Crown Agents Bank

Moving money where it's needed

Crown Agents Bank Limited (2334687)

Annual Report and Financial Statements

For the year ended 31 December 2023

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Chair's Report for the year ended 31 December 2023

I am delighted to present Crown Agents Bank Limited ("the Company" or "CAB") annual results as part of a listed group. CAB has a rich history and a recent track record of strong growth. The business specialises in moving crucial funds into developing countries, whose growth and future welfare depend on it.

CAB can trace its history back at least two hundred years and has become a vital part of a financial support eco-system. In 2023, CAB moved around £9.3 billion to developing economies to support humanitarian aid, financial inclusion and remittance flows to local populations.

2023 was a very eventful year for CAB following the listing of its parent company, CAB Payments Holdings plc, on the London Stock Exchange on 11 July 2023. The tremendous effort that went into generating the strong growth this year was somewhat overshadowed by events late in the year in two of our larger markets. This was personally extremely disappointing. However, CAB grew its total income, net of interest expense by 25% this year, an excellent result under any other circumstances, and a great springboard for future success.

Our customers include some of the world's most important aid organisations and many key central banks from developing nations. Feedback consistently shows that these blue-chip customers fully understand the financial strength of CAB, greatly value the service we offer and continue to be comfortable placing their trust in us to move their money safely and securely. We never take these relationships for granted and continue to work hard to make them even stronger.

We remain focussed on delivering the potential of CAB and are very confident about the value this business is uniquely positioned to create.

Board and Governance

Following the Listing of the parent company, CAB- Payments Holdings plc, in July 2023, the Board structure has remained stable and meetings have been both regular and formal and ad hoc and informal. The Board is fully engaged in the performance of the bank and the non-executive members of the Board seek to maintain direct contact with all the members of the Executive team, to ensure they get a broad and accurate view of the current challenges and opportunities and to hear any concerns or suggestions each individual has to offer.

I am pleased that the Board makeup is diverse, with a 54.5% female representation at year-end and an impressive range of skills, experience and backgrounds. I do believe we can continue to improve as we move forward to ensure we have an even broader range of cultural and geographic backgrounds, with a specific focus on the markets we serve.

In February 2024, we announced that Neeraj Kapur will succeed Bhairav Trivedi as Chief Executive Officer, subject to regulatory approval. The Board would like to express their sincere gratitude to Bhairav, and we are delighted he will continue to represent the bank as a senior adviser to the Board. We welcome Neeraj to CAB. He is a very experienced finance professional and will bring a new perspective to CAB. Once approvals are complete, Neeraj will replace Bhairav as an executive member of the Board.

Capital Allocation

CAB has significant potential for superior growth into the medium- to long-term, and this will be achieved through the successful execution of our plans. This will require continued investment in our operations, our capabilities, our network and our product development – we will do nothing to endanger this. However, CAB generates healthy profits and cash flow and we are confident this will continue. By taking advantage of the growth opportunities ahead and pursuing active cost management and a capital light business model, CAB expects to continue to generate significant free cash flow.

Chair's Report for the year ended 31 December 2023 (continued)

We currently anticipate that the majority of the growth will come through a consistent capturing of market share in current and new geographies, with an aggressive organic approach.

The Board will actively manage capital allocation with an emphasis on growth, but will also consider distributions to its shareholder at the appropriate time, always seeking to make the right choice to maximise long-term and sustainable shareholder value.

Looking forward

CAB is a leader in a very attractive niche. Being able to safely, rapidly and cost-effectively move funds around the world within the confines of a complex regulatory environment can be a daunting task, and it is one best left to the experts. CAB are experts. Compliance is central to the business model, and we are exceptionally proud of our UK banking licence; this sets us apart from the competition and gives customers and prospective customers an indication of the attention to detail and level of service they can expect from us.

Our people are key to our success, and we have great people. Their hard work and total dedication during a period of continued growth is a testament to their abilities, their experience and their talents. I wish to thank them on behalf of the Board.

I, and your Board, remain very positive about the future. We will focus on building trust and confidence in all our stakeholders, and on delivering on the promises we have made.

I want to finish by thanking all our stakeholders, for their continued support.

A Cairns

Ann Cairns

Chair

3 April 2024

Strategic Report for the year ended 31 December 2023

Chief Executive Officer's report

Strategic context

CAB is a market leader in business-to-business cross-border payments and foreign exchange. CAB has a high quality and growing customer base, made up of G10 government entities, some of the world's best known international development organisations, global remittance companies, emerging markets financial institutions and, increasingly, major market banks with a global presence. CAB is a significant and growing operator in a large and expanding market and has excelled to this point due to the strength of its financial and technology network, along with strong global relationships, with both partners and clients.

While CAB is very capable in developed markets and more than half its volume is transacted in these currencies, its core advantages are most pronounced in hard-to-reach emerging and frontier markets, with a particular current emphasis on Africa. Continued success is dependent on a clear focus on what we do best, providing an unrivalled and cost-efficient service, and expanding our product set and geographic reach, in response to customer demands.

CAB Payments has a number of significant growth drivers underpinning its long-term development:

- Large addressable market undergoing a shift to specialist providers;
- High-quality, diverse client base;
- Global network and infrastructure; and
- Multi-channel emerging market platform.

All of this allows us to move money where it is needed, resulting in a positive global impact.

Research supports the CAB's view that the market for cross border payments is shifting from traditional global banks to specialist providers like CAB. This provides a tailwind and an opportunity. CAB expects to grow from here by exploiting this transition, increasing its client base rapidly through new sales channels, gaining market share and strengthening its presence in additional geographic currency destinations to diversify its income streams.

Business Performance and Key Performance Indicators (''KPI'')

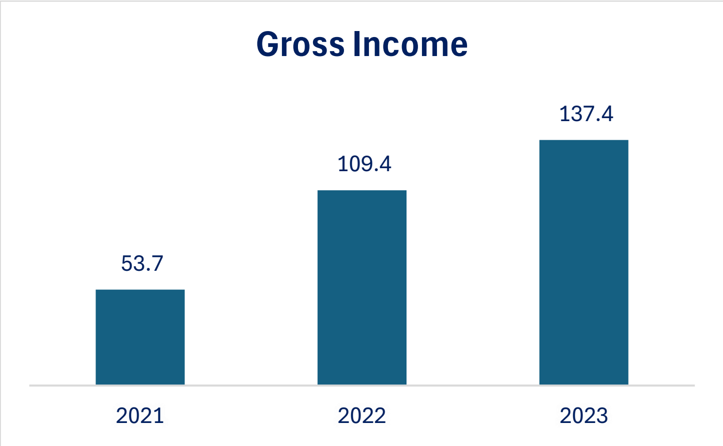
2023 was another year of strong growth for CAB. While we recognise the business did not deliver as we had anticipated in the second half of the year, it was still in absolute and relative terms a good performance, with healthy growth in income and profit, and sets CAB up well for further growth in 2024 and beyond.

Strategic Report for the year ended 31 December 2023 (continued)

Chief Executive Officer's report (continued)

Business Performance and Key Performance Indicators (''KPI'') (continued)

Income growth in the business and in Payments and FX



In the year CAB's gross income[1] was ahead of the previous year by 26% at £137.4 million (2022: £109.4 million). Within this, we did experience some weakness in the second half of the year, particularly in the fourth quarter, with interventions in two of our key currency corridors and the Naira corridor significantly down year-on-year. Naira income was down in 2023 to £18 million, with £15.2 million of this coming in the first half, from £27.5 million in the prior year. This was more than offset by the increase in net interest income and gains on money market funds, which combined delivered £32.5 million in the year, up from £10.4 million in 2022.

Importantly, the transactional Wholesale FX and Payments FX revenue grew by 7% year-on-year to £88.7 million (2022: £82.7 million). The growth rate, excluding the Naira, which experienced well-documented elevated conditions in 2022, would have been 28%.

Robust profitability and cash flow generation

EBITDA[2] was up by 25% in 2023 to £63.9 million (2022: £51.0 million), with growth in top line income and reduced non-recurring items, more than offsetting the increase in operating costs. Excluding non-recurring items, the Adjusted EBITDA[3] came in at £66.1 million, up 17% (2022: £56.3 million). Reported profit after tax from continuing operations in the year was up 25% at £42.8 million (2022: £34.3 million).

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[1] Gross income is defined as total income, net of interest expense.
[2] EBITDA is defined as Profit before Tax and IFRS16 lease liability interest, depreciation and amortisation.
[3] Adjusted EBITDA is defined as EBITDA before non-recurring operating expenses.

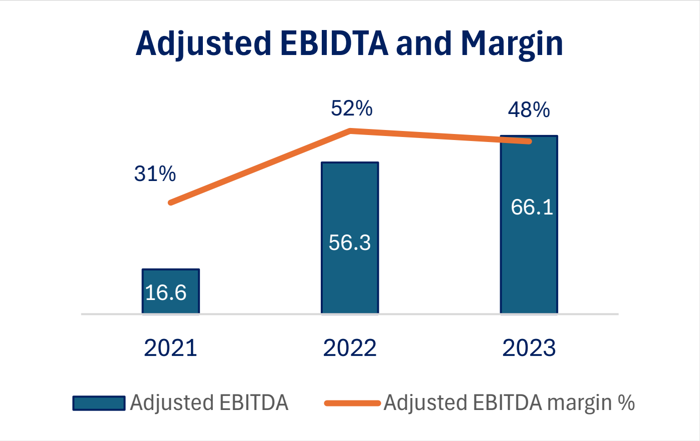
Strategic Report for the year ended 31 December 2023 (continued)

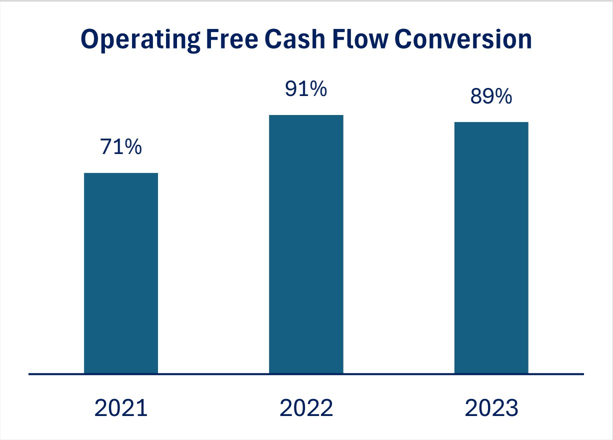
Chief Executive Officer's report (continued)

We continued to invest in the business throughout the period, reflecting our confidence in the growth potential of CAB over the medium term. Operating costs, excluding non-recurring costs, were up by 30 % at £77.2 million, primarily due to increased headcount and investments in enhancing our product suite and network. Capital Expenditure in the year was £7.1 million (2022: £4.7 million).

Reconciliation of Profit before tax to EBITDA and Adjusted EBITDA

	2023 £'000	**2022 £'000**
Profit before taxation	**57,497**	**44,702**
Adjusted for:		
Interest expenses on lease liabilities	65	19
Amortisation	5,081	5,121
Depreciation	1,240	1,137
EBITDA	**63,883**	**50,979**
Non – recurring operating expenses	2,254	5,332
Adjusted EBITDA	**66,137**	**56,311**





Adjusted EBITDA has seen a rapid increase across 2021 and 2022 followed by a slow down in 2023, which was primarily due to the normalisation in NGN revenue resulting in a reduction in revenue growth. Adjusted EBITDA margin has reduced 3% year on year, reflective of the lower than anticipated H2 revenues against the back drop of ongoing investment in people and systems.

Operating Free Cash flow Conversion remains very strong and above our mid term target of >80%. Year on year reduction driven by increased level of capital expenditure, as anticipated, as the Business continues to invest in its infrastructure to support future revenue growth.

Strategic Report for the year ended 31 December 2023 (continued)

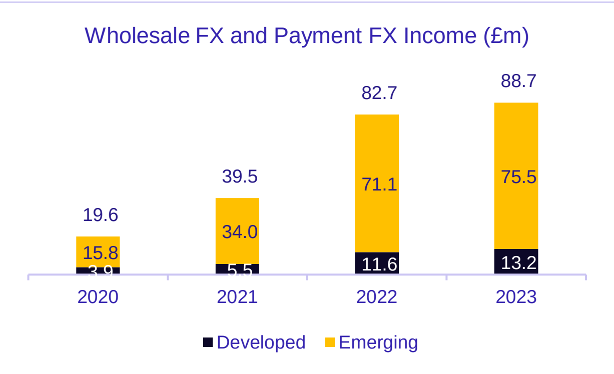
Chief Executive Officer's report (continued)

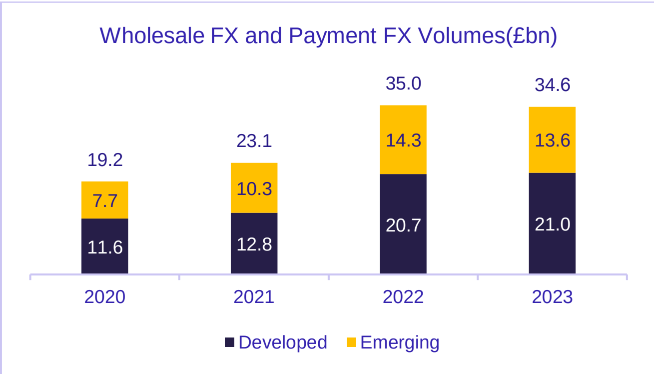
£m unless stated otherwise	**Twelve Months Ended 31 December**		**Year on Year growth**
	FY23	**FY22**	**%**
Gross Income[1], of which:	137.4	109.4	26%
Wholesale FX and Payments FX exc. NGN	70.8	55.2	28%
Wholesale FX and Payments FX NGN	18.0	27.5	(35)%
Other Payments Income	14.4	14.3	0%
Banking Services and Other Income	34.2	12.4	178%
Adjusted EBITDA margin	48%	51%	(3) ppts
Operating Free Cash Flow	58.6	51.4	14%
Operating Free Cash Flow Conversion	89%	91%	(3) ppts

Wholesale FX and Payments FX Income

Wholesale FX and Payments FX income, excluding NGN, grew by 28% year-on-year to £70.8 million (2022: £55.2 million). Although this reflects strong growth it is lower than expected principally impacted by a variety of central bank directives issued in the year across a number of our key currencies.

Despite these disruptions, our volumes remained broadly flat versus 2022, with income growth arising from higher margins in almost all regions. Our average take rate increased to 26bps in 2023 from 24bps in 2022, reflecting our competitive access to liquidity over competitors. Since 2020 our Emerging Markets take rate has increased steadily over time as improvements in our liquidity provider network, market position and product mix have driven sustainable growth.





Other Payments Income

Our total payments income primarily consists of Payments FX, Banking Payments and income generated from Mobile Payments. Banking Payments reflects income from providing access to USD, GBP and EUR payment and clearing services. In 2023, excluding Payment FX, CAB generated £14.4 million from these income streams, which is in line with 2022.

Strategic Report for the year ended 31 December 2023 (continued)

Chief Executive Officer's report (continued)

Banking Services and Other Income

Other income, which mainly represents net interest income, and Trade Finance for the reporting year was £34.3 million, up from £12.4 million for the prior period. Net interest income is earned from investment of clients' deposits and own cash into high-quality liquid assets and in 2023 generated £31.7 million compared with £10.1 million from the prior period with the increase reflecting the impact of Federal Reserve and Bank of England interest rate rises. This income line is expected to continue to reflect movements in these rates.

Operating Expenses

£m	Twelve Months Ended 31 December		Year on Year growth
	FY23	**FY22**	**%**
Staff Expenses (exc non recurring expenses)	43.3	32.0	35%
Other Operating Expenses	27.6	20.7	33%
Depreciation and Amortisation	6.3	6.3	0%
Non-recurring Operating Expenses	2.3	5.3	(57)%

The business continues to invest to deliver ongoing revenue growth. The investment is predominantly in headcount, with a focus on increasing the Sales force, Risk and Controls, Operations and IT capabilities.

Staff costs (excluding non-recurring staff costs) have increased 35% to £43.3 million, reflecting the impact of higher headcount, with a higher average number of permanent employees in 2023 of 303 Full-Time Equivalent ("FTE") versus 214 FTE in 2022, higher number of short-term staff, increasing by 10 FTE from 20 FTE in 2022, and following the annual pay review, which includes performance and inflationary salary increases.

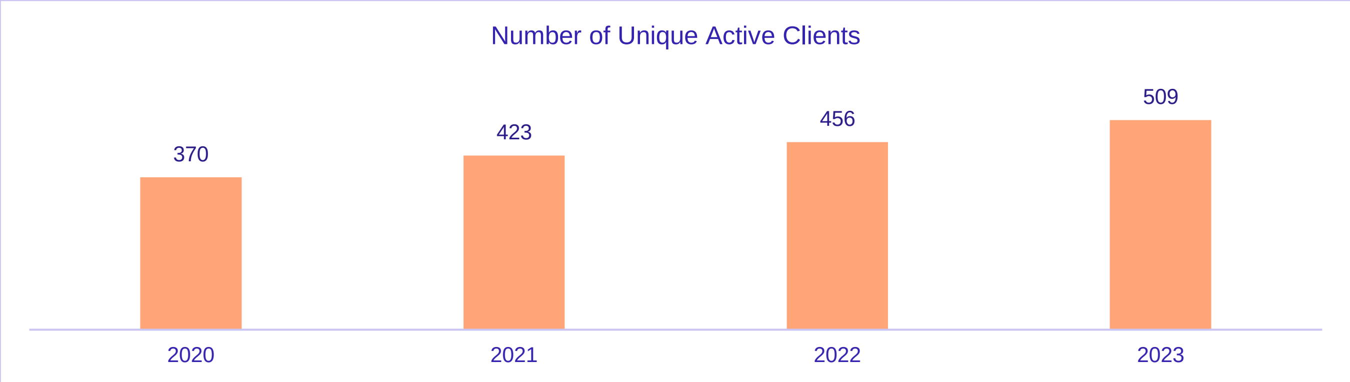
Other operating expenses rose by £6.9 million to £27.6 million, driven by increased spend on recruitment fees, software licences and support costs, an uplift in audit fees and higher professional fees supporting expansion plans in the US.

Strategic Report for the year ended 31 December 2023 (continued)

Chief Executive Officer's report (continued)

Stable business model focussed on areas of commercial advantage

CAB continued to extend its customer and network reach during the year. This extension will, over time, provide a greater level of diversification and growth potential and reduce the risk of a single event significantly impacting financial performance. In the year CAB added 83 new clients, of which around half were active in the year, bringing the total number of active clients to 509 (2022: 456).



Even allowing for the fact that a number of customers onboarded late in the year wouldn't be expected to be active until 2024, the revenue contribution from new customers was below historic averages. We are restructuring the onboarding and activation process to address this and remove any friction from the early stages of the customer journey.

We continued to extend our network reach during 2023 – this is a clear differentiator for CAB in being able to deliver a cost effective and reliable service to our customers, who place an incredible degree of trust in us. In the year we increased the number of banking partners, including nostro accounts, liquidity providers and payment partners, by 44 to 331.

These partnerships allow us to move customer funds quickly and reliably and to retain full control of the journey. We are seeking to further deepen our network of nostros in geographic regions where complexity and market size provide an opportunity for CAB or where our customers require our solutions. CAB's credibility and trust is underpinned by our UK banking licence, and this provides us with an advantage in developing relationships in other geographic regions.

Strategic Report for the year ended 31 December 2023 (continued)

Chief Executive Officer's report (continued)

The nature of maximising the impact of our competitive advantages, built up over many years, means there is regional concentration in the revenue delivery. CAB specialises in regions where regulations are constantly developing and where there is a level of uncertainty. This is part of the reason why there is an ongoing market share shift from global banking institutions to specialist providers like CAB and provides the opportunity for higher margins and future volume growth.

In recent years, the Nigeria Naira ("NGN") has delivered a disproportionate degree of FX and payments revenue, due to CAB's inherently strong position in this market. Although this continued into the first half of 2023, the NGN represented less than 7% of core transactional revenue in the second half of the year, returning to a level more in line with medium term expectations.

There were negative surprises in the fourth quarter of the year for two important currencies for the business, the Central African franc ("XAF") and the West African franc ("XOF"). The central banks in these regions intervened, in different ways, in an effort to support the currencies and shore up the foreign currency reserves. These interventions had the effect of significantly reducing the revenue towards the end of the year from XAF and XOF, during a period when we were forecasting significant strength in both currencies, causing CAB to reduce its revenue estimates for 2023.

Looking forward

We look forward to 2024 with confidence and expect another year of income growth. This will be underpinned by further investment in our sales capabilities, increased share from the current client base, a concentration on the activation of new clients onboarded in 2023, and the development of additional currency corridors and partnerships.

We are in the final stages of obtaining our EU licence and expect our US licence to be granted in the second half of this year. These licences will open up significant additional sales channels for CAB among high-quality development organisations and remittance providers who move considerable sums into our key markets. Building out offices in these regions will have the added advantage of placing salespeople in closer proximity to major market banks in both geographies, where cultural or language similarities can be important in the sales process. As mentioned, as well as new potential clients, we have some sizeable clients we have already signed up who haven't yet carried out their first transaction; we will seek to guide them rapidly and smoothly through the activation process. And our concentration on continually improving our service to current clients remains a focus, where our net revenue retention remains well in excess of 100%.

We did finish 2023 on a disappointing note, with negative surprises in two of our important markets. While we are not dependent on a short-term recovery here, we expect these to be important markets for us over the medium term. These changes highlighted a requirement for CAB to be increasingly proactive and influential at the highest level across the world, not only predicting change, but helping to shape effective regulation in the markets we serve.

Strategic Report for the year ended 31 December 2023 (continued)

Chief Executive Officer's report (continued)

It is also evident to us that CAB's capabilities are ahead of its profile, and we consistently receive feedback from new clients that we outperform their expectations. Going forward, I will dedicate my time to raising the understanding of CAB Payments globally, once I hand over the reins as CEO to Neeraj Kapur over the next couple of months. I will do my utmost to ensure global central banks, regulators, large money movers and senior industry participants better understand and recognise just how much of a force for good CAB is. Success here will underpin the profitable growth and value we expect to continue to deliver for all our stakeholders.

Bhairav Trivedi

Chief Executive Officer

3 April 2024

Strategic Report for the year ended 31 December 2023 (continued)

Background

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 2023. Although it is a UK-regulated bank, CAB is not a traditional lending institution, and instead moves large interbank flows. 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 Application Programming Interface (API) and Graphical User Interface (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 – CAB's Empower FX, or GUI – CAB's EmpowerFX, 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.

Strategic Report for the year ended 31 December 2023 (continued)

2023 in Summary

2023 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. Total income, net of interest expense increased by 25.6% to £137.4million (2022: £109.4million) and Profit Before Taxation remained healthy at £57.5million (2022: £44.7million). 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. 2023 saw our revenues with existing clients grow both from their underlying growth but also from them bringing new business;
- ***Large, fast-growing market:*** 2023 saw a continuation in the shift from banks to specialists in emerging markets payments;
- ***Well-invested tech platform purpose-built for emerging markets:*** *2023* 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 2023 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 2023.

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.

Market

CAB is in a large, fast-growing market undergoing favourable structural shifts. CAB facilitates less than 1% of global flows into emerging markets. 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. CAB has 171 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 332 approved regular trading partners for emerging market foreign exchange. This means that even large tickets are subject to competition. We have grown from 139 to 171 local bank accounts in 2023, despite having closed various bank accounts where services levels were not adequate to our exacting standards.

Strategic Report for the year ended 31 December 2023 (continued)

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 FX 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.

2023 has been a year of consolidation for our EMPower FX gateway and proof of our payments gateway. 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 2023 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 2023 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")

Refer to CEO's report.

Strategic Report for the year ended 31 December 2023 (continued)

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

In 2023, a pivotal year for our business, our holding company CAB Payments Holdings PLC, listed on the London Stock Exchange and we embarked on the next phase of our ESG journey. This report serves as an account of the strategic initiatives, undertaken before and during this transformative period and a reflection of our commitment to sustainability and responsible corporate citizenship.

CAB has achieved significant milestones, namely securing EcoVadis Gold Sustainability Rating for second consecutive year, obtaining B Corp certification, and publicly disclosing a target to be net zero by 2050. *B Corp Certification is a prestigious designation that recognises organisations meeting the highest standards of verified social and environmental performance, public transparency, and legal accountability. This was a key part of navigating the ESG evolution for CAB during our recent transition to a PLC.* These external verifications validate our ongoing efforts to integrate sustainable practices across our business. Internally we have also made significant progress during 2023, for example establishing an ESG Board Sub Committee to advise the board on ESG matters and launching an ESG reporting framework to facilitate increasing disclosure requirements. Details on these topics will be expanded on across this report.

Looking ahead to 2024, CAB's aspirations for ESG are ambitious. We are focused on continuing to drive ESG value throughout our organisation and working with our B Corp framework to implement better practice. Specific plans include the formulation of a comprehensive net-zero roadmap, a comprehensive refresh of our materiality assessment, and the implementation of comprehensive ESG training initiatives across the entirety of our business. Furthermore, we aim to enhance our communication strategies to convey the ESG value embedded within CAB, our commitment to sustainability, as well as our dedication to making a positive impact on the environment, society, and corporate governance.

We invite you to explore our ESG initiatives and join us in shaping a more sustainable and responsible future.

"It's been an extraordinary year of transformation and progress, CAB is set on its sustainability and corporate responsibility journey, building on a strong foundation and determined to travel the distance. Our listing on the London Stock Exchange and B Corp certification underscore our unwavering commitment to business growth and ESG"

Bhairav Trivedi –CEO

2023 ESG Highlights

- CAB Payments PLC gained B-Corp Certification
- EcoVadis Gold Rating awarded for the second year running
- Strong diversity: 40% female and 48% ethnically diverse employees across the business
- Board gender composition: 54.5% female at year-end
- Carbon neutral since 2019
- All reported environmental data was externally verified
- Dedicated Board ESG sub-committee established
- OnHand Partnership – Developing community Engagement
- Banker Article – Becoming a B Corp Link to Article
- Donation partners – Street Child, PEAS, And Royal Marsden Cancer Charity

Strategic Report for the year ended 31 December 2023 (continued)

Future Developments

In 2024 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 intends to further globalise, expanding sales and trading coverage to get more localised client support and ultimately 24 hour trading capabilities.

Strategic Report for the year ended 31 December 2023 (continued)

S172 Companies Act 2006

The Companies Act 2006 (the 'Act') requires the Annual Report to provide information that enables our stakeholders to assess how the Directors of CAB have performed their duties under section 172 of the Act.

The Act provides that the Directors must act in a way that they consider in good faith and would be most likely to promote the success of CAB for the benefit of shareholders as a whole.

In doing so, the Directors must have regard, amongst other things, to the following factors:

i. The Likely Consequence of any Decision in the Long Term

It is critical for the Board to understand and balance the needs, interests and expectations of our key stakeholders so that it can work to ensure that CAB achieves its purpose. Supporting the decision by the majority shareholder of our ultimate UK holding company to IPO reflects our commitment to the long- term success of CAB, realising our vision to connect emerging markets to the world using finance and technology and supporting the movement of money where it is needed.

Now in the third phase of the CAB's long-term strategy launched in 2016, the Board uses its combined experience in global markets to provide key support for launching activities in European and US markets. The Board recognises that competing stakeholder views can appear contradictory, but by giving consideration not only to areas where there is agreement, but also developing consensus where there is difference, CAB can realise its ambitions and grow long-term value for all stakeholders.

ii. The Interests of the CAB's Employees and Other Stakeholders

As a Board, we understand the importance of a motivated workforce to the long-term success of CAB. When making decisions, we as a Board have had regard to the interests of CAB's employees, as well as the interests of wider stakeholder groups.

Our colleagues are key to our success, and they are always considered as part of the Board's discussions and decision making.

The Board engaged with the workforce in a number of ways throughout 2023, including speaking at 'town hall' meetings and at events to celebrate CAB events such as the achievement of B Corp status and global events such as Chinese New Year and International Women's Day.

Following discussions, the Board has agreed to designate a Non-executive Director to lead engagement with the workforce; Susanne Chishti has volunteered to fulfil this role and will be undertaking a programme of engagement in 2024.

Feedback will be provided to the Board after each formal engagement meeting to discuss any topics raised at relevant Board and Committee meetings.

We recognise the importance of our employees' hard work towards all our goals. Following our ultimate parent's successful IPO, the Board approved a range of new share plans to retain and motivate current employees and attract new talent. We also regularly engage with our employees on all CAB Payments-related matters.

Strategic Report for the year ended 31 December 2023 (continued)

S172 Companies Act 2006 (continued)

iii. The Need to Foster CAB's Relationships with Suppliers, Clients and Others

The Board appreciates and values the suppliers that support CAB in a wide range of activities including recruitment, compliance, marketing, technology and facilities management. Executive management engages regularly with existing suppliers to ensure open dialogue and to maintain relationships, while conducting due diligence and receiving feedback from suppliers. The Board is briefed on new and updated supplier-related policies, including the delegation of authorities and developments in CAB's approach to procurement generally. The Board recognises that the greater our understanding of our clients' needs, the better we can support them to achieve their aims and succeed in our purpose and strategy. By engaging with clients and potential clients, CAB can form an understanding of why clients do business with us and how we can drive meaningful improvements. The Board receives regular updates from executives on new client pipeline and onboarding, along with reports on operational strategies to enhance client experience across CAB's offerings.

iv. The impact of operations on the community and the environment

The Board recognises the importance of using business as a positive force for good, and to build ethical and sustainable business practices and operations. The decision to apply for B Corp certification reflects the commitment of the Board to the highest standards of verified social and environmental performance, public transparency, and legal accountability.

Although as a Board, we continually monitor the ESG strategy and oversee progress against sustainability-related goals and commitments, the formation during 2023 of a sub-committee of the Board to directly oversee ESG issues acknowledged the place of these matters at the heart of our values.

v. The desirability of CAB maintaining a reputation for high standards of business conduct

The Board acknowledges its responsibility for setting and monitoring the culture, values and reputation of CAB. Our colleagues are central to us achieving this ambition and we're building a culture where our colleagues can be their best.

In January 2023, we appointed the Chair of the Audit Committee, Karen Jordan, as our Whistleblowing Champion, taking on responsibility for ensuring and overseeing the integrity, independence and effectiveness of CAB's policies and procedures on whistleblowing. This appointment provides another avenue for employees to report concerns as to the conduct of the business, alongside the Compliance team and an external, confidential, whistleblowing telephone line.

Also in 2023, CAB launched a vendor Code of Conduct, which includes an ESG framework which all our suppliers will be required to align with. This will enable CAB to measure and monitor our supply chain and ensure that we align work with partners who share our core values.

vi. The need to act fairly for all our members

CAB has one shareholder. The majority of the directors of the shareholder are also directors of CAB and therefore are closely involved in the decision-making process.

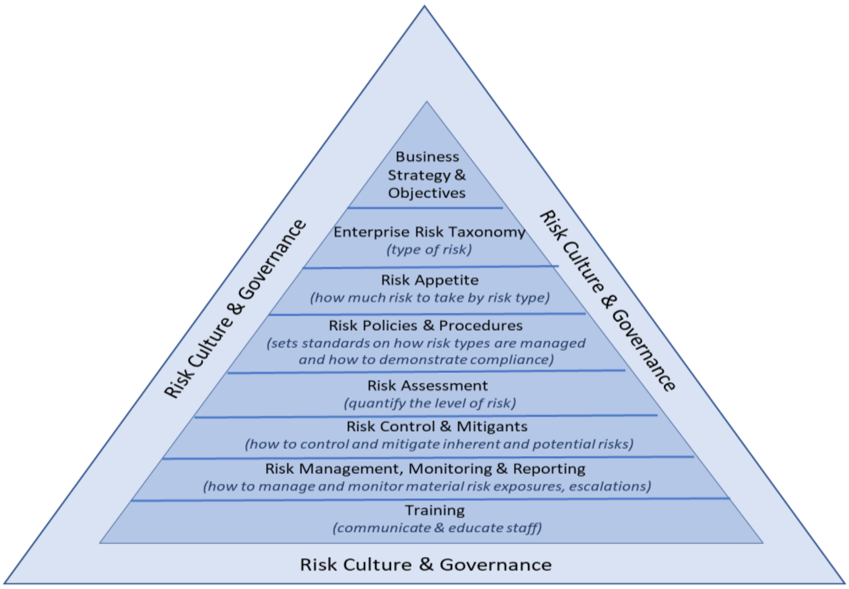
vii. Decisions Made During the Year

All decisions made by the Board are subject to the submission of quality, appropriate information by way of Board papers, provided to the Board in a timely manner. Our Board meetings are structured in such a way to allow sufficient time to dedicate to all topics. When making decisions, each Director ensures that they act in a way they consider, in good faith, would most likely promote CAB's success for the benefit of its shareholders, and has due regard (among other matters) to the factors set out above.

Strategic Report for the year ended 31 December 2023 (continued)

Principal risks and uncertainties

This diagram outlines the key components of the CAB risk framework.



The foundation of CAB's risk management is CAB's Enterprise Risk Management Framework (ERMF). In concert with the relevant architecture (e.g. risk taxonomy, risk appetite etc.,) it ensures that risk is suitably identified, assessed, monitored, managed and mitigated within CAB.

The taxonomy allows CAB to construct and calibrate its risk appetite statements (RASs) and tolerance limits (TLs) that quantify, by risk type, how much risk CAB is willing to accept under Business as Usual (BAU) and stress conditions, in order to achieve CAB's business strategy and objectives. These are constructed with due regard to the organisation's risk appetite, to align both strategy and risk.

CAB's risk team has created a broad suite of policies and procedures to link the operating standards and practices with the business strategy and risk appetite. These tools include assurance activities, risk mitigation, controls, and robust reporting and governance, based on the risk framework of identification, assessment, management, and reporting of risk.

The outcomes of the team's regular risk assessments and monitoring form a feedback loop, against which to gauge our risk appetite thresholds, and whether they are still applicable or need adjustment. At least once per calendar year, the team reviews the business strategy, risk framework and its associated component parts, refining them where needed and ensuring a timely assessment of current and emerging risks.

Strategic Report for the year ended 31 December 2023 (continued)

Principal risks and uncertainties (continued)

Risk Culture

The Board and the executive management is responsible for establishing and embedding a culture of risk awareness and a strong internal control environment.

We achieve this with leaders who set the tone from the top, strongly supported by governance structures, clear definitions of responsibilities, performance management and regular communications that reinforce appropriate behaviours and corporate values.

Equally, all staff have a role to play in driving a positive risk culture through their overall vigilance and motivation, and an innate desire to identify, manage and communicate risk-related issues, including escalation and resolution as appropriate.

All our people need to:

- understand the risks relating to their role and activities, including any relevant policies, processes and procedure documents;
- take on board how successfully managed risks can help them achieve their objectives;
- be accountable for particular risks and how they can manage them; and
- report systematically and in a timely manner on emerging risks, near-misses, incidents, control failures and improved business practices.

Our risk culture is further reinforced by the responsibility of the business to own and manage risk in accordance with the 'three lines of defence' principle, and the ERMF.

Strategic Report for the year ended 31 December 2023 (continued)

Principal risks and uncertainties (continued)

Governance of risk

Each has representatives from the second line of defence providing oversight and challenge, as required:

Committee	Risk Type Covered
Asset-Liabilities Committee (ALCO)	Capital adequacy, liquidity, funding and market risk
Credit Risk Committee (CRC)	Credit
Operational Risk Committee (ORC)	Operational (excl. people risk)
Financial Crime Risk Committee	Financial crime
Lifecycle Committee	Reputational and client risk

Strategic Report for the year ended 31 December 2023 (continued)

Principal risks and uncertainties (continued)

Three lines of defence

CAB operates a tripartite risk governance framework, generally known as the lines of defence model, which distinguishes between risk management and oversight. The approach provides clear and concise separation of duties, roles and responsibilities.

FIRST LINE OF DEFENCE **Risk & control management**	**SECOND LINE OF DEFENCE** **Risk & control oversight**	**THIRD LINE OF DEFENCE** **Internal audit**
The business and senior managers, both across CAB , are responsible and accountable for the identification, assessment and management of individual risks, as well as associated controls within their respective areas of responsibilities.	Risk & Compliance provides independent oversight and challenge with respect to the first line's management of their risks and controls. They provide assurance that CAB regulated activities are undertaken in accordance with regulatory requirements.	Internal audit is an independent provider of assurance over the effectiveness of CAB's, processes and governance, with regards to risk and internal controls.

Risk appetite

Aligned to the enterprise risk taxonomy, the CAB's risk appetite articulates for each risk a qualitative risk appetite statement and quantified maximum level of risk that the Bank is prepared to accept in achieving its strategic objectives and business plan.

In doing so, the interests of the CAB's clients, shareholders, capital and other regulatory requirements are all considered. This assessment requires input from subject matter experts and ExCo risk-type owners to define the appetite statement and threshold for each material risk. These are supported, where appropriate, by a suite of quantitative metrics to help monitor performance against its set appetite, risk appetite statements ("RAS"s) and tolerance limits ("TL"s).

Business Risk CAB will actively seek business opportunities that generate longer term shareholder value. These opportunities must be in line with our strategic, commercial, and regulatory objectives and be delivered in line with risk appetite and organisational control processes.
Financial Crime Risk There is 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. There is no appetite for staff to fail to have an appropriate understanding of financial crime risks and their responsibilities to mitigate them. There is no tolerance to breach relevant financial crime regulations and laws systematically or repeatedly.

Strategic Report for the year ended 31 December 2023 (continued)

Principal risks and uncertainties (continued)

Operational Risk CAB acknowledges and accepts that for it to conduct its business, operational risk will be inherent in its business activities. CAB strives to maintain a robust control environment cognisant of costs and other factors and as a result CAB takes a balanced approach to Operational Risk.
Credit Risk Transactions are selectively undertaken with approved counterparties based on the type and geographic nature of the business. This assessment is supported by effective underwriting processes, systems and controls to ensure appropriate lending decisions. Where considered appropriate credit exposures are secured by readily realisable collateral (cash cover) or payment against payment (PVP) arrangements to mitigate the counterparty risk.
Market Risk As part of day-to-day operations, CAB is exposed to market risk principally in the form of FX risk, through its FX trading / cross currency payment activities, and interest rate risk in the banking book (IRRBB). CAB will ensure that, under severe changes in interest rates or currency FX rates, any capital or earnings at risk remains within pre-approved limits and for which capital is held.
Capital Adequacy Risk CAB acknowledges and accepts that capital adequacy risk will be undertaken as part of business activities and ensures that it remains sufficient capital both in quantity and quality to meet regulatory requirements and hold a management buffer as agreed with the Board.
Liquidity and Funding Risk CAB seeks to ensure that adequate liquidity, both in terms of quantity and quality, is held to meet liabilities as they fall due, whether in BAU or stress conditions while also meeting regulatory and internal requirements.
Conduct Risk CAB seeks to develop and maintain long term relationships with our customers, based on openness, trust and fairness in everything we do. The Bank has no appetite for reputational risk arising from the way in which we behave.
Regulatory and Compliance Risk CAB acknowledges and accepts that it operates in a highly regulated industry and environment which are fundamental to our business and sector and our appetite reflects the need to comply with these regulations. CAB continues to develop staff competency through appropriate training to ensure its staff are aware of and comply with the regulatory and compliance requirements relevant to their role and responsibilities. Any market expansion and new product introduction considers the regulatory compliance risks.

Strategic Report for the year ended 31 December 2023 (continued)

Principal risks and uncertainties (continued)

Horizon scanning

Emerging risks

The strategic risk register provides a 12-month, forward-looking assessment of the material risks to the organisation, taking into account current and emerging risks. We assess and categorise these risks within the enterprise risk taxonomy. Nascent and emerging-market or idiosyncratic risks are identified and assessed within their respective principal risk sections and monitored through the enterprise risk management process.

Climate risk

When reflecting on the financial risks from climate change, CAB considers both physical and transition risks. We believe the most likely impact on CAB and its customers will come from physical risks such as floods, tropical storms and hurricanes. But we also project that their impact will be low due to the nature, size and complexity of the business. For the same reasons, we also believe transition risks to a greener economy will not present an impact.

CAB has incorporated the most likely impacts and scenarios as part of the annual Internal Capital Adequacy Assessment Process ("ICAAP") and Internal Liquidity Adequacy Assessment Process ("ILAAP") analysis review. Both these documents are submitted to the Boards for review and approval.

CAB has a positive impact on those affected by climate-related events, by moving money where it is most needed through our established relationships with international development organisations ("IDO"s), non-governmental organisations ("NGO"s) and charities.

There were no specific climate-related events that required a report to the Boards and its committees in 2023.

We acknowledge the significance of environmental, social and governance ("ESG") factors in shaping the landscape of our operations and the financial industry. We understand that the responsible management of ESG risks is paramount to our long-term sustainability and value creation for our stakeholders.

At CAB we remain committed to embedding ESG principles into our core business practices, enhancing transparency, and building trust among our investors, customers and the communities we serve. We believe that effective ESG risk management not only safeguards our institution against emerging threats but also positions us for sustainable growth in a rapidly changing world.

Our achievement of B Corp Certification in 2023, and our Gold EcoVadis Global Sustainability Rating for two consecutive years, is a further endorsement of how sustainability sits at the heart of our strategy at CAB.

Strategic Report for the year ended 31 December 2023 (continued)

Principal risks and uncertainties (continued)

Overview of principal risks

Effective risk management is critical to realising our strategy. We have established risk management framework to manage and mitigate the various risks that we face.

As at 31 December 2023 our principal risks consisted of:

	Current context	Mitigants and other considerations
1. Business Risk		
Risk Description: The risks to CAB arising from: • The business model or strategy proving inappropriate due to macroeconomics, geopolitical, industry, regulatory or other factors. • Adverse events and media coverage that could negatively impact the CAB's name and reputation thereby impacting its ability to achieve its strategic objectives.	• CAB's business model and operations rely on the continued relationships with a diversified network of counterparties and partners including liquidity providers, nostros and clearing agents across a spectrum of currency markets including US dollars. • CAB is highly reliant on established relationships with a small number of key banks for clearing USD, GBP and EUR. • CAB provides access to emerging markets, with a level of concentration to sub-Saharan Africa. Significant changes to our partner network or key markets (e.g. general access, regulatory, economic, or geopolitical conditions) would have a corresponding impact on the CAB's business, operations, financial performance and reputation. • Potential events may include: – Adjustments in the nature of our partner networks impacting access to local liquidity or clearing services; – Changes to local economies including market structure (e.g. regulatory / central bank monetary actions); – Economic or political events (e.g. changes in government); and – Translation risk associated with significant strengthening in £ relative to USD.	• The Board and Management periodically review and update the strategic plan, budgets, targets, emerging opportunities and threats. • The Board and management track and manage, through governance, a range of metrics and early warning indicators to highlight emerging risks to performance: these continue to be developed and enhanced. • CAB has a dedicated Network and Partnerships Function, who develop and manage our key local relationships; actions continue to be taken to ensure these are adequately diversified. This function also tracks and reports regulatory changes and geo-political issues in these markets. • CAB has a strategic risk register which tracks the top risks and the corresponding actions planned and underway to mitigate these. This is reported periodically to BRC and ERC. • CAB has a medium-term strategy in place to continue diversifying revenues across geographies, customers and products.

Strategic Report for the year ended 31 December 2023 (continued)

Principal risks and uncertainties (continued)

<table>
<tr><th></th><th>Current context</th><th>Mitigants and other considerations</th></tr>
<tr><td colspan="3">2. Financial Crime Risk</td></tr>
<tr><td>Risk Descriptions:
The risk associated with criminal activity in the form of money laundering, terrorist financing, bribery and corruption, sanctions, tax evasion and fraud.</td><td>One of the CAB’s core offerings is correspondent banking and payments services. This product is in high demand. It facilitates inclusion and allows corporates, individuals and our clients to conduct millions of transactions across the world on a daily basis. However, this type of product can be more vulnerable to money launderers, fraudsters, tax-evaders and sanctions- breachers.
CAB provides its services to customers based in global jurisdictions, including across Africa, the Americas and Caribbean, the Middle East, the USA, Canada and Europe.
Transaction risk focuses on the nature and types of transactions processed and the inherent exposure it generates.
Our increase in voluntary reports to competent authorities, driven mainly by the imposition of sanctions against Russia and Belarus during 2022 and 2023, and the resulting complexities of managing the sanctions risk, mean that NBFIs and MSBs are considered higher risk. They are more likely to offer services to underbanked communities, and to leverage new payment technologies which present new types of financial crime risks.
There is generally a lower level of regulatory oversight and scrutiny of many NBFIs and MSBs. Trends of recent sanctions relating to deficiencies in controls of MSBs have been indicative of problems in mitigating financial crime risk in the sector.</td><td>To mitigate risks effectively, CAB has implemented strict onboarding and correspondent banking due diligence processes and procedures, as well as strong governance and client approval committees.
A robust country risk framework mitigates the CAB’s exposure to high- risk countries. This framework includes complete prohibitions of some countries and detailed restrictions on others.
Screening and monitoring controls enforce the framework, and CAB’s employees have a strong awareness and understanding of the legal and regulatory environment in which they operate, including the relevant financial crime prevention provisions.
On-going programme of investment in anti-financial crime technology and optimisation of system rule-sets. A new transaction monitoring system is being implemented in 2024 along with an upgrade to the transactions screening system.
Regular training is delivered to ensure standards are continuously maintained.
A dedicated Risk and Compliance Function provides oversight and undertakes thematic assurance activity to identify potential gaps and issues.</td></tr>
</table>

Strategic Report for the year ended 31 December 2023 (continued)

Principal risks and uncertainties (continued)

<table>
<tr><th></th><th>Current context</th><th>Mitigants and other considerations</th></tr>
<tr><td colspan="3">3. Operational Risk</td></tr>
<tr><td>Risk Description:

• The risk of loss or other non-financial impact, resulting from inadequate or failed internal processes, people and systems, or from external events.</td><td>• CAB is exposed to operational risk in executing its core business activities and seeks to manage this exposure in a cost-effective manner.
• CAB is alert to the fact that operational risk has a broad remit, covering processes, people, systems and external events. It therefore has a risk appetite set at Level 2 risk types. The top level 2 risks at this level are:
- Data management risk: CAB uses data (including Personally Identifiable Data ("PII")) in its activities to drive business outcomes. There is a risk of poor data quality and the requirements of UK GDPR and the Data Protection Act not being adhered to.
- Execution, transaction processing and delivery risk: CAB relies on a combination of manual and automated processing to fulfil its obligations to its clients. Specific clients have bespoke processes that are performed by a select few. CAB, as a company within a listed group would need to comply with the listing rules for the first time.
- Technology, information security and cyber risk: CAB relies extensively on the use of technology, including the inter-relationship between multiple third-party services, which is central to the processing and operating environment that services its clients. It is therefore imperative that the Bank protects its clients, counterparty and employee data from theft, damage or destruction from cyber-attacks. CAB is acutely aware of the growing sophistication of cyber-attack threats across the industry.</td><td>• CAB has an established Operational Risk Management Policy (ORMP) that details various tools that support the identification, assessment, management and reporting of operational risk, linked to the ERMF.
• The risk and control self-assessments ("RCSA"s) are performed at a business unit level. All risks and controls are stored centrally within CAB's approved GRC system. The system has links to risks, controls, issues, assurance actions, Board metrics and other similar information, thus providing a holistic operational risk profile.
• Data management risk: The Bank continues to monitor and mitigate data risk through governance structures. Data risk is assessed through the RCSA process at least once per calendar year.
• Execution, transaction processing and delivery risk: Processes are being documented, and automation considered, to ensure consistency and reduction of manual/bespoke processing. To comply with the listing rules, the Finance team has been strengthened with external SME engagement, as required.</td></tr>
</table>

Strategic Report for the year ended 31 December 2023 (continued)

Principal risks and uncertainties (continued)

	Current context	Mitigants and other considerations
Operational Risk (continued)		
	- **Outsourcing, vendor management and third- party risk**: CAB is reliant on material vendors to support its technology infrastructure, architecture and certain applications. It is fully aware of the risks this reliance creates in delivering its products and services. CAB works closely with these suppliers to ensure the services they provide remain resilient. - **People risk**: Resource capacity and capability impact all risk-types, these are monitored frequently to ensure staffing levels reflect the size and complexity of the Bank. - **Operational resilience**: CAB has identified its important business services ("IBS") and impact tolerance limits that form part of the CAB's risk materiality assessment. - **Clients, products and business practices**: CAB considers transformation and change risk within this Level 2 risk type. The Bank offers four key products and there has been little change to them, or the underlying business practices. However, as CAB grows, the risks associated with transformation and change are becoming a priority.	• Technology, information security and cyber risk: Protecting CAB's clients, counterparties, suppliers and employees remains a top priority. The Bank is working on obtaining ISO 27001 and Cyber Essentials accreditation. The Bank has recently completed a disaster recovery exercise and cyber simulation to continue to strengthen its operational resiliency efforts. • Outsourcing, vendor management and third-party risk: CAB has enhanced its procurement and outsourcing framework and associated policies to align with the requirements of the outsourcing and third-party risk management supervisory statement. • People risk: CAB deploys a number of attraction and retention strategies throughout the employee lifecycle, including hybrid-working and competitive employee benefits. • Operational resilience: CAB continues to embed a robust operational resilience framework and enhance contingency plans for the failure of key systems, processes, and services to ensure a timely recovery. • Clients, products and business practices: CAB has developed a New Product and Significant Change Policy that brings together CAB's transformation and change agenda. Key transformation projects are discussed at the ORC and ERC as required.

Strategic Report for the year ended 31 December 2023 (continued)

Principal risks and uncertainties (continued)

	Current context	Mitigants and other considerations
4. Credit Risk		
Risk Description: • The risk of financial loss arising from a borrower's or counterparty's failure or inability to meet their financial obligations in accordance with agreed terms.	• Credit risk is inherently generated through CAB's banking and financing activities; i.e. through trade finance products, working capital overdrafts, nostro balances etc. • Counterparty credit risk arises due to fx/payment related trading and derivatives activities where counterparties may be unable or unwilling to meet their financial obligations, including collateral obligations, as they fall due. • Treasury related activities generate an element of credit risk through its day-to-day placement of funds i.e.money market funds, HQLA portfolio etc.	• Credit Risk remains a key focus for CAB given the current macroeconomic environment. • Risk appetite thresholds are constructed with regard to regulatory requirements and internal assessments included within the ICAAP. • An established credit policy is in place with portfolio levels exposure limits and a maximum individual counterparty exposure limit framework. The CRC provides individual counterparty approvals and portfolio level oversight. • Robust individual credit assessment and monitoring frameworks ensure that credit risk is managed and mitigated in line with credit management objectives and risk frameworks. • Counterparty FX and derivatives transaction risk is mitigated via ISDA master agreements and credit support annexes, where suitable.

Strategic Report for the year ended 31 December 2023 (continued)

Principal risks and uncertainties (continued)

	Current context	Mitigants and other considerations
5. Market Risk		
Risk Description: • The risk of losses occurring from adverse value movements of the Bank's assets and liabilities; principally relating to FX and interest rates.	• CAB's market risk exposure occurs primarily through FX volatility and IRRBB. • The economic and financial market uncertainties remain elevated, driven by elevated inflation and tightening monetary policy. Disruptive adjustment to higher interest rate levels, deteriorating trade or geopolitical tensions could have implications for FX rates and the value of CAB's nostro balances. Alternatively, a decline in interest rates may compress net interest margin across the business. • Adverse changes in FX rates can impact capital ratios given elements of the risk weighted assets exposures are denominated in foreign currencies. • Failure to account for foreign currency movements could result in an adverse impact on the Bank's regulatory capital and leverage ratios.	• An assessment of market risk drivers is conducted as part of the ICAAP, and to assess BAU and stressed market risk. • Market Risk exposure limits are staggered, to constrain typical market risk exposure. • Defensive positions are typically taken to the extent that markets exhibit increased market risk events, such as during national elections. • Interest rate risk in the banking book is driven by customer deposit-taking, investments in the liquid asset portfolio and funding activities. CAB executes hedging strategies to ensure a predominantly matched profile and thereby mitigate the majority of the IRRBB risks that result from these activities.

Strategic Report for the year ended 31 December 2023 (continued)

Principal risks and uncertainties (continued)

	Current context	Mitigants and other considerations
6. Regulatory and Compliance Risk		
Risk Description: The risk arising from non-compliance with laws and regulations governing financial services institutions in the markets in which we operate.	• As CAB continues to grow in terms of increasing size and complexity it brings with it a complex legislative and regulatory landscape thus increasing the risks of legal or regulatory sanctions, material financial loss and/ or reputational damage in the markets in which we operate in.	• Horizon-scanning is conducted to monitor upcoming UK regulatory changes. • Responding to any regulatory request promptly. • Ensuring that we have adequate permissions to operate in certain markets. • CAB partners with local providers that are typically regulated entities or locally licensed. • CAB consults third-party legal counsel for new territorial expansions to ensure compliance with local regulations.

Strategic Report for the year ended 31 December 2023 (continued)

Principal risks and uncertainties (continued)

	Current context	**Mitigants and other considerations**
7. Capital Adequacy Risk		
Risk Description: The risk of CAB having insufficient quality or quantity of capital, to meet its regulatory capital requirements and internal thresholds to cover risk exposures and withstand a severe stress as identified as part of the ICAAP.	• CAB's capital ratios can be affected by various business activities and the failure to meet prudential capital requirements, internal targets and/or to support CAB's strategic plans. • The key risk drivers with capital implications are credit risk, market risk and operational risk, each of which is addressed within its relevant sections.	• CAB has robustly defined capital adequacy thresholds, constructed in reference to regulatory requirements and maintain capital ratios in excess of these. • CAB produces an ICAAP at least once each calendar year. Challenge and oversight of the ICAAP occurs at ALCo and BRC before approval by the Board. • Day-to-day capital risk exposure is managed by the Treasury function with oversight from ALCO and the Treasury Committee, who monitor and manage capital risk in line with CAB's capital management objectives, capital plan and risk frameworks. • If CAB was to encounter a significant stress on capital resources, a Recovery Plan is maintained which includes options to ensure they can remain sufficiently capitalised to remain viable. Recovery Plan metrics are regularly monitored and reported against. CAB's Pillar 3 disclosures contain a comprehensive assessment of its capital requirements and resources and are published.

Strategic Report for the year ended 31 December 2023 (continued)

Principal risks and uncertainties (continued)

	Current context	Mitigants and other considerations
8. Liquidity and Funding Risk		
Risk Description: The risk that CAB cannot meet its contractual or contingent obligations in a timely manner as they fall due. Funding risk is the risk that CAB cannot maintain access to a sufficient stable funding base to maintain its liquidity.	• CAB's liquidity ratios (i.e. LCR and NSFR) can be affected by various business activities, either idiosyncratic or market wide, that could impact prudential liquidity requirements and corresponding business activities, and investor or depositor confidence. • The key liquidity risk drivers are depositor outflows, and intraday liquidity requirements.	• Funding and liquidity risks are managed within a comprehensive risk framework in reference to regulatory requirements and internal thresholds to ensure there is no significant risk that liabilities cannot be met as they fall due. • CAB produces an ILAAP at least once per calendar year. Challenge and oversight of the ILAAP occurs at ALCo and BRC before approval by the Board. • The primary metrics used to monitor and assess the adequacy of liquidity are the Overall Liquidity Adequacy rule ("OLAR"), the Liquidity Coverage Ratio ("LCR") and Net Stable Funding Ratio ("NSFR"). • Day-to-day liquidity risk exposure is managed by the Treasury function with oversight from ALCO and the Treasury Committee. • Treasury conducts regular and comprehensive liquidity stress testing, including reverse stress testing, to ensure that the liquidity position remains within Board appetite.

Strategic Report for the year ended 31 December 2023 (continued)

Principal risks and uncertainties (continued)

	Current context	Mitigants and other considerations
9. Conduct Risk		
Risk Description: The risk that the conduct of CAB and its staff towards customers (or in the markets in which it operates) leads to unfair or inappropriate customer outcomes and results in reputational damage and/or financial loss.	• Customers may suffer detriment due to actions, processes or products which originate from within the Bank. Conduct risk can arise through: • the design of products that do not meet customer needs; • mishandling complaints where the Bank has behaved inappropriately towards its customers; • inappropriate sales processes; and • behaviour that does not meet market or regulatory standards.	• Conduct risk is incorporated into the product approval process. • Complaints are formally registered, investigated and responses provided. • The Bank has a Gifts and Hospitality Policy with an approval and logging process. • All staff receive annual online training on conduct, ethics and culture.

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 a going concern basis.

Post year-end events

The only significant year end event was the signing of the lease for the new London Bridge premises which is further discussed in Note 38. This was not an adjusting event.

Approval by the Board

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

Bhairav Trivedi

Chief Executive Officer

3 April 2024

Directors

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

Ann has held board positions with ICE, AstraZeneca, Charity Bank and UK Government's BEIS. Until 2022, Ann was executive Vice Chair of Mastercard, after being President of International Markets. Ann led the London Financial Services Group at Alvarez & Marsal, after 20 years in payments and FX at ABN-AMRO and Citi. Ann has a Pure Mathematics degree, honorary Doctorate from Sheffield University and MSc and honorary Doctorate from Newcastle University. She is a fellow of London Business School.

Ann is on the board of Lightrock, a global private equity platform investing in sustainable businesses. She is Chair of Financial Alliance for Women and TMF Group.

Bhairav Trivedi – Executive Director

Bhairav joined Crown Agents Bank on the 4 January 2021 as CEO. Bhairav has 35 years' experience in financial services, with strong focus on payments and payment processing, cross-border remittance and financial technology. He held senior roles at leading financial institutions including Finablr, Network International Payment Solutions, Sigue Global Services, and Citi. He founded PayQuik, worked at McKinsey & Co., Fair Isaac and Providian Bancorp. Bhairav has an MBA from the Wharton School, University of Pennsylvania, Masters in Engineering Economic Systems from Stanford University and an undergraduate degree in Engineering from Birla Institute of Technology.

Richard Hallett – Executive Director

Richard Hallett joined the Board as Chief Financial Officer in June 2016.

Richard's career spans more than 30 years in top tier financial services organisations with an extensive track record across the investment banking, commercial and retail banking sectors both regionally and globally. Richard was formerly CFO of Barclays Africa and CFO of Absa Capital. Previous roles also include senior positions at RBS, Morgan Stanley and Credit Suisse First Boston. Richard started his career at Price Waterhouse as a qualified Accountant and holds a BSc (Hons) in Chemistry from the University of East Anglia.

Directors (continued)

Chris Green – Executive Director

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 expertise on organisational governance in the SME market, holding senior positions at Deutsche Bank, Lloyds Banking Group, Morgan Stanley and Accenture. Susanne co-edited 'The FINTECH Book' series and was recognised in the Evening Standard's 'Top 10 global fintech influencers' in 2022, the "Fintech Champion of the Year" in 2019 (Women in Finance) and in the European Digital Financial Services 'Power 50' in 2015. Susanne holds an MBA from Vienna University of Economics and Business.

Susanne is a Non-executive Director at CMC Markets PLC and CEO of FINTECH Circle, Europe's first Angel Network focused on fintech innovation.

Jennifer Johnson-Calari - Independent Non-Executive Director

Jennifer Johnson-Calari joined the board in June 2020. Jennifer brings over 37 years of financial services experience and is a former Director of the World Bank's Reserves Advisory & Management Program (RAMP). Following roles with Federal Reserve Board and US OCC, she was Portfolio Manager at the International Bank for Reconstruction & Development, then Director of Sovereign Investment Partnerships at the World Bank. Jennifer co-authors and contributes to publications on banking and policy issues and is an editor and contributing author of Sovereign Wealth Management.

Jennifer is Non-executive Director of MGIM, London and CAIM, London and an independent Non-Executive Director of Clubhouse International in New York.

Directors (continued)

Karen Jordan – Independent Non-Executive Director

A specialist in banking and asset management, Karen has worked with PwC, Barclays and State Street. She advises on global and cross-border regulatory and law enforcement matters on a range of complex governance, regulatory and reputational challenges, taking 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. Karen has an auditing background and is a qualified Chartered Certified Accountant.

Karen holds a small number of non-executive roles with private companies. These roles include financial services companies and the whistleblower protection charity, Protect.

Mario Shiliashki – Independent Non-Executive Director

Mario Shiliashki joined CAB's Board as an independent non-executive director in July 2020.

Mario brings a wealth of experience in global payments and fintech. He led MasterCard's global eCommerce and cross-border trade initiatives, launching and commercialising their first open API developer platform. He drove PayPal's expansion into Asia and Europe after roles with Bain & Company and Goldman Sachs. Mario speaks at payments and fintech conferences and contributes to several industry publications. He holds an MBA from Harvard Business School and an International Directors Programme Diploma from INSEAD.

Mario was until recently the CEO of PayU Global – a leading global online payments player in high-growth emerging markets.

Simon Poole – Non-Executive Director

Simon has a range of international finance and administration experience. He has been Operating Partner for Helios Investment Partners since 2011, serving on the boards of Helios Towers Africa, Vivo Energy, Interswitch and Fawry. Previously he was CFO of Intela Global Ltd and Celtel International (in Burkina Faso, Chad and DRC), after roles with Price Waterhouse, Bank of America and BT. Simon qualified as a Chartered Accountant with Price Waterhouse and is a member of the Institute of Chartered Accountants in England & Wales.

Simon serves on the board of The Malachite Group.

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. She is a member of the joint group and CAB board audit committee.

Dr Brown's experience includes 15 years in corporate finance with BAML (New York), UBS and HSBC; 15 years as an operating CFO in technology and engineering businesses and over 20 years chairing audit and risk committees of listed entities including Earthport plc prior to its acquisition by VISA International. Caroline holds an MA and PhD from the University of Cambridge, an MBA from the University of London and is a Fellow of the Chartered Institute of Management Accountants.

Caroline is a director of IP Group plc, Ceres Power Holdings plc and Luceco plc. She also sits on the Global Partnership Council of Clifford Chance.

Directors (continued)

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

Noël has wide experience in banking and financial services, with prior roles at Standard Life, London Metals Exchange, Bank of England, GE Capital Bank Europe, and Sumitomo Mitsui Bank. She also worked with Dominion Diamond, Avocet and Sirius Minerals, as well as Alent, Corus, Logica, Impellam Group, RSA Insurance Group and the British Horseracing Authority, the London Underground (Transport for London), and Tote. Noël has a JD Degree from the University of Texas Law School.

Noël is Chairman, UK Export Finance Agency and director of UK Department of Business & Trade and OSB Group plc. She is liveryman of the WCIB, Chair of the UK chapter of Woman Corporate Directors and a member of the IWF.

Directors' Report for the year ended 31 December 2023

The Directors submit their report and the audited financial statements of CAB for the year ended 31 December 2023.

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. The ultimate parent company, CAB Payments Holdings plc listed on the London Stock Exchange on 11 July 2023.

Research and Development

The Company has been involved in research and development during the year largely enhancing its electronic payment platform which is fundamental to its business.

Results and Dividends

The profit for the year after taxation amounted to £42,789k (2022: £34,258k). A dividend of £19,500k was declared during 2023 (2022: nil).

Political Donations

No political donations were made in 2023 (2022: 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 2023. CAB's regulatory capital is entirely CET1 capital as follows:

	2023 £'000	**2022 £'000**
Shareholders' funds	134,204	109,928
Less: intangible assets	(19,084)	(17,523)
Regulatory capital	**115,120**	**92,405**
CET 1 ratio	**26.4%**	**33.4%**

Details of the principal risks and risk management arrangements are set out in the Strategic 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.

Directors' Report for the year ended 31 December 2023 (continued)

Energy and Carbon report (continued)

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 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 2023 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 2023 to 31 December 2023 with 2022 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..

Measurement Methodology

CAB has 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.

Environmental Management System

2023 has been a transformative year for ESG at CAB. As our department continues to develop, we have taken steps to ensure our progress is in line with industry best practice. In 2023, this included the initial development of our first Environmental Management Policy ("GEMP"), which included our chosen Environmental Management System ("EMS"). Our EMS outlines our continued 5% YoY reduction per £million revenue (2019 as a baseline year), and the utilisation of EcoVadis and our B Corp certification as our measurements to ensure we continue to develop.

In addition to our GEMP, we have also incorporated ESG within our supplier code of conduct and is now a complete section in CAB's Vendor Registration for all suppliers. We have built a scoring system around this function, which we will be able to use to assess our supplier's ESG risk.

In 2023 we continued to successfully keep below our 5% reduction target. Please see the breakdown below of our emissions, target, stretch target, and % difference between actual and 5% target:

Directors' Report for the year ended 31 December 2023 (continued)

Environmental Management System (continued)

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

Summary of location-based results (tCO2e)	**2019**	**2020**	**2021**	**2022**	**2023**
Scope 1 (tCO2e) *	64.7	13.9	25.3	27.2	42.9
Scope 2 (tCO2e) **	85.1	29.5	61.9	57.8	62.3
Scope 3 (tCO2e)	1016.1	39.1	127.8	905.2	1616.3
Total tCO2e	**1,165.9**	**82.5**	**215.0**	**990.2**	**1,721.5**
Target (5% reduction from 2019 baseline – tCO2e per £m turnover)	34.1	32.4	30.8	29.2	27.8
Actual tCO2e per £m turnover	34.10	1.50	3.80	9.10	12.60
% difference between actual and target	*****	**(95.39%)**	**-87.77%**	**(68.93%)**	**(54.65%)**

* Natural gas consumption only

**Electricity generation only - Does not include transmission and distribution or WTT.

	2022	**2023**
Direct emissions (Scope 1) – Natural gas (tCO2e)	27.2	42.9
Indirect emissions (Scope 2) – Purchased electricity* (tCO2e)	57.8	62.3
Other indirect emissions (Scope 3) – Hire car travel** (tCO2e)**	0.0	0.6
Total energy consumed (kWh)***	447,876	553,088
Intensity ratio tCO2e (gross Scope 1,2 &3, location-based per £m revenue)*	0.8	0.8
Intensity ratio: tCO2e (gross Scope 1, 2 & 3, location-based per employee)*	0.4	0.3
Total gross location-based emissions (tCO2e)	**85.0**	**105.7**

* Does not include transmission and distribution or WTT.

**Hire car travel only - this is the only scope 3 requirement for SECR.

*** Includes natural gas, electricity, and hire car travel for global operations. Does not include transmission and distribution or WTT.

Employees engagement

Diversity

CAB pays full regard to the benefits of diversity. We believe that better business decisions can be made by having representation from different genders and cultural backgrounds with differing skill sets, experience and knowledge which reflect our client base and the wider population. CAB provides equal opportunities in recruitment, training, and career development, emphasising abilities and aptitudes regardless of disabilities, and offers retraining opportunities for employees who may become disabled during their tenure.

As set out in more detail in the Strategic Report, our colleagues are key to our success, and the directors always have regard to employee interests as part of the Board's discussions and decision making. This regard took effect through the inclusion of all CAB employees as eligible employees when CAB Payments introduced a range of new share plans to retain and motivate current employees and attract new talent and when making decisions in relation to office space requirements.

Directors' Report for the year ended 31 December 2023 (continued)

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	Nomination	Risk
A Cairns* (Chairman) (appointed 10.03.2023)	F	X	-	X	-
J Parrish* (Chairman) (resigned 13.06.2023)	M	-	-	-	-
S Chishti*	F	-	-	X	-
J Johnson-Calari*	F	-	X	-	X
K Jordan*	F	-	X	-	X
M Shiliashki*	M	X	-	X	-
A Ekpe** (resigned 30.06.2023)	M	-	-	-	-
M Faye** (resigned 11.07.2023)	M	-	-	-	-
S Poole**	M	-	-	-	-
B Trivedi	M	-	-	-	-
R Hallett	M	-	-	-	-
C Green	M	-	-	-	-
C Brown* (appointed 02.01.2023)	F	X	X	-	X
N Harwerth* (appointