£'000	£'000
Balance at 1 January	**382**	154
Additions	**-**	216
Foreign exchange gain	**18**	-
Fair value gain	**88**	12
At 31 December	**488**	382

With the exception of the following, CAB's policy is not to invest in equities. However, in order to undertake its business, CAB utilises the Swift payment system, the conditions of which oblige participants to invest in the shares of Swift, in proportion to participants' financial contributions to Swift. Due to the nature of the investment, this equity security has been designated at fair value through other comprehensive income. Refer to note 38 on IFRS 1 first time adoption for details on the change in classification of this instruments from the basis permitted under FRS 102 to that provided under IFRS.

No dividend income was recognised from these shares (2021: nil). There was no sale of these equity shares (2021: nil).
Refer to note 37 on fair value measurements for further details

15. ACCRUED INCOME

	2022 £'000	2021 £'000	1 January 2021 £'000
Financial assets:			
Accrued income (others)	**616**	614	373
Less: Impairment loss allowance	**(5)**	(1)	(3)
	611	613	370
Non-financial assets:			
Research and development tax rebate	**246**	731	432
	857	1,344	802

Accrued income relates to balances which are owed to CAB for services rendered or products provided that have not yet been paid. This balance arises from several components including management fee, pension accruals, and other revenues. The balance is also related to research and development tax rebate which is a tax claim that CAB is due to receive from the HMRC for the qualifying research and development activities undertaken from CAB.

Lifetime ECL has been recognised for accrued income. Further details of expected credit losses on contract asset (accrued income) are disclosed in note 31.

16. UNSETTLED TRANSACTIONS AND OTHER ASSETS

	2022 £'000	2021 £'000	1 January 2021 £'000
Financial assets:			
Trade debtors	**-**	119	21
Staff loans	**544**	535	28
Balances with mobile network operators**	**326**	1,315	64
Amounts due from group companies	**7,964**	4,633	6,832
Late receipts***	**3,111**	317	-
Other assets	**624**	223	27
	12,569	7,142	6,972
Less: Impairment loss allowance	**(48)**	(11)	(26)
	12,522	7,131	6,946
Non-financial assets:			
Investment in CAB Europe BV****	**86**	-	-
Transactions debited in error*	**8,322**	1,645	60
Corporation tax refund	**-**	38	67
VAT refund	**855**	592	179
	9,263	2,275	306
	21,785	9,406	7,252
Prepayments	**2,237**	2,301	1,987
Total other assets	**24,022**	11,707	9,239

The financial assets are at amortised cost.

* These balances represent amounts that are debited in error and which are expected to be reversed in the following year.
** Balances with mobile network operators (MNOs) are due to CAB in respect of mobile money transfer. CAB charges fees for services it provides to aid transfer of funds by its clients to beneficiaries via mobile money using MNOs.
*** Late receipts are pending balances that are not credited into the Company's Nostro account by the due date. These balances are expected to be settled early the following year. This relates to foreign exchange trades and other payment transactions.
****Investment in CAB Europe BV ("CABE") is the investment that CAB has in CABE. CAB holds 100% of CABE's share capital which consists of a single class of ordinary shares. Investments in subsidiaries are measured at cost less impairment.

The financial assets are at amortised cost.

	2022	2021	1 January 2021
	£'000	£'000	£'000
Unsettled transactions*	**12,960**	10,450	18,272

*Unsettled transactions result from foreign exchange transactions that are delayed due to time differences, public holidays in other countries (where the counterparties are located) or similar operational reasons. The arising balances are short-term in nature (typically less than four days) and are settled early the following year.

17. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements £'000	Computer Equipment* £'000	Fixtures & Fittings** £'000	Total £'000
Cost				
At 1 January 2021	122	1,814	2,142	4,078
Additions	-	262	40	302
Reclassification***	-	163	-	163
Disposals	-	(3)	(5)	(8)
At 31 December 2021	122	2,236	2,177	4,535
Accumulated depreciation				
At 1 January 2021	45	751	782	1,578
Charge to P&L	23	424	389	836
Reclassification***	-	82	-	82
Disposals	-	(2)	(2)	(4)
At 31 December 2021	68	1,255	1,169	2,492
Net book value				
At 1 January 2021	77	1,063	1,360	2,500
At 31 December 2021	54	981	1,008	2,043

* Includes mobile phones

** Includes artwork

*** This is reclassification in 2021 of computer equipment to property, plant and equipment that had previously been held under intangible assets.

17. PROPERTY, PLANT AND EQUIPMENT (continued)

	Leasehold improvements £'000	Computer Equipment* £'000	Fixtures & Fittings** £'000	Total £'000
Cost				
At 1 January 2022	122	2,236	2,177	4,535
Additions	0	318	28	346
Disposals	0	(48)	0	(48)
At 31 December 2022	122	2,506	2,205	4,833
Accumulated depreciation				
At 1 January 2022	68	1,255	1,169	2,492
Charge to P&L	22	390	403	815
Disposals	0	(42)	0	(42)
At 31 December 2022	90	1,603	1,572	3,265
Net book value				
At 31 December 2022	32	903	633	1,568

* Includes mobile phones

** Includes artwork

18. LEASES (CAB as a lessee)

CAB has recognized a right of use (ROU) asset and lease liabilities for its property leases which is for an average lease term of five-year and 10-month period. The leases have been accounted for as a portfolio (as they have similar characteristics) and a single discount rate has been used to calculate the lease liabilities. The discounts used are the incremental borrowing rates in the range of 2.14% - 8.99%.

CAB makes fixed payments on a quarterly basis, in advance, to the lessor for the use of the property, there are no variable payments. The property lease has a lease incentive, with the lease incentive receivable being deducted from the future lease payments.

The services provided by the Lessor, such as cleaning, security, maintenance, and utilities as part of the contract, are non-service components which are not included in the ROU and have been expensed in 'Other Operating expenses' line item in note 7. These amounted to £259k (2021: £236k).

There was no dilapidation cost (restoration cost) added to the ROU.

CAB's leases of low value fixtures and equipment are expensed in 'Operating expenses' line item in note 7 on a straight-line basis (see accounting policy in note 1 for leases). These amounted to £25k (2021: £23k).

There were no Short-term leases.

The lease term covers only the non-cancellable lease term. There are no purchase, extension, or termination options and residual guarantees in the lease.

There are also no restrictions or covenants imposed by the lease.

The lease payments charged as an expense for the year totalled £19k (2021: £20k).

There were no leases entered into but which had not commenced as at the year-end in CAB.

Right of use assets

All CAB's right-of-use assets are non-current assets. A reconciliation of the CAB's right-of-use assets as at 1 January 2021, 31 December 2021 and 31 December 2022 are shown below:

18. LEASES (CAB as a lessee) (continued)

	Property lease £'000
Cost	
At 1 January 2021	1,065
Additions	0
At 31 December 2021	1,065
Accumulated depreciation	
At 1 January 2021	-
Charge to P&L	304
At 31 December 2021	304
Net book value	
At 31 December 2021	761
Cost	
At 1 January 2022	1,065
Additions	695
At 31 December 2022	1,760
Accumulated depreciation	
At 1 January 2022	304
Charge to P&L	322
At 31 December 2022	626
Net book value	
At 31 December 2022	1,134

Lease liabilities

A reconciliation of CAB's remaining operating lease payments as at 1 January 2021, 31 December 2021 and 31 December 2022 are shown below:

	Leasehold Property £'000
Total undiscounted operating lease commitment as at 1 January 2021	1,051
Lease liabilities as at 1 January 2021	1,051
Payments during the year	(252)
Add: interest on lease liabilities	20
At 31 December 2021	819
Lease liabilities as at 1 January 2022	819
Additions during the year	695
Payments during the year	(252)
Add: interest on lease liabilities	19
At 31 December 2022	1,281

The lease liabilities as at 1 January 2021 is the total operating lease commitment as at that date discounted using the incremental borrowing rate as at that date.

There were no variable lease payments expenses in the reporting period (2021: nil).

CAB's lease liabilities as at 1 January 2021, 31 December 2021 and 31 December 2022 is split into current and non-current portions as follows:

	2022	2021	1 January 2021
	£'000	£'000	£'000
Non-current	**611**	504	800
Current	**670**	335	251
Lease liabilities	**1,281**	839	1,051

The maturity analysis of lease liabilities is disclosed in note 32.
The following are the amounts recognised in profit or loss:

Impact on the profit and loss

	2022	2021
	£'000	£'000
Depreciation expense of right-of-use assets	**322**	304
Interest expense on lease liabilities	**19**	20
Expense relating to leases of low-value assets (included in Operating expenses)	**25**	23
Total amount recognised in profit or loss	**366**	347

There is only one class of right of use assets which is the property lease.

CAB had total cash outflows for leases of £277k (2021: £275k).

19. INTANGIBLE ASSETS

	Brand / Other £'000	Core Accounting Software £'000	Other Software £'000	Total £'000
Cost				
At 1 January 2021	1,367	4,776	19,301	25,444
Additions	44	418	3,850	4,312
Reclassification*	-	-	(163)	(163)
At 31 December 2021	1,411	5,194	22,988	29,593
Accumulated Amortisation and impairment				
At 1 January 2021	49	2,690	3,864	6,603
Charged for the year	36	598	4,114	4,748
Impairment	-	26	-	26
Reclassification*	-	-	(82)	(82)
At 31 December 2021	85	3,314	7,896	11,295
Net book value				
At 1 January 2021	1,318	2,086	15,437	18,841
At 31 December 2021	1,326	1,880	15,092	18,298

	Brand / Name £'000	Core Accounting Software £'000	Other Software £'000	Total £'000
Cost				
At 1 January 2022	1,411	5,194	22,988	29,593
Additions	16	134	4,225	4,375
Exchange differences	-	-	(63)	(63)
At 31 December 2022	1,427	5,328	27,150	33,905
Accumulated Amortisation and impairment				
At 1 January 2022	85	3,314	7,897	11,296
Charged for the year	38	717	4,366	5,121
Exchange differences	-	-	(35)	(35)
At 31 December 2022	123	4,031	12,228	16,382
Net book value				
At 31 December 2022	1,304	1,297	14,922	17,523

* This is reclassification in 2021 of computer equipment to property, plant and equipment that had previously been held under intangible assets.

Software that does not result in an intangible asset (right to receive access to the supplier's application software in the future is a service contract) of CAB are expensed. Software expensed in the period amounts to £1,239k (2021: £942k). These costs are expensed to profit and loss over the period of the contract in line with the benefits received. There are no judgments made in this respect.
Internally generated assets include payment-related software that is created and utilised in CAB's operation. All intangible assets have finite lives, see note 1 for accounting policies on the amortisation method and useful lives.

CAB holds other software such as payments, compliance, and banking software.

20. DEFERRED TAX

A. Deferred Tax Liability

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

	2022	2021	1 January 2021
	£'000	£'000	£'000
Deferred tax liabilities	**316**	400	824

	Property, plant and equipment	Intangible assets	Investment in equity	ECL Provisions	Total
At 1 January 2021	487	332	5	-	824
(Credit) / charge to profit and loss 2021	(254)	(172)	-	-	(426)
Credit to other comprehensive income 2021	-	-	2	-	2
At 31 December 2021	233	160	7	-	400
At 1 January 2022	233	160	7	-	400
(Credit) / charge to profit and loss 2022	(230)	86	-	43	(101)
Credit to other comprehensive income 2022	-	-	17	-	17
At 31 December 2022	**3**	**246**	**24**	**43**	**316**

20. DEFERRED TAX (continued)

A. Deferred Tax Liability (Continued)

The deferred tax liability can be further analysed as follows:

	2022 £'000	2021 £'000	1 January 2021£'000
Liability reversing at 19%	**-**	44	824
Liability reversing at 25.5%	**(9)**	356	-
Liability reversing at 27.25%	**123**	-	-
Liability reversing at 28%	**202**	-	-
At 31 December (at 25.5%/27.25%/28% 2021: 19% / 25.5%; 1 January 2021: 19%)	**316**	400	824

B. Deferred tax recognised in the year

	2022 £'000	2021 £'000
Accelerated tax depreciation on property, plant and equipment	**(230)**	253
Intangible assets	**85**	173
Expected credit loss provision	**44**	-
Total income tax expense to profit or loss	**(101)**	426
Charged to other comprehensive income:		
Deferred tax credit / (expense) on investment on equity securities	**17**	(2)
Total deferred income tax expense for the year	**(84)**	424

C. Unrecognised deferred tax assets and deferred tax liabilities

At the reporting date, CAB had £nil (2021: £nil; 1 January 2021: £nil) unused tax losses available for offset against future profits.

21. CUSTOMER ACCOUNTS

	2022	2021	1 January 2021
	£'000	£'000	£'000
Repayable on demand	**661,678**	666,707	428,778
Other customers' accounts with agreed maturity dates or periods of notice by residual maturity repayable:			
3 months or less	**479,641**	465,680	548,544
1 year or less but over 3 months	**127,062**	48,331	66,345
2 years or less but over 1 year	**42,428**	13,965	33,442
	1,310,809	1,194,683	1,077,109

The total deposits from customers were from corporate customers. Customer accounts are accounts that customers hold with CAB. CAB is transaction led and does not borrow to finance lending. A substantial proportion of customer accounts are current accounts that, although repayable on demand, have historically formed a stable deposit base.

22. UNSETTLED TRANSACTIONS, ACCRUALS AND OTHER LIABILITIES

	2022 £'000	2021 £'000	1 January 2021 £'000
Trade creditors	545	368	91
Funds received in advance	4,989	4,265	2,211
Amounts due to group companies	459	816	1,214
Other liabilities	76	719	243
	6,069	6,168	3,759
Non-financial liabilities			
Funds received in error	3,500	195	423
HM Revenue & Customs	1,693	1,046	344
Deferred income*	52	8	8
	5,245	1,249	775
Total other liabilities	11,314	7,417	4,534

* Deferred income relates to payments that are received from customers before the services are provided to customers.

	2022 £'000	2021 £'000	1 January 2021 £'000
Unsettled transactions**	25,782	18,338	2,094

**Unsettled transactions result from foreign exchange transactions that are delayed due to time differences, public holidays in other countries (where the counterparties are located) or similar operational reasons. The arising balances are short-term in nature (typically less than four days) and were settled shortly after the balance sheet date.

23. PROVISIONS

	2022	2021	1 January 2021
	£'000	£'000	£'000
Provisions (all re ECL):			
Financial guarantee liability	**1**	31	50
Liability for letter of credit confirmations / bill acceptances	**6**	1	88
Liquidity as a service (LaaS) – undrawn commitments	**72**	-	-
	79	32	138

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument. CAB provides financial guarantees to multiple counterparties. Please refer to note 31 for the maximum exposure of financial guarantee contracts. CAB received premiums of £85k. (2021: £73k).

Letter of credit confirmations / bill acceptances

Letter of credit confirmation / acceptance is a letter from an issuing bank guaranteeing that a buyer's payment to a seller will be received on time and for the correct amount. CAB confirmed the letters of credits issued by an issuing bank and charged fixed fees which are received either in advance or at a later date. CAB provides these acceptances to multiple counterparties. Please refer to note 31 for the maximum exposure of letter of credit confirmations / bill acceptances. CAB received a premium of £572k. (2021: £683k).

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 £40,283k (2021: £45,573k ,1 January 2021: £55,095k) was held by CAB in respect of the assets underlying financial guarantees and letters of credits noted above. These are not restricted cash and are available for use by the CAB.

Liquidity as a service (LaaS) – undrawn commitments

Liquidity as a service is a credit facility offered by the Company to its customers which allows customers to draw down on the facility on satisfaction of the terms of this facility. The Company charges facility fees for consideration of providing this facility. The Company provides this facility to multiple counterparties. Please refer to note 31 for the maximum exposure of liquidity as a service (LaaS). The Company received facility fees of £52k. (2021: £ nil).

24. CALLED UP SHARE CAPITAL

	2022	2021
	'000	'000
Authorised, Allotted, issued, and fully paid (£1 Ordinary Shares)		
As at 1 January	**41,200**	41,200
New capital	**-**	-
As at 31 December	**41,200**	41,200

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

25. RETAINED EARNINGS

	£'000
Balance at 1 January 2021	24,946
Profit for the year	8,714
Share based payments movements	257
Balance at 31 December 2021	33,917
Balance at 1 January 2022	33,917
Profit for the year	34,258
Share based payments movements	449
Balance at 31 December 2022	68,624

* Share based payments movements. For further details refer to note 27

26. INVESTMENT REVALUATION RESERVE

	£'000
Balance at 1 January 2021	23
Fair value gain on investments in equity instruments designated as at FVTOCI	12
Income tax relating to above	(2)
Balance at 31 December 2021	33
Balance at 1 January 2022	33
Fair value gain on investments in equity instruments designated as at FVTOCI	88
Income tax relating to above	(17)
Balance at 31 December 2022	104

The investment revaluation reserve represents the cumulative gains and losses arising on the revaluation of investments in equity instruments designated as at FVTOCI, net of cumulative gain / loss transferred to retained earnings upon disposal.

27. SHARE BASED PAYMENT SCHEMES

Share based payments are recognised directly in retained earnings (note 25). Movements during the year were as follows:

	2022 **£'000**	2021 £'000
Share based payments expenses recognised in profit or loss	**449**	258
Expense arising from equity-settled share-based payment transactions	**449**	258

Share Based Scheme

Description and Vesting requirements

In 2017 an equity settled share based payment scheme was put in place to incentivise senior management. Legal ownership over the shares lies with the Employee Benefit Trust (EBT). Employees receive equitable interest only for which they pay nominal value.

There are no performance conditions (market or non-market conditions), only service conditions. The employee would need to remain in employment for 4 years for the shares to vest. Where there are bad leavers, the share award is cancelled. However, for good leavers and compulsory leavers, the Company has the right but not the obligation to purchase their shares

Directors / key management of employed by CAB, purchased the equitable interest in the £1 Ordinary Shares (Class B) of CAB Payments Holdings Limited (CAB's ultimate UK holding company), at a cost of £1.00 per share, as follows:

Group (number of people)	**2022 Number**	2021 Number
Directors (nil, 2021 – 1)	**-**	500
Key Managers (nil; 2021 – 6)	-	1,300
	-	1,800

The fair value of the underlying shares relating to the equitable interests granted was based on a report by external consultants. In determining the fair value, Monte Carlo valuation model was used to value the shares at grant date. The valuation is a Level 2 valuation. The resulting value is expensed to the profit and loss over the vesting period in line with the vesting of the interests concerned.

27. SHARE BASED PAYMENT SCHEMES (continued)

Share Based Scheme (continued)

The equitable interest in the shares vests at various times as follows:

Vesting Month	Year Of Issue / Tranche Number					
	2018 / 1	2018 / 2	2021 / 1	2021 / 2	2021 / 3	2021 / 4
March 2018	40%	-	-	-	-	-
March 2019	20%	-	-	-	-	-
March 2020	20%	40%	-	-	-	-
March 2021	20%	20%	-	-	-	-
December 2021	-	-	40%	-	-	-
March 2022	-	20%	-	40%	-	-
December 2022	-	-	20%	-	-	-
March 2023	-	20%	-	20%	40%	-
October 2023	-	-	-	-	-	40%
December 2023	-	-	20%	-	-	-
March 2024	-	-	-	20%	20%	-
October 2024	-	-	-	-	-	20%
December 2024	-	-	20%	-	-	-
March 2025	-	-	-	-	20%	-
April 2025	-	-	-	20%	-	-
October 2025	-	-	-	-	-	20%
March 2026	-	-	-	-	20%	-
October 2026	-	-	-	-	-	20%
	100%	100%	100%	100%	100%	100%
Equitable interest in shares issued	8,500	1,750	600	500	300	400

The cumulative equitable interest in shares cancelled totalled 2,050 (2021: 2,050).

The interest in Nil (2021 – 20) shares was cancelled during the year.

The movement in the equitable interest in the number of shares is as follows:

Share based payments scheme

	Number
Outstanding at 1 January 2021	8,220
Granted during the year	1,800
Exercised during the year	-
Cancelled during the year (2018 issues)	(20)
Forfeited during the year	-
Outstanding at 31 December 2021	10,000
Vested and exercisable at 31 December 2021	8,100
Outstanding at 1 January 2022	10,000
Granted during the year	-
Exercised during the year	-
Cancelled during the year	-
Forfeited during the year	-
Outstanding at 31 December 2022	10,000
Vested and exercisable at 31 December 2022	8,590

Inputs to the models

The fair value at grant date is independently determined using the Monte Carlo which considers, the term of the award, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield, the risk-free interest rate for the term of the award and the correlations and volatilities of peer group companies. The expected price volatility is based on the historic volatility (based on the remaining life of the awards), adjusted for any expected changes to future volatility due to publicly available information.

In 2022, there were no additional shares granted. The aggregate of the estimated fair values of the awards granted on those dates is £nil. In 2021, awards were granted, the aggregate of the estimated fair values of the awards granted on those dates is £605 per share.

27. SHARE BASED PAYMENT SCHEMES (continued)

Share Based Scheme (continued)

The following table lists the inputs to the models used for the share awards granted in this scheme:

	Key Inputs
Dividend yield (%)	n/a
Expected volatility (%)	30 - 40
Risk–free interest rate (%)	1.2
Expected life of share awards (years)	2.7
Share price at grant date (£)	142
Model used	Monte Carlo

28. NOTES TO THE CASH FLOW STATEMENT

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

	2022	2021
	£'000	£'000
Profit before taxation	**44,702**	10,741
Adjusted for non-cash items:		
Effect of currency exchange rate changes	**50,311**	(9,404)
Effect of other mark to market revaluations	**(15)**	(4)
Amortisation	**5,121**	4,774
Depreciation		
- Right of use assets	**322**	304
- Property, plant and equipment	**815**	836
Share based payment charges	**449**	257
Loss on disposal of fixed assets	**36**	3
Interest accrued on lease liabilities	**19**	20
	101,760	7,527
Changes in operating assets:		
Net (increase) / decrease in advances to banks (excl. demand)	**(3,843)**	71,460
Net (decrease) / increase in customer accounts	**(10,037)**	123,685
Net (increase) / decrease in investment in debt securities	**(332,055)**	86,968
Net increase in loans and advances to customers	**(4,748)**	-
Net (increase) / decrease in unsettled transactions	**(2,509)**	7,822
Net increase in other assets	**(12,315)**	(2,467)
Net increase in other liabilities	**10,443**	18,555
Decrease / (increase) in accrued income	**487**	(542)
Increase in accruals	**10,175**	2,815
Net cash (outflow) / inflow from operating activities	**(242,642)**	315,823

Non-cash transactions

Non-cash transactions from investing activities for CAB during the year include acquisition of right of use assets amounting to £695k (2021: nil).

Changes in liabilities arising from financing activities

CAB's changes in lease liability are in note 18. There are no other changes in liabilities from financing activities.

29. RELATED PARTY TRANSACTIONS

Controlling parties

The immediate parent is CAB Tech Holdco Limited whose parent, CAB Payments Holdings Limited, is the smallest and largest group to consolidate these financial statements as at 31 December 2022. The ultimate parent undertaking and controlling party is 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 CAB Payments Holdings Limited may be obtained from Quadrant House, The Quadrant, Sutton, Surrey SM2 5AS.

The related party transactions, are as follows:

A. As at 31 December 2022, CAB had two (2021 – one and 1 January 2021 – one) intercompany balance with Helios Investors Genpar III LP (a company which had control or significant influence over CAB) of £64k (2021: £16k, 1 January 2021: £13k). No interest accrues on the outstanding amount. Helios Investors Genpar III LP had control or significant influence over the company.

B. During CAB provided administration services (HR, finance etc) and / or office space to two companies within the CAB Payments Holdings Limited group, Crown Agents Investment Management Limited (total charge £459k (2021 - £459k)) and Segovia Technology Company (no charge levied).

C. A Group company provided banking services to connected parties, all of which were at arm's length, and with income earned as follows:

2022

	FX / Payments* £'000**	**Correspondent Banking*** £'000**	**Total £'000**
Givedirectly Inc*	**1,315**	**16**	**1,331**
Helios Investors Genpar III LP**	**2**	**-**	**2**
Tap Tap Send UK Ltd*	**2,820**	**101**	**2,921**
	4,137	**117**	**4,254**

2021

	FX / Payments*** £'000	Correspondent Banking*** £'000	Total £'000
Givedirectly Inc*	523	3	526
Helios Investors Genpar III LP**	8	-	8
Tap Tap Send UK Ltd*	1,347	78	1,425
	1,878	81	1,959

29. RELATED PARTY TRANSACTIONS (continued)

C. A Group company provided banking services to connected parties, all of which were at arm's length, and with income earned as follows (continued)

* companies of which Michael Faye, a director of CAB, CAB Tech Holdco Limited and Segovia Technology Company, is a director.

** a company which had control or significant influence over the Company.

*** FX / Payments relates to net foreign exchange gain and correspondent banking relates to net interest income.

Note: the income on FX transactions is determined by margins on the underlying currencies traded.

D. As at the year end, CAB had intercompany balances which are presented within other assets and other liabilities with a number of companies within CAB of its indirect parent, CAB Payments Holdings Limited, as follows:

	2022 £'000	2021 £'000	1 January 2021 £'000
CAB Payments Holdings Limited	**1,198**	752	295
Crown Agents Investment Management Limited	**16**	(195)	114
CAB Tech HoldCo Limited	**139**	88	53
Segovia Technology Co (US)	**3,031**	2,840	6,340
Segovia Technology International Limited (Caymans)	**(114)**	(136)	(183)
Segovia Technology Bangladesh Limited	**0**	-	(17)
Segovia Technology Congo SARL	**1,405**	237	(21)
Segovia Technology Cote d'Ivoire	**6**	5	(5)
Segovia Technology (Kenya) Co	**50**	63	(58)
Segovia Technology Liberia Corp	**38**	20	4
Segovia Technology 454 Ltd (Malawi)	**327**	441	(58)
Segovia Technology Nigeria Ltd	**(8)**	(8)	(23)
Segovia Pakistan Ltd	**2**	2	-
Segovia Technology Rwanda Corp Ltd	**1,020**	181	(133)
Segovia Technology Senegal	**8**	3	(17)
Segovia Technology (Tanzania) Co	**(338)**	(305)	(699)
Segovia Technology (Uganda) Co.Ltd	**208**	(172)	26
CAB Europe	**517**	-	-
	7,505	3,816	5,618
Total receivable	**7,964**	4,632	6,832
Total payable	**(459)**	(816)	(1,214)
	7,505	3,816	5,618

29. RELATED PARTY TRANSACTIONS (continued)

E. CAB had a number of loans to Directors and key management as summarised as shown below:

Staff loan
Across CAB, there were loans outstanding at the year-end as follows:

	2022		2021	
	No.	**£'000**	No.	£'000
Directors				
As at 1 Jan	**3**	**159**	3	22
Loans repaid	**-**	**-**	(1)	(5)
New loans	**-**	**-**	1	142
As at 31 Dec	**3**	**159**	3	159
Key Management				
As at 1 Jan	**8**	**252**	5	11
Loans repaid	**-**	**-**	-	-
New loans	**-**	**-**	3	241
As at 31 Dec	**8**	**252**	8	252

There was no impairment on loans in respect of the amounts owed by related parties.

Loans advanced prior to 2021 do not accrue interest. Loans advanced in 2021 accrue interest at the HMRC stipulated rate but only on balances in excess of £10,000. All loans are repayable on the occurrence of the earliest of a number of events.

F. **Remuneration of key management personnel**

The remuneration of the key management personnel of CAB is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures.

	2022	2021
	£'000	£'000
Short-term employee benefits	**5,591**	2,636
Post-employment benefits	**162**	117
Share-based payments	**449**	257
Total remuneration	**6,202**	3,010

30. CONTINGENT LIABILITIES AND COMMITMENTS

CONTINGENT LIABILITIES

CAB does not have any other contingent liabilities at the balance sheet date other than those disclosed in Note 23.

COMMITMENTS

Capital Commitments

CAB does not have any capital commitments at the balance sheet date (2021: nil, 1 January 2021: nil) and which have been approved but not contracted amounted to £nil (1 January 2021: £nil).

Other Commitments

In 2020, CAB entered into a five year contract to assist with the ongoing automation of manual processes. The following payments are due under the contract:

Payment Due	**2022 £'000**	2021 £'000	1 January 2021 £'000
Not later than one year	**2,210**	1,800	500
Later than one year and not later than five years	**4,143**	6,353	8,120
	6,353	8,153	8,620

The total of the amounts due under the contract are expensed to P&L over the life of the contract in line with the benefits received.

Further commitments are discussed in Note 23.

31. CREDIT RISK

Credit risk is the risk that a customer or counterparty will default on its contractual obligations resulting in financial loss to CAB. Credit risk is a principal risk, arising from loans and advances (including liquidity as a service and discounted letters of credit), investments in debt securities, investments in money market fixed, other assets including intra group balances mobile network operator balances, unsettled transactions, other finance products, and accrued income. CAB considers the following elements of credit risk exposure, including counterparty-specific risk, geographical risk, and sector risk for risk management purposes. Information about the credit risk management policy of CAB is contained in the strategic report.

Credit risk management

CAB monitors credit risk per class of financial instrument. CAB recognises a loss allowance for expected credit losses on investments in financial assets that are measured at amortised cost such as loans and advances to banks, investment in Investment in debt securities, accrued income, other assets, as well as undrawn commitments.

Exposure to Credit Risk by Instrument

CAB monitors credit risk per class of financial instrument. The table below outlines the classes identified, as well as the financial statement line item and the associated note. The notes contain an analysis of the items included in the financial statement line for each class of financial instrument.

Instruments	Description	Note
Cash and Balances at Central Banks.	These are balances with the Bank of England, which has AA-credit rating. Balances are available on demand and are located in the UK.	Note 9
Investments in debt securities	Fixed rate bonds (US Treasury bills) are US Treasury bills issued by the US government which offer a fixed rate of interest for a set period of time. Fixed rate bonds (other) are other fixed rate bonds issued by companies or G20 governments which offer a fixed rate of interest for a set period of time. Floating rate notes (FRNs) are Investment in debt securities that pay a coupon determined by a reference rate which resets periodically. As such, the interest received is not fixed. Certificates of deposit (CDs) are Investment in debt securities that pay fixed interest for a fixed period of time. Unlike bonds, CDs are usually not tradable in a secondary market. A flat facility fee is charged for the provision of services. CAB will lend money to customers solely for the purpose of assisting the customer with its specific liquidity requirements that arise from settlement timelines in its standard payment flows. The rate charged for the amount lent is the greater of i. a fixed rate (e.g. 9%) or ii. US Federal rate plus a spread (e.g. US Fed rate plus 1%).	Note 13
Loans and Advances	Nostros are bank accounts that CAB holds with other commercial banks. Credit Support Annex (CSA) loans represent collateral required from customers by a credit support annex (a legal document) for initial and variation margin as part of derivative transactions. They are under a collateralised-to-market (CTM) regime. A CTM model would require the out-of-the-money party to post collateral with an amount equal to the cumulative mark to market value, either with the exchange or with the counterparty. Both initial and variation margin payments are refundable upon settlement of the derivative and is therefore accounted for as collateral. Discounted letters of credit are advanced letter of credit payments that CAB pay to counterparties before the completion of the sales and shipping process. The amount that CAB paid out is discounted by a discounted fee (interest rate) and, as such, is lower than the principal expected to be received. They are essentially factoring transactions.	Note 11

31. CREDIT RISK (continued)

Instruments	Description	Note
Loans and Advances (continued)	Trade finance loans are short-term working capital loans allowing buyers and sellers to finance their trade commitments on a transactional basis. CAB receives interest payments in return. Liquidity as a service (LaaS) is a type of overdraft facility where CAB agreed to provide customers with a facility for a set period with specific terms and conditions as set out in the LaaS agreements. This is a new product launched in 2022.	Note 11
Other Asset Exposures	Unsettled transactions are unsettled balances resulting from foreign exchange transactions that are delayed due to time differences, public holidays in other countries (where the counterparties are located) or similar operational reasons. The balances are short-term (typically less than four days). Balances with mobile network operators are the payments from mobile network operators (MNOs) that are due to CAB in respect of mobile money accounts. In certain countries in Africa, mobile money accounts are widely used, this service allows users to deposit money into an account stored on their mobile phones and to then send balances using a PIN-secured SMS text message to other users. One of the services that CAB provide is the transfer of funds by clients to beneficiaries via mobile. Typically, a client will deposit funds in CAB's controlled bank account. These funds are then transferred to an account held with a MNO. Clients submit a request for a payment to be made on the Payment Gateway. On receipt of the request, funds are remitted from the account held with the MNOs to the beneficiary with CAB's fee deducted simultaneously. MNOs therefore provide CAB with the equivalent of a bank account. Other Asset exposures also include amounts due from Group companies.	Note 16
Accrued Income	Accrued income is money which is owed to CAB for services rendered or products provided that have not yet been paid. This balance arises from several components such as management fee, pension accruals, and other revenues.	Note 15

In addition to the on-balance sheet items, there has been a provision against the off-balance sheet items which include Liquidity as a Service, Financial Guarantees, and Letters of Credit which are reflected in Note 23.

Maximum exposure to credit risk

The maximum credit exposures distributed across each instrument are summarised in the table below.

	2022 £'000	2021 £'000	1 January 2021 £'000
Cash and balances at central banks	**607,358**	676,492	677,846
Investment in debt securities	**414,074**	73,249	162,370
Loans and Advances	**186,649**	179,622	224,666
Other Asset Exposures	**25,530**	17,592	25,244
Accrued Income	**616**	614	373
Total On-Balance Sheet Exposure	**1,234,227**	947,569	1,090,499
Total Off-Balance Sheet Exposure*	**46,721**	61,500	58,980

*The total off-balance sheet exposure consists of the following: financial guarantee contracts, which are contracts that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument, letter of credit confirmation / acceptance, which is a letter from an issuing bank guaranteeing that a buyer's payment to a seller will be received on time and for the correct amount and liquidity as a service, which is a credit facility offered by the Company to its customers which allows customers to draw down on the facility on satisfaction of the terms of this facility.

	2022 £'000	2021 £'000	1 January 2021 £'000
Financial guarantee contracts	**4,000**	6,000	2,180
Trade Finance - letter of credit confirmation / acceptance			
Acceptance	**15,000**	27,000	6,000
Confirmations	**23,000**	28,500	50,800
Liquidity as a service	**4,721**	-	-
Total Off-Balance Sheet Exposure	**46,721**	**61,500**	**58,980**

The amounts on the financial assets best represents their maximum exposure to credit risk.

Significant increase in credit risk (SICR)

CAB uses different criteria to determine whether credit risk has increased significantly per portfolio of assets. The criteria used are both quantitative changes in PDs as well as qualitative. The table below summarises the range above which an increase in lifetime PD is determined to be significant, as well as some indicative qualitative indicators assessed. CAB uses an internal rating system that goes from Rating 0 to 7 with Rating 8 representing default. Below is a table that represents the through-the-cycle PD range per rating. Furthermore, ratings 0 to 3 represent investment grade ratings whilst 4 to 7 represent sub-investment grade ratings.

Rating Type	Rating	TTC PD Range
Investment Grade	Rating 0	0%, 0.01%
	Rating 1	0.01%, 0.02%
	Rating 2	0.03%, 0.05%
	Rating 3	0.06%, 0.08%
Sub- Investment Grade	Rating 4	0.081%, 0.10%
	Rating 5	0.11%, 0.5%
	Rating 6	0.51%, 1.5%
	Rating 7	1.51%, 25%
	Rating 8 (Default)	100%

Irrespective of the outcome of the above rating assessment, CAB presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due unless CAB has reasonable and supportable information that demonstrates otherwise.

CAB has monitoring procedures in place to make sure that the criteria used to identify significant increases in credit are effective, meaning that significant increase in credit risk is identified before the exposure is defaulted. CAB performs periodic back-testing of its ratings to consider whether the drivers of credit risk that led to default were accurately reflected in the rating in a timely manner.

Incorporation of forward-looking information

CAB uses forward-looking information that is available without undue cost or effort in its assessment of significant increase of credit risk as well as in its measurement of ECL. CAB employs experts who use external and internal information to generate a 'base case' scenario of future forecast of relevant economic variables along with a representative range of other possible forecast scenarios. The external information used includes economic data and forecasts published by governmental bodies and monetary authorities.

CAB applies probabilities to the forecast scenarios identified. The base case scenario is the single most-likely outcome and consists of information used by CAB for strategic planning and budgeting. CAB has identified and documented key drivers of credit risk and credit losses for each financial instrument and, using a statistical analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses. CAB has not made changes in the estimation techniques or significant assumptions made during the reporting period.

The table below summarises the principal macroeconomic indicators included in the economic scenarios used at 31 December 2022 for the years 2023 to 2027, for the UK which is the country where CAB operates and therefore is the country that has a material impact in ECLs.

31. CREDIT RISK (continued)

	2023	2024	2025	2026	2027
United Kingdom GDP growth					
Base scenario	(0.9%)	1.5%	2.7%	2.2%	1.7%
Upside scenario	3.0%	3.8%	3.9%	2.6%	1.5%
Mild upside scenario	1.4%	3.0%	3.5%	2.5%	1.6%
Stagnation scenario	(3.5%)	0.7%	2.5%	2.2%	1.8%
Downside scenario	(4.6%)	0.2%	2.3%	2.1%	1.8%
Severe downside scenario	(6.5%)	(0.6%)	2.0%	2.1%	1.9%
Americas GDP growth					
Base scenario	0.0%	1.3%	2.3%	2.4%	2.2%
Upside scenario	2.7%	3.2%	3.7%	2.8%	2.1%
Mild upside scenario	1.6%	2.5%	3.2%	2.7%	2.1%
Stagnation scenario	(1.4%)	0.5%	1.8%	2.2%	2.2%
Downside scenario	(2.1%)	0.1%	1.5%	2.1%	2.3%
Severe downside scenario	(3.2%)	(0.7%)	1.0%	2.0%	2.3%
Eurozone GDP growth					
Base scenario	(0.1%)	2.1%	2.3%	1.9%	1.6%
Upside scenario	3.1%	4.7%	3.6%	2.1%	1.4%
Mild upside scenario	1.8%	3.8%	3.2%	2.0%	1.5%
Stagnation scenario	(2.1%)	1.1%	1.9%	1.9%	1.6%
Downside scenario	(3.1%)	0.6%	1.6%	1.9%	1.7%
Severe downside scenario	(4.6%)	(0.4%)	1.2%	1.8%	1.7%
Asia-Pacific GDP growth					
Base scenario	3.3%	4.2%	4.9%	4.6%	4.2%
Upside scenario	6.4%	6.3%	6.3%	5.0%	4.0%
Mild upside scenario	5.1%	5.5%	5.8%	4.8%	4.1%
Stagnation scenario	1.2%	3.3%	4.1%	4.3%	4.2%
Downside scenario	0.3%	2.9%	3.7%	4.2%	4.3%
Severe downside scenario	(1.3%)	2.0%	3.0%	4.0%	4.3%
Sub-Saharan Africa GDP growth					
Base scenario	2.8%	3.2%	3.3%	3.4%	3.3%
Upside scenario	8.1%	6.7%	5.6%	3.8%	2.8%
Mild upside scenario	6.0%	5.4%	4.8%	3.6%	3.0%
Stagnation scenario	(0.3%)	1.8%	2.2%	3.2%	3.6%
Downside scenario	(1.8%)	0.9%	1.6%	3.1%	3.7%
Severe downside scenario	(4.2%)	(0.5%)	0.6%	2.9%	4.0%
Middle East North Africa GDP growth					
Base scenario	2.1%	2.9%	2.8%	2.5%	2.4%
Upside scenario	7.5%	6.7%	5.2%	2.9%	2.0%
Mild upside scenario	5.4%	5.3%	4.4%	2.8%	2.2%
Stagnation scenario	(1.0%)	1.2%	1.7%	2.4%	2.7%
Downside scenario	(2.5%)	0.3%	1.1%	2.3%	2.8%
Severe downside scenario	(5.0%)	(1.3%)	(0.0%)	2.1%	3.0%

Incorporation of forward-looking information (continued)

Predicted relationships between the key indicators and default and loss rates on various portfolios of financial assets have been developed based on analysing historical data over the past 18 years.

CAB has performed a sensitivity analysis on how ECL on the main portfolio would change if the key assumptions used to calculate ECL change by macroeconomic scenario. The table below outlines the total ECL across the portfolio as at 31 December 2022, if the assumptions used to measure ECL remain as expected (amount as presented in the statement of financial position) for each of the macroeconomic scenarios. The changes are applied in isolation for illustrative purposes and are applied to each probability weighted scenario used to develop the estimate of expected credit losses. There will be interdependencies between the various economic inputs and the exposure to sensitivity will vary across the economic scenarios.

As at 2022	Average 12m PD	ECL (£'000)
Base scenario (GDP)	0.8%	386
Upside scenario (GDP)	0.7%	355
Mild upside scenario (GDP)	0.7%	367
Stagnation scenario (GDP)	0.9%	411
Downside scenario (GDP)	0.9%	424
Severe downside scenario (GDP)	1.0%	447

Measurement of expected credit losses (ECL)

ECL is applicable to financial assets classified at amortised cost. The measurement of ECL reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, time value of money and reasonable and supportable information that is available without undue cost or effort at the reporting date, about past events, current conditions, and forecasts of future economic conditions.

CAB applies the general model for measuring ECL which uses a three-stage approach in recognising the expected loss allowance to its financial assets measured at amortised costs. CAB considers the model and the assumptions used in calculating these ECLs as key sources of estimation uncertainty.

The key inputs used for measuring ECL are:

- probability of default (PD);
- loss given default (LGD); and
- exposure at default (EAD)

The ECL Model allocates accounts to three Stages and calculates the impairment as:

- 12 months Expected Loss for accounts in Stage 1; and
- Lifetime Expected Loss (LEL) for accounts in Stage 2 and Stage 3

CAB measures ECL considering the risk of default over the maximum contractual period (including extension options) over which the entity is exposed to credit risk and not a longer period, even if contact extension or renewal is common business practice.

The measurement of ECL is based on probability weighted average credit loss. As a result, the measurement of the loss allowance should be the same regardless of whether it is measured on an individual basis or a collective basis (although measurement on a collective basis is more practical for large portfolios of items). CAB has measured its ECL at a counterparty-level which is then aggregated to a product and segment level. In relation to the assessment of whether there has been a significant increase in credit risk it can be necessary to perform the assessment on a collective basis as noted below.

Probability of Default (PD)

PD is an estimate of the likelihood of default over a given time horizon. It is estimated as at a point in time. PDs are determined using the one-factor Merton-Vasicek model and transforms TTC PDs to a 1-month Forward-in-Time (FiT) PD for each period of a loan's contractual life by decomposing the portfolio into systematic and idiosyncratic risk factors. The systematic factor captures risks relevant to the entire portfolio and is assumed to be correlated to the overall macroeconomy. The idiosyncratic factor captures counterparty-specific characteristics. These statistical models are based on market data (where available), as well as internal data comprising both quantitative and qualitative factors. PDs are estimated considering the contractual maturities of exposures and estimated prepayment rates. The estimation is based on current conditions, adjusted to take into account estimates of future conditions that will impact PD.

CAB estimates the remaining lifetime Probability of Default (PD) of exposures and how these are expected to change over time. CAB uses the Moody's RiskCalc tool to assign a risk rating to each counterparty which represents the probability of default. The factors considered in this process include macro-economic data including GDP per region – UK, US, Europe, Asia, Africa, and Middle East. CAB generates a 'base case' scenario of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. CAB then uses these forecasts, which are probability-weighted, to adjust its estimates of PDs.

Loss Given Default (LGD)

The LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from any collateral. The LGD model for portfolio incorporates information on consider time of recovery, recovery rates and seniority of claims. The calculation is on a discounted cash flow basis, where the cash flows are discounted by the original effective interest rate (EIR) of the loan. CAB's credit portfolio is made up entirely of soft assets.

Exposure at Default (EAD)

The EAD is an estimate of the exposure at default. It is based on the outstanding amount of the account combined with any default penalty and recovery fees associated with recovering a defaulted account. The EAD model incorporates the balance, interest, fees, and arrears depending on the type of product the account is. This includes interest-only, deposit, and overdraft facilities.

Groupings based on shared risks characteristics

When ECL are measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics, such as: instrument type, credit risk grade, and regional split.

The groupings are reviewed on a regular basis to ensure that each group is comprised of homogenous exposures.

Impairment of financial assets

CAB's impairment loss on financial assets, undrawn commitments and financial guarantees that are subject to the expected credit loss model are as shown below:

	2022	2021
	£'000	£'000
Impairment recognised in profit or loss:		
Increase in ECL for cash and balances at central banks	-	-
Increase in ECL for Loans and advances	**229**	17
Increase in ECL for Investment in Investment in debt securities	**12**	-
Increase/(decrease) in ECL for other assets	**37**	(15)
Increase in ECL for accrued income	**4**	(2)
Total impairment recognised in profit or loss for financial assets	**282**	-
Increase/(decrease) in other ECL provisions	**47**	(106)
Total impairment loss/ (recovery) recognised in profit or loss	**329**	(106)

Credit quality

An analysis of CAB's credit rating, maturity and credit risk concentrations per class of financial asset is provided in the following tables. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts.

31. CREDIT RISK (continued)

A. Portfolio Grading

The table below displays a breakdown of the portfolio exposure in terms of credit quality. Instruments with strong credit characteristics are categorised as "investment grade" (risk grades 0 to 3), while those with higher credit risk are categorised as "sub-investment grade" (risk grades 4 to 7).

	2022	2021	1 January 2021
	£'000	£'000	£'000
Exposure by Grade On Balance Sheet Exposure			
Cash and Balances	**607,358**	676,492	677,846
Investment Grade	**607,358**	676,492	677,846
Loans and Advances	**186,649**	179,622	224,666
Investment Grade	**116,959**	120,486	184,578
Sub-Investment Grade	**69,690**	59,136	40,088
Investment in Debt Securities	**414,074**	73,249	162,370
Investment Grade	**414,074**	73,249	162,370
Other Asset Exposures	**25,530**	17,592	25,244
Investment Grade	**6,768**	-	-
Sub-Investment Grade	**18,762**	17,592	25,244
Accrued Income	**616**	614	373
Investment Grade	**-**	55	91
Sub-Investment Grade	**616**	559	282
Total On Balance Sheet Exposure	**1,234,227**	947,569	1,090,499
Off Balance Sheet Exposure			
Total Off Balance Sheet Exposure	**46,721**	**61,500**	**58,980**

31. CREDIT RISK (continued)

B. Breakdown by Country / Region

The table below describes the exposure by location for each asset class.

Exposures by Region	**2022**	2021	1 January 2021
	£'000	£'000	£'000
Cash and Balances	**607,358**	676,492	677,846
UK	**607,358**	676,492	677,846
Investment in debt Securities	**414,074**	73,249	162,370
Africa	**25,320**	12,809	-
Europe	**139,631**	29,664	33,598
Far East	**49,282**	7,453	-
Middle East	**-**	-	3,524
Other	**18,067**	-	13,552
UK	**20,521**	7,241	14,690
Americas	**161,253**	16,082	97,006
Loans and Advances	**186,649**	179,622	224,666
Africa	**54,806**	49,676	36,092
China	**26,415**	239	53,274
Europe	**18,846**	21,511	29,910
Far East	**931**	5,577	400
Japan	**5,692**	20,084	2,474
Middle East	**25,209**	22,572	18,234
Other	**3,542**	8,506	14,971
UK	**22,771**	17,850	30,165
Americas	**28,437**	33,607	39,146
Other Asset Exposures	**25,530**	17,592	25,244
Africa	**4,966**	2,247	6,345
Europe	**58**	-	-
Other	**9,909**	920	3,753
UK	**10,533**	14,425	15,146
Americas	**64**	-	-
Accrued Income	**616**	614	373
UK	**615**	522	348
Americas	**1**	92	25
Total On Balance Sheet Exposure	**1,234,227**	947,569	1,090,499
Off Balance Sheet Exposure			
Total Off Balance Sheet Exposure	46,721	**61,500**	**58,980**

C. Breakdown by Maturity

The table below describes the exposure per maturity for each asset class.

	2022	2021	2020
Exposure by maturity	**£'000**	£'000	£'000
On Balance Sheet Exposure			
Cash and Balances	**607,358**	676,492	677,846
3m or less	**607,358**	676,492	677,846
Investment in debt Securities	**414,074**	73,249	162,370
3m+	**414,074**	73,249	162,370
Loans and Advances	**186,649**	179,622	224,666
3m or less	**108,200**	128,740	120,503
3m+	**78,449**	50,882	104,163
Other Asset Exposures	**25,530**	17,592	25,244
3m or less	**21,445**	17,251	24,992
3m+	**4,085**	341	252
Accrued Income	**616**	614	373
3m or less	**616**	614	373
Total On Balance Sheet Exposure	**1,234,227**	947,569	1,090,499
Off Balance Sheet Exposure			
Total Off Balance Sheet Exposure	**46,721**	**61,500**	**58,980**

An analysis of CAB's credit risk exposure per class of financial asset, internal rating and "stage" without taking into account the effects of any collateral or other credit enhancements is provided in the following tables. Unless specifically indicated, for financial assets, the amounts in the table represent exposure amounts.

D. Loss Allowance

The table below represents the gross carrying amount, loss allowance, and carrying amount after loss allowance per Stage by asset class.

	2022	2021	1 January 2021
On Balance sheet exposure	**£'000**	£'000	£'000
Cash and Balances at Central Banks			
Gross Carrying Amount	**607,358**	676,492	677,864
Loss Allowance	**-**	-	-
Carrying Amount After Loss Allowance	**607,358**	676,492	677,864
Loans and Advances			
Gross Carrying Amount	**186,649**	179,622	224,666
Loss Allowance	**(253)**	(24)	(7)
Carrying Amount After Loss Allowance	**186,396**	179,598	224,659
Investment in debt securities			
Gross Carrying Amount	**414,074**	73,249	162,370
Loss Allowance	**(13)**	(1)	(1)
Carrying Amount After Loss Allowance	**414,061**	73,248	162,369
Other Asset Exposures			
Gross Carrying Amount	**25,530**	17,592	25,244
Loss Allowance	**(48)**	(11)	(26)
Carrying Amount After Loss Allowance	**25,482**	17,581	25,218
Accrued Income			
Gross Carrying Amount	**616**	614	373
Loss Allowance	**(5)**	(1)	(3)
Carrying Amount After Loss Allowance	**611**	613	370
Total Gross Carrying Amount	**1,234,227**	947,569	1,090,499
Total Loss Allowance	**(319)**	(37)	(37)
Total Carrying Amount After Loss Allowance	**1,233,908**	947,532	1,090,462
Off Balance Sheet exposure			
Financial guarantee contracts			
Gross Exposure	**4,000**	6,000	2,180
Loss Allowance	**(1)**	(31)	(50)
Exposure After Loss Allowance	**3,999**	5,969	2,130

Off Balance Sheet exposure (continued)			
Letter of credit confirmation / acceptance			
Gross Exposure	**38,000**	55,500	56,800
Loss Allowance	**(6)**	(1)	(88)
Exposure After Loss Allowance	**37,994**	55,499	56,712
Liquidity as a service			
Gross Exposure	**4,721**	-	-
Loss Allowance	**(72)**	-	-
Exposure After Loss Allowance	**4,649**	-	-
Total Exposure	**46,721**	61,500	58,980
Total Loss Allowance	**(79)**	(32)	(138)
Total Exposure After Loss Allowance	**46,642**	61,468	58,842

E. Breakdown as a Function of Staging and Risk Grade

An analysis of CAB's expected credit loss per class of financial asset, internal rating and "stage" without taking into account the effects of any collateral or other credit enhancements is provided in the following tables. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts.

Year	**2022**		2021		01 January 2021	
ECL	**£'000**		£'000		£'000	
	Stage 1	**Stage 2**	Stage 1	Stage 2	Stage 1	Stage 2
Cash and balances at central banks	**-**	**-**	-	-	-	-
Investment Grade	**-**	**-**	-	-	-	-
Loans and advances	**253**	**-**	24	-	7	-
Investment Grade	**-**	**-**	-	-	3	-
Sub-Investment Grade	**253**	**-**	24	-	4	-
Investment in debt securities	**13**	**-**	1	-	1	-
Investment Grade	**13**	**-**	1	-	1	-
Sub-Investment Grade		**-**	-	-	-	-
Other Asset Exposures	**47**	**1**	10	1	23	3
Investment Grade	**-**	**-**	-	-	-	-
Sub-Investment Grade	**47**	**1**	10	1	23	3
Accrued income	**5**	**-**	1	-	3	-
Sub-Investment Grade	**5**	**-**	1	-	3	-
Off balance sheet exposures	**79**	**-**	32	-	138	-
Investment Grade	**79**	**-**	32	-	138	-
Grand Total	**397**	**1**	68	1	172	3

F. Movement in loss allowances across the stages

The tables below analyse the movement of the loss allowance during the year per class of assets.

ECL (£'000)	2022 Stage 1	2022 Stage 2	2022 Stage 3	2021 Stage 1	2021 Stage 2	2021 Stage 3
Loss allowance at beginning of period	**69**	**1**	**-**	177	-	-
Loans Expired / Closed from previous period	**(61)**	**(1)**	**-**	(119)	-	-
New Loans Issued	**388**	**-**	**-**	310	-	-
Expected Credit Loss Before Changes in Loss Allowance	**396**	**-**	**-**	368	-	-
Change in Loss Allowance	**(1)**	**-**	**-**	(1)	-	-
Transfer to Stage 1	**-**	**-**	**-**	-	-	-
Transfer to Stage 2	**(1)**	**-**	**-**	(1)	-	-
Transfer to Stage 3	**-**	**-**	**-**	-	-	-
Transfers in	**-**	**1**	**-**	-	1	-
Adjustments in Expected Credit Loss	**3**	**-**	**-**	(298)	-	-
Loss Allowance at End of Period	**397**	**1**	**-**	68	1	-
Total Loss Allowance at End of Period	**397**	**1**	**-**	68	1	-

32. LIQUIDITY RISK

Information on the policy for liquidity risk is in the Strategic Report. The liquidity (undiscounted) cashflow profile of CAB's financial assets and financial liabilities (including interest receivable / payable on maturity) is as follows:

Liabilities

2022

More than Less than	0 months 3 months £'000	3 months 1 year £'000	1 year 2 years £'000	2 years 5 years £'000	More than 5 years £'000	Total £'000	Carrying amount £'000
Customer accounts	1,139,567	171,242	-	-	-	1,310,809	1,310,809
Derivative financial instruments	4,542	23	-	-	-	4,565	4,565
Unsettled transactions	25,782	-	-	-	-	25,782	25,782
Other liabilities**	6,069	-	-	-	-	6,069	6,069
Provisions	79	-	-	-	-	79	79
Lease liability	108	359	346	468	-	1,281	1,281
Accruals	18,368	-	-	-	-	18,368	18,368
	1,194,515	171,624	346	468	-	1,366,953	1,366,953

Assets 2022

More than Less than	0 months 3 months £'000	3 months 1 year £'000	1 year 2 years £'000	2 years 5 years £'000	More than 5 years £'000	Total £'000	Carrying amount £'000
Cash and balances at central banks	607,358	-	-	-	-	607,358	607,358
Money market funds	209,486	-	-	-	-	209,486	209,486
Loans and advances on demand to banks	89,957	-	-	-	-	89,957	89,957
Other loans and advances to banks	79,439	12,252	-	-	-	91,691	91,691
Loans and advances to customers	4,748	-	-	-	-	4,748	4,748
Derivative financial assets	6,573	16	-	-	-	6,589	6,589
Unsettled transactions	12,960	-	-	-	-	12,960	12,960
Accrued income (others)	857	-	-	-	-	857	857
Investment in debt securities	101,323	243,385	66,844	10,125	-	421,677	414,061
Investment in equity securities	-	-	-	-	488	488	488
Other assets*	-	-	-	-	12,482	12,482	12,482
	1,112,701	255,653	66,844	10,125	12,970	1,458,293	1,450,677

* excludes non-financial assets such as transactions debited in error, corporation tax refund, and VAT refund.
**excludes non-financial liabilities such as funds received in error and HM Revenue & Customs.

32. LIQUIDITY RISK (continued)

Liabilities 2021

More than Less than	0 months 3 months £'000	3 months 1 year £'000	1 year 2 years £'000	2 years 5 years £'000	More than 5 years £'000	Total £'000	Carrying amount £'000
Customer accounts	1,132,221	62,462	-	-	-	1,194,683	1,194,683
Derivative financial instruments	7,519	150	-	-	-	7,669	7,669
Unsettled transactions	18,338	-	-	-	-	18,338	18,338
Other liabilities**	6,168	-	-	-	-	6,168	6,168
Provisions	32	-	-	-	-	32	32
Lease liability	80	242	326	171	-	819	819
Accruals	8,193	-	-	-	-	8,193	8,193
	1,172,551	62,854	326	171	-	1,235,902	1,235,902

Assets 2021

More than Less than	0 months 3 months £'000	3 months 1 year £'000	1 year 2 years £'000	2 years 5 years £'000	More than 5 years £'000	Total £'000	Carrying amount £'000
Cash and balances at central banks	676,492	-	-	-	-	676,492	676,492
Money market funds	336,737	-	-	-	-	336,737	336,737
Loans and advances on demand to banks	100,238	-	-	-	-	100,238	100,238
Other loans and advances to banks	60,039	19,321	-	-	-	79,360	79,360
Loans and advances to customers	-	-	-	-	-	-	-
Derivative financial assets	1,628	13	-	-	-	1,641	1,641
Unsettled transactions	10,450	-	-	-	-	10,450	10,450
Accrued income (others)	1,344	-	-	-	-	1,344	1,344
Investment in debt securities	30,385	42,952	-	-	-	73,337	73,248
Investment in equity securities	-	-	-	-	382	382	382
Other assets*	-	-	-	-	7,142	7,142	7,142
	1,217,313	62,286	-	-	7,524	1,287,123	1,287,034

* excludes non-financial assets such as transactions debited in error, corporation tax refund, and VAT refund.

**excludes non-financial liabilities such as funds received in error and HM Revenue & Customs.

32. LIQUIDITY RISK (continued)

Liabilities 1 January 2021

More than	0 months	3 months	1 year	2 years	More than 5	Total	Carrying amount
Less than	3 months	1 year	2 years	5 years	years		
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Customer accounts	976,882	99,626	601	-	-	1,077,109	1,077,109
Derivative financial instruments	12,494	1,017	-	-	-	13,511	13,511
Unsettled transactions	2,094	-	-	-	-	2,094	2,094
Other liabilities**	3,759	-	-	-	-	3,759	3,759
Provisions	138	-	-	-	-	138	138
Lease liability	78	155	321	497	-	1,051	1,051
Accruals	5,378	-	-	-	-	5,378	5,378
	1,000,823	100,798	922	497	-	1,103,040	1,103,040

Assets 1 January 2021

More than	0 months	3 months	1 year	2 years	More than	Total	Carrying amount
Less than	3 months	1 year	2 years	5 years	5 years		
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cash and balances at central banks	677,864	-	-	-	-	677,864	677,864
Money market funds	52,738	-	-	-	-	52,738	52,738
Loans and advances on demand to banks	72,803	-	-	-	-	72,803	72,803
Other loans and advances to banks	83,287	68,569	-	-	-	151,856	151,856
Loans and advances to customers	-	-	-	-	-	-	-
Derivative financial assets	2,274	31	-	-	-	2,305	2,305
Unsettled transactions	18,272	-	-	-		18,272	18,272
Accrued income (others)	802	-	-	-	-	802	802
Investment in debt securities	41,639	122,673	-	-		164,312	162,369
Investment in equity securities	-	-	-	-	154	154	154
Other assets*	-	-	-	-	6,972	6,972	6,972
	949,679	191,273	-	-	7,126	1,148,078	1,146,135

* excludes non-financial assets such as transactions debited in error, corporation tax refund, and VAT refund.

** excludes non-financial liabilities such as funds received in error and HM Revenue & Customs.

33. CURRENCY RISK

CAB does not have any structural exposure. The table below shows CAB's transactional currency exposures in its book, i.e. those non-structural exposures that give rise to the net currency gains and losses recognised in the statements of profit or loss and other comprehensive income. Such exposures comprise the monetary assets and monetary liabilities of CAB that are not denominated in sterling.

At 31 December, these exposures were as follows:

	Net foreign currency monetary (liabilities) / assets in £'000					
2022 Currency	**US Dollar**	**Euro**	**KES**	**UGX**	**Other**	**Total**
(Liabilities) / assets	(359,117)	(52,733)	333	507	(4,021)	(415,031)
Net forward purchases / (sales)	361,751	52,007	119	-	5,137	419,014
	2,634	(726)	452	507	1,116	3,983
Change in assets / (liabilities) due to a change in currency value by						
+ 100 basis points	263	(59)	37	41	112	394
- 100 basis points	(263)	59	(37)	(41)	(112)	(394)

2021 Currency	**US Dollar**	**Euro**	**KES**	**UGX**	**Other**	**Total**
(Liabilities) / assets	(457,115)	(25,006)	667	582	27,250	(453,622)
Net forward purchases / (sales)	454,664	24,264	(1)	(2)	(25,282)	453,643
	(2,451)	(742)	666	580	1,968	21
Change in assets / (liabilities) due to a change in currency value by						
+ 100 basis points	(199)	(60)	54	47	159	1
- 100 basis points	199	60	(54)	(47)	(159)	(1)

1 January 2021 Currency	**US Dollar**	**Euro**	**YEN**	**AUD**	**Other**	**Total**
(Liabilities)/assets	(477,673)	(23,924)	(4,656)	(6,768)	569	(512,452)
Net forward purchases / (sales)	475,776	21,871	4,593	6,759	2,027	511,026
	(1,897)	(2,053)	(63)	(9)	2,596	(1,426)
Change in assets / (liabilities) due to a change in currency value by						
+ 100 basis points	(154)	(166)	(5)	(1)	210	(116)
- 100 basis points	154	166	5	1	(210)	116

33. CURRENCY RISK (continued)

An analysis of the total statement of financial position, split between £ and other currencies, is as follows:

	2022 £'000	2021 £'000	1 January 2021 £'000
Assets			
Denominated in sterling	**731,444**	731,943	708,313
Denominated in other currencies	**750,998**	580,758	462,495
	1,482,442	1,312,701	1,170,808
Liabilities and Equity			
Denominated in sterling	**320,950**	278,309	195,833
Denominated in other currencies	**1,161,492**	1,034,392	974,975
	1,482,442	1,312,701	1,170,808

A 10% appreciation in the value of £ against all other currencies would decrease CAB's profit or loss value by £545K (31 December 2021: £6K, 1 January 2021: £6K).

34. INTEREST RATE RISK

Interest rate sensitivity

Part of the CAB'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 financial assets and interest payable on financial liabilities are next reset to market rates. The table below summarises these re-pricing mismatches on the CAB's book as at 31 December 2022. Items are allocated to time bands by reference to the earlier of the next contractual interest rate re-pricing date and the maturity date. All the financial assets / financial liabilities are based on fixed interest. The repricing table therefore is prepared on the basis that maturity date equals repricing date. It should be noted that CAB manages its interest rate risk on a behavioural basis where a portion of customer deposits are treated as being rate insensitive.

Interest Rate Repricing			**£'000**			
	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**
2022						
Assets						
Cash and balances at central banks	607,358	-	-	-	-	607,358
Money market funds	209,486	-	-	-	-	209,486
Loans and advances on demand to banks	89,957	-	-	-	-	89,957
Other loans and advances to banks	79,439	12,252	-	-	-	91,691
Loans and advances to customers	4,748	-	-	-	-	4,748
Derivative financial assets	6,573	16	-	-	-	6,589
Unsettled transactions	12,960					12,960
Accrued income	-	-	-	-	857	857
Investment in debt securities	98,675	64,460	175,103	75,823	-	414,061
Investment in equity securities	-	-	-	-	488	488
Other assets*					12,482	12,482
Total assets	1,109,196	76,728	175,103	75,823	13,827	1,450,677
Liabilities						
Customer accounts	1,139,567	128,369	42,873	-	-	1,310,809
Derivative financial liabilities	4,542	23	-	-	-	4,565
Unsettled transactions	25,782	-	-	-		25,782
Other liabilities**	-	-	-	-	6,069	6,069
Provisions	-	-	-	-	79	79
Accruals	-	-	-	-	18,368	18,368
Shareholders' funds	-	-	-	-	109,928	109,928
Total liabilities	1,169,891	128,392	42,873	0	134,444	1,475,600
Interest rate sensitivity gap	(60,695)	(51,664)	132,230	75,823	(120,617)	(24,923)
Cumulative gap	(60,695)	(112,359)	19,871	95,694	(24,923)	(49,846)

*excludes non-financial assets such as transactions debited in error, corporation tax refund, and VAT refund.
**excludes non-financial liabilities such as funds received in error and HM Revenue & Customs.

34. INTEREST RATE RISK (continued)

Interest Rate Repricing	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					
2021						
Assets						
Cash and balances at central banks	676,492	-	-	-	-	676,492
Money market funds	336,737	-	-	-	-	336,737
Loans and advances on demand to banks	100,238	-	-	-	-	100,238
Other loans and advances to banks	60,039	19,321	-	-	-	79,360
Loans and advances to customers	-	-	-	-	-	-
Derivative financial assets	1,628	13	-	-	-	1,641
Unsettled transactions	10,450	-	-	-	-	10,450
Accrued income	-	-	-	-	1344	1,344
Investment in debt securities	30,263	42,985	-	-	-	73,248
Investment in equity securities	-	-	-	-	382	382
Other assets*	-	-	-	-	7,142	7,142
Total assets	1,215,847	62,319	0	0	8,868	1,287,034
Liabilities						
Customer accounts	1,132,387	48,331	13,965	-	-	1,194,683
Derivative financial liabilities	7,519	150	-	-	-	7,669
Unsettled transactions	18,338	-	-	-	-	18,338
Other liabilities**	-	-	-	-	6,168	6,168
Provisions	-	-	-	-	32	32
Accruals	-	-	-	-	8,193	8,193
Shareholders' funds	-	-	-	-	75,150	75,150
Total liabilities	1,158,244	48,481	13,965	-	89,543	1,310,233
Interest rate sensitivity gap	57,603	13,838	(13,965)	-	(80,675)	(23,199)
Cumulative gap	57,603	71,441	57,476	57,476	(23,199)	(46,399)

* excludes non-financial assets such as transactions debited in error, corporation tax refund, and VAT refund.
**excludes non-financial liabilities such as funds received in error and HM Revenue & Customs.

34. INTEREST RATE RISK (continued)

Interest Rate Repricing

	£'000					
	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
1 January 2021						
Assets						
Cash and balances at central banks	677,864	-	-	-	-	677,864
Money market funds	52,738	-	-	-	-	52,738
Loans and advances on demand to banks	72,803	-	-	-	-	72,803
Other loans and advances to banks	83,287	49,807	18,762	-	-	151,856
Loans and advances to customers	-	-	-	-	-	-
Derivative financial assets	2,274	31	-	-	-	2,305
Unsettled transactions	18,272	-	-	-	-	18,272
Accrued income	-	-	-	-	802	802
Investment in debt securities	41,069	53,187	68,113	-	-	162,369
Investment in equity securities	-	-	-	-	154	154
Other assets*	-	-	-	-	6,972	6,972
Total assets	948,307	103,025	86,875	-	7,928	1,146,135
Liabilities						
Customer accounts	976,882	66,785	32,851	591	-	1,077,109
Derivative financial liabilities	12,494	1,017	-	-	-	13,511
Unsettled transactions	2,094	-	-	-	-	2,094
Other liabilities**	-	-	-	-	3,759	3,759
Provisions	-	-	-	-	138	138
Accruals	-	-	-	-	5,378	5,378
Shareholders' funds	-	-	-	-	66,169	66,169
	991,470	67,802	32,851	591	75,444	1,168,158
Interest rate sensitivity gap	(43,163)	35,223	54,024	(591)	(67,516)	(22,023)
Cumulative gap	(43,163)	(7,940)	46,084	45,493	(22,023)	(44,047)

* excludes non-financial assets such as transactions debited in error, corporation tax refund, and VAT refund.
**excludes non-financial liabilities such as funds received in error and HM Revenue & Customs.

Following a parallel shift in interest rates, CAB's net asset value and profit would change as follows:

Parallel Shift	2022 £'000	2021 £'000	1 January 2021 £'000
+ 200bp	18	23	(282)
- 200bp	(30)	(27)	(296)

35. CAPITAL MANAGEMENT

Capital risk is the risk that CAB has insufficient capital resources to meet the minimum regulatory requirements in all jurisdictions where regulated activities are undertaken, to support its credit rating and to support its growth and strategic options.

Capital risk management

As with liquidity and market risks the Assets & Liabilities Committee (ALCO) is responsible for ensuring the effective management of capital risk throughout CAB. Specific levels of authority and responsibility in relation to capital risk management have been assigned to the appropriate committees.

Externally imposed capital requirements

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

Capital risk is measured and monitored using limits set in relation to capital (Common Equity Tier 1 (CET1); Tier 1; and Total Capital) and leverage, all of which are calculated in accordance with relevant regulatory requirements.

CAB's regulatory capital consists solely of Common Equity Tier 1 (CET 1) capital which includes ordinary share capital, retained earnings, reserves and NCI after adjustment for foreseeable dividends and deductions for goodwill, intangible assets and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes.

CAB's capital plans are developed with the objective of maintaining capital that is adequate in quantity and quality to support CAB's risk profile, regulatory and business needs. As a result, CAB holds a diversified capital base that provides strong loss absorbing capacity and optimised returns. Capital forecasts are continually monitored against relevant internal target capital ratios to ensure they remain appropriate and consider risks to the plan including possible future regulatory changes.

In order to do so, the regulated trading subsidiaries calculate those capital requirements on a daily basis and, using a traffic light warning system based on an internal buffer, reports to the Assets & Liabilities Committee, or, should the need arise, the Board.

CAB manages its capital on a solo basis with no consideration of companies outside CAB.

CAB manages capital risk on an ongoing basis through other means such as:

- Stress testing: internal group-wide stress testing is undertaken to quantify and understand the impact of sensitivities on the capital plan and capital ratios arising from stressed macroeconomic conditions. Reverse stress testing is also performed to identify the extent of stress that could be survived before limits are breached. In addition to internal stress testing, CAB also undertakes stress tests required by regulatory authorities.
- Risk mitigation: as part of the stress testing process, actions are identified that should be taken to mitigate the risks that could arise in the event of material adverse changes in the current economic and business environment.
- Senior management awareness and transparency: Capital management information is readily available at all times to support CAB's executive management's strategic and day-to-day business decision making, as may be required.

CAB's capital strategy was unchanged from 2021 and 1 January 2021 respectively.

Full details of the capital adequacy requirements for each of CAB's regulated entities are provided in its Pillar 3 disclosures which can be found on the website of Crown Agents Bank Limited (www.crownagentsbank.com). These disclosures are not audited.

36. CLASSIFICATION OF FINANCIAL INSTRUMENTS

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

	2022 £'000	2021 £'000	1 January 2021 £'000
Financial Assets			
Measured at fair value through profit and loss			
Money market funds	**209,486**	336,737	52,738
Derivative financial assets - foreign exchange related contracts	**6,589**	1,641	2,305
	216,075	338,378	55,043
Measured at amortised cost			
Cash and balances at central banks	**607,358**	676,492	677,864
Loans and advances on demand to banks	**89,957**	100,238	72,803
Other loans and advances to banks	**91,691**	79,360	151,856
Loans and advances to customers	**4,748**	-	-
Investment in debt securities	**414,061**	73,248	162,369
Unsettled transactions	**12,960**	10,450	18,272
Other assets (excluding non-financial assets)	**12,522**	7,131	6,946
Accrued income (others)	**611**	613	370
	1,233,908	947,532	1,090,480
Measured at FVTOCI			
Investment in Equity securities	**488**	382	154

	2022 £'000	2021 £'000	1 January 2021 £'000
Financial Liabilities			
Measured at fair value through profit and loss			
Derivative financial instruments - foreign exchange related contracts	**4,565**	7,669	13,511
	4,565	7,669	13,511
Measured at amortised cost			
Customer accounts	**1,310,809**	1,194,683	1,077,109
Unsettled transactions	**25,782**	18,338	2,094
Other liabilities (excluding non-financial liabilities)	**6,069**	6,168	3,759
Accruals	**18,368**	8,193	5,378
	1,361,028	1,227,382	1,088,340

37. FAIR VALUE MEASUREMENTS

Fair value methodology:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Where available fair values are determined at prices quoted in active markets. In some instances, such price information is not available for all instruments and CAB applies valuation techniques to measure such instruments. These valuation techniques make maximum use of market observable data but in some cases, management estimate unobservable 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, CAB has classified its financial instruments that are measured at fair value into the three levels of the fair value hierarchy explained further below, based on the lowest level input that is significant to the entire measurement of the instrument:

Fair value hierarchy:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities

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.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivative financial instruments) 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 such an instrument are observable, the instrument is included in level 2.

Fair values of derivative financial instruments (foreign exchange contracts), money market funds, Investment in equity securities and Investment in debt securities are included in level 2.

Money market funds and exchange traded funds are valued at fair value based on the price a willing buyer would pay for the asset. Any gain or loss is taken through the profit and loss account. The money market funds include contractual terms such that they are traded at par until the total market value of the underlying instruments deviates from that par value by a certain amount (typically 20bps). The funds have each traded at par at all times since the initial investment by CAB.

The fair value of CAB's Investment in debt securities is determined by using discounted cash flow models that use market interest rates as at the end of the period.

Level 3 – Unobservable inputs for the asset or liability

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.

There were no transfers between fair value hierarchy level during the year (2021: nil, 1 January 2021: nil). There we no changes in valuation techniques used during the year (2021: nil, 1 January 2021: nil).

Financial assets and liabilities through FVTPL and FVTOCI are categorised at Level 2 Fair value hierarchy

	Valuation techniques	Inputs (including any significant unobservable inputs)
Financial Assets at Fair Value:		
Derivative financial assets	The Mark-to-Market ("MTM") calculation for FX Forwards is performed within CBS based on market inputs pulled from Reuters at the end of each trading day. CBS applies a straight-line interpolation calculation to derive the requisite forward points for each currency based on the maturity date of the transaction – these points are added to the spot rate to derive a revaluation rate.	- Reuters quoted spot rates and forward points
Investment in equity securities	Equity investment held in illiquid security. In order to undertake its business, CAB utilises the Swift payment system, the conditions of which oblige participants to invest in the shares of Swift, in proportion to participants' financial contributions to Swift.	The fair value is calculated annually based on price received from Swift and is approved annually at AGM.
Money market funds	Net asset value based on the valuation of the underlying level 1 investments.	Quoted market prices but not for identical assets
Financial Liabilities at Fair Value:		
Derivative financial liabilities	The MTM calculation for FX Forwards is performed within CBS based on market inputs pulled from Reuters at the end of each trading day. CBS applies a straight-line interpolation calculation to derive the requisite forward points for each currency based on the maturity date of the transaction – these points are added to the spot rate to derive a revaluation rate.	Reuters quoted spot rates and forward points

Financial assets and financial liabilities at fair value through profit or loss and at amortised cost

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

Any gain or loss is taken through the profit and loss account.

(a) Amounts recognised in profit or loss

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

	2022 £'000	2021 £'000
Revaluation of money market funds	**-**	(121)
Fair value gain on forward foreign exchange contracts*	**63,352**	29,360
	63,352	29,239

* The gain on the FX contracts typically offsets the gain / loss of a similar magnitude following the revaluation of non £ denominated assets / liabilities on the statement of financial position throughout the year.

(b) Fair values of financial assets that are measured at amortised cost

Apart from the fixed rate bonds, the carrying amounts of financial assets and liabilities measured at amortised cost are approximately the same as their fair values due to their short-term nature. The fair value of the fixed rate bonds is provided below.

(c) Impairment and risk exposure

Information about the impairment of financial assets, their credit quality and CAB's exposure to credit risk can be found in the accounting policy note for financial instruments (note 1(n)).

(d) Financial liabilities measured at amortised cost

The carrying amounts of financial liabilities at amortised cost are approximately the same as their fair values due to their short-term nature.

37. FAIR VALUE MEASUREMENTS (continued)

The valuation levels of the financial assets and financial liabilities accounted for at fair value are as follows:

Asset / Liability Type - 2022	Level 1 £'000	Level 2 £'000	Level 3 £'000
Financial Assets at Fair Value			
- Derivative financial assets	-	6,589	-
- Money market funds	-	209,486	-
- Investment in equity securities	-	488	-
Financial Liabilities at Fair Value			
- Derivative financial liabilities	-	(4,565)	-
	-	211,998	-

Asset / Liability Type - 2021	Level 1 £'000	Level 2 £'000	Level 3 £'000
Financial Assets at Fair Value			
- Derivative financial assets	-	1,641	-
- Money market funds	-	336,737	-
- Investment in equity securities	-	382	-
Financial Liabilities at Fair Value			
- Derivative financial liabilities	-	(7,669)	-
	-	331,091	-

Asset / Liability Type - 1 January 2021	Level 1 £'000	Level 2 £'000	Level 3 £'000
Financial Assets at Fair Value			
- Derivative financial assets	-	2,305	-
- Money market funds	-	52,738	-
- Investment in equity securities	-	154	-
Financial Liabilities at Fair Value			
- Derivative financial liabilities	-	(13,511)	-
	-	41,686	-

These are all recurring fair value measurements.

Fair value and carrying amount of Investment in debt securities

	£'000					
	2022		2021		1 January 2021	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value	Carrying Value	Fair Value
Fixed rate bonds						
- US Treasury Bills (excluding accrued interest)	**66,207**	**65,636**	7,642	7,528	90,519	99,677
- Other fixed rate bonds (excluding accrued interest)	**345,321**	**341,889**	65,265	65,320	71,049	62,172
- Accrued interest	**2,533**	**2,533**	342	342	801	801
At 31 December	**414,061**	**410,058**	73,249	73,190	162,369	162,650

Note: The fair values of the fixed rate bond are based on market quoted prices. They are classified as level 1 fair values in the fair value hierarchy due to the liquid nature of the bond holdings, having observable and transparent secondary market pricing

39. IFRS 1 FIRST TIME ADOPTION RECONCILIATION

The accounting policies set out in Note 1 have been applied in preparing the financial statements for the year ended 31 December 2022, the comparative information for the year ended 31 December 2021 and the opening IFRS statement of financial position as at 1 January 2021. CAB has adjusted amounts in the previous financial statements prepared in accordance with FRS 102 to comply with IFRS as adopted by the UK. An explanation of how the transition affected the CAB's financial position, financial performance and cash flows is set out in the following reconciliation and notes that accompany the reconciliation below.

The estimates at 1 January 2021 and at 31 December 2021 are consistent with those made for the same dates in accordance with FRS 102 (after adjustments to reflect any differences in accounting policies). The estimates used by CAB to present these amounts in accordance with IFRS as adopted by the UK reflect conditions at 1 January 2021, the date of transition to IFRS and as at 31 December 2021. Refer to note 1 for the accounting policy on the below areas.

The main areas of impact of adopting IFRS are summarised below:

A. Leases

CAB has lease contracts where it is a lessee for a property. Under FRS 102, leases in which substantially all the risks and rewards of ownership were retained by the lessor are classified as operating leases, otherwise they are classified as finance leases. On transition to IFRS, CAB only had operating leases, rental costs on operating leases were expensed in the income statement and there was no recognition of the associated assets or liabilities in the Statement of financial position. CAB does not have any lease contracts where it acts as a lessor.

Under *IFRS 16 Leases*, CAB has recognised a right-of-use asset and a lease liability in relation to the property lease, in its Statement of financial position. The Profit or Loss Account includes depreciation in relation to the right-of-use asset and a finance charge in relation to the lease liability. On transition to IFRS 16, CAB has adopted the modified retrospective approach permitted by the standard in which the lease liability was measured as present value of remaining lease payments discounted using incremental borrowing rate on the transition date and the right-of-use asset at amount equal to the lease liability adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the transition date. The weighted average incremental borrowing rate applied to the lease liability at the date of transition was 2.14%. Following the date of transition, lease liabilities and right-of-use assets for new leases are based on the appropriate discount rate at the date the new contracts are entered into. There was no dilapidation cost (restoration cost) added to the ROU. As a practical expedient, CAB excludes initial direct costs from the measurement of the right-of-use asset at the date of transition

As part of CAB's adoption of IFRS 16 an exercise was undertaken to assess whether contracts contain leases as defined by the standard. This has resulted in no changes to the population of contracts identified previously as leases under FRS 102.

CAB has applied the recognition exemption permitted by IFRS 16 in relation to low value leases.

B. Expected credit loss provision

Under FRS 102, provisions for credit losses on financial instrument assets are measured in accordance with an incurred loss model. As a result, credit losses are recognised only when there has been an incurred loss event. Under IFRS 9 Financial Instruments, credit losses are measured applying a forward looking, expected credit loss model. IFRS requires CAB to recognise an allowance for ECLs for all financial assets not held at fair value through profit or loss.

The credit loss provision on financial assets increased to £37k as at 1 January 2021 and remained at £37k as at 31 December 2021 with a corresponding expense in the profit or loss.

Financial guarantees, letter of credit confirmations / bill acceptances, and undrawn commitments - Expected credit loss provision.

Under FRS 102, financial guarantees, letter of credit confirmations / bill acceptances, and undrawn commitments are recognised off balance sheet as contingent liabilities and associated fees received in advance are accrued over the life of the products, no provisions for credit losses are recognised. Under IFRS, CAB elects to apply IFRS 9 (and not IFRS 4 Insurance contracts) in the treatment of its financial guarantees, letter of credit confirmations / bill acceptances, and undrawn commitments. It is not designated at fair value through profit or loss but instead measured at the higher of:

a. amount of loss allowance calculated in accordance with IFRS 9; and
b. premium received less cumulative amortisation of the premium to date (according to CAB's policy amortisation is calculated on straight-line basis until maturity of the contract). CAB Credit loss provisions are measured for these contracts in accordance with an incurred loss model.

The credit loss provision on financial guarantees, letter of credit confirmations / bill acceptances, and undrawn commitments increased to £138k as at 1 January 2021 and decreased to £32k as at 31 December 2021 with a corresponding expense in the Income statement.

C. Equity instrument as at fair value through other comprehensive income

Under FRS 102, CAB accounted for investments in unquoted equity shares as financial instruments measured at cost less impairment. Under IFRS, CAB has designated such investments as an equity instrument as at fair value through other comprehensive income. At the date of transition to IFRS, the fair value of these assets is £154k and their previous FRS 102 carrying amount was £126k. On date of transition the difference between the fair values of the equity securities and their carrying values under FRS 102 is recognised in equity. Subsequently, the fair value movement in investment in equity instruments are recognised in other comprehensive income as at 31 December 2021.

D. Deferred tax

The various transitional adjustments resulted in various temporary differences. CAB has to recognise the tax effects of such differences under IFRS. Deferred tax adjustments are recognised in correlation to the underlying transaction either in retained earnings or a separate component of equity.

At the date of transition, there was a £5k credit to accumulated losses in relation to deferred tax on the transitional adjustments to IFRS, in the year ended 31 December 2021, there was a £5k tax credit in relation to deferred tax on the transitional adjustment to IFRS in that year

E. Statement of cashflows

Under FRS 102, a lease is classified as a finance lease or an operating lease. Cash flows arising from operating lease payments are classified as operating activities. Under IFRS, a lessee generally applies a single recognition and measurement approach for all leases and recognises lease liabilities. In the Statement of Cashflows, CAB has classified:

- cash payments for the principal portion of lease payments as financing activities;
- cash payments for the interest portion as operating activities; and
- short-term lease payments and payments for leases of low-value assets as operating activities.

39. RECONCILIATION OF EQUITY AS AT 1 JANUARY 2021

	Note	FRS 102 as at 1 January 2021 £'000	Remeasurements	Reclassifications £'000	**IFRS as at 1 January 2021 £'000**
Assets					
Cash and balances at central banks	B	677,864	-	-	**677,864**
Money market funds		52,738	-	-	**52,738**
Loans and advances on demand to banks	B	72,809	(6)	-	**72,803**
Other loans and advances to banks	B	151,860	(4)	-	**151,856**
Loans and advances to customers		-	-	-	**-**
Derivative financial assets		2,305	-	-	**2,305**
Unsettled transactions		-	-	18,272	**18,272**
Accrued income	B	-	(1)	803	**802**
Investment in debt securities	B	162,370	(1)	-	**162,369**
Investment in equity securities	C	126	28	-	**154**
Other assets	B	25,530	(26)	(16,265)	**9,239**
Property, plant, and equipment		2,500	-	-	**2,500**
Right of use assets	A	-	1,065	-	**1,065**
Intangible assets		18,841	-	-	**18,841**
Prepayments and accrued income		3,022	-	(3,022)	**-**
Total Assets		1,169,965	1,055	(212)	**1,170,808**

Note: the Reclassifications are purely presentational.

39. RECONCILIATION OF EQUITY AS AT 1 JANUARY 2021 (continued)

	Note	FRS 102 as at 1 January 2021	Remeasurements	Reclassifications	**IFRS as at 1 January 2021**
		£'000	£'000	£'000	**£'000**
Liabilities					
Customer accounts		1,077,109	-	-	**1,077,109**
Derivative financial liabilities		13,511	-	-	**13,511**
Unsettled transactions		-	-	2,094	**2,094**
Other liabilities	D	7,684	(34)	(3,116)	**4,534**
Provisions	B		138		**138**
Lease liability	A	-	1,051	-	**1,051**
Deferred tax liabilities	D	-	5	819	**824**
Accruals	A	-	15	5,363	**5,378**
Accruals and deferred income		5,372	-	(5,372)	**-**
Total liabilities		1,103,676	1,175	(212)	**1,104,639**
Capital and reserves					
Called up share capital		41,200	-	-	**41,200**
Retained earnings		25,089	(143)	-	**24,946**
Investment revaluation reserve	C	-	23		**23**
Shareholders' funds		66,289	(120)	-	**66,169**
Total Equity and Liabilities		1,169,965	1,055	(212)	**1,170,808**

Note: the Reclassifications are purely presentational.

39. RECONCILIATION OF EQUITY AS AT 31 DECEMBER 2021

	Note	FRS 102 as at 31 December 2021 £'000	Remeasurements £'000	Reclassifications £'000	**IFRS as at 31 December 2021 £'000**
Assets					
Cash and balances at central banks	B	676,492	-	-	**676,492**
Money market funds		336,737	-	-	**336,737**
Loans and advances on demand to banks	B	105,592	(5)	(5,349)	**100,238**
Other loans and advances to banks	B	74,030	(19)	5,349	**79,360**
Loans and advances to customers		-	-	-	**-**
Derivative financial instruments		1,641	-	-	**1,641**
Unsettled Transactions		-	-	10,450	**10,450**
Accrued income	B	-	(1)	1,345	**1,344**
Investment in debt securities	B	73,249	(1)	-	**73,248**
Investment in equity securities	C	341	40	1	**382**
Other assets	B	19,902	(12)	(8,183)	**11,707**
Property, plant, and equipment		2,043	-	-	**2,043**
Right of use assets	A	-	761	-	**761**
Intangible assets		18,298	-	-	**18,298**
Prepayments and accrued income		3,646	-	(3,646)	**-**
Total Assets		1,311,971	763	(33)	**1,312,701**

Note: the Reclassifications are purely presentational.

39. RECONCILIATION OF EQUITY AS AT 31 DECEMBER 2021 (continued)

	Note	FRS 102 as at 31 December 2021 £'000	Remeasurements £'000	Reclassification £'000	**IFRS as at 31 December 2021 £'000**
Liabilities					
Customer accounts		1,194,681	-	2	**1,194,683**
Derivative financial instruments		7,669	-	-	**7,669**
Unsettled transactions		-	-	18,338	**18,338**
Other liabilities	D	26,194	(20)	(18,757)	**7,417**
Provisions	B	-	32	-	**32**
Lease liability	A	-	819	-	**819**
Deferred tax liabilities	D	-	8	392	**400**
Accruals	A	-	(22)	8,215	**8,193**
Accruals and deferred income		8,223	-	(8,223)	**-**
Total liabilities		1,236,767	817	(33)	**1,237,551**
Capital and reserves					
Called up share capital		41,200	-	-	**41,200**
Retained earnings		34,004	(87)	-	**33,917**
Investment revaluation reserve	C	-	33	-	**33**
Shareholders' funds		75,204	(54)	-	**75,150**
Total Equity and Liabilities		1,311,971	763	(33)	**1,312,701**

Note: the Reclassifications are purely presentational.

40. RECONCILIATION OF TOTAL COMPREHENSIVE INCOME AS AT 31 DECEMBER 2021

	Note	FRS 102 £'000	Remeasurements £'000	Reclassifications £'000	**IFRS as at 31 December 2021** **£'000**
Interest income					
- other interest receivable and similar income		539	-	(539)	**-**
- interest income calculated using Effective Interest Rate (EIR)		-	-	2,705	**2,705**
- other interest income and similar income		3,046	-	(3,045)	**1**
Interest expense	B	(1,377)	(20)	(13)	**(1,410)**
Net interest income		2,208	(20)	(892)	**1,296**
Gain on money market funds		-	-	3	**3**
Net gain on financial assets mandatorily held at fair value through profit or loss		-	-	889	**889**
Fees and commission income		11,755	-	-	**11,755**
Net foreign exchange gain		39,133	-	-	**39,133**
Revenue, net of interest expense		53,096	(20)	-	**53,076**
Write off of doubtful debts		(38)	-	38	**-**
Other income		347	-	-	**347**
Total income, net of interest expense		53,405	(20)	38	**53,423**
Operating expenses	A, B	(37,122)	(17)	(5,649)	**(42,788)**
Amortisation		(4,775)	-	4,749	**-**
Depreciation		(836)	-	836	**-**
Impairment		-	-	-	**-**
Net impairment loss on financial asset at amortised cost	B	-	106	-	**106**

40. RECONCILIATION OF TOTAL COMPREHENSIVE INCOME AS AT 31 DECEMBER 2021 (continued)

	Note	FRS 102	Remeasurements	Reclassifications	**IFRS as at 31 December 2021**
Profit / (loss) before taxation		10,672	69	-	**10,741**
Income tax expense	D	(2,014)	(13)	-	**(2,027)**
Profit for the financial year		8,658	56	-	**8,714**
Other comprehensive income for the year:					
Items that will not be reclassified subsequently to profit or loss:					
Movement in investment revaluation reserve for equity instruments at FVTOCI	C	-	12	-	**12**
Income tax relating to these items	D	-	(2)	-	**(2)**
Other comprehensive income for the year net of tax		-	10	-	**10**
Total comprehensive income for the year		8,658	66	-	**8,724**

41. EVENTS AFTER THE REPORTING PERIOD

There are no events after the reporting period requiring disclosure or further adjustments to the financial information.

42. BOARD APPROVAL

The Financial Statements for the year ended 31 December 2022 were approved by the Board of Directors and authorised for issue on 19 April 2023.

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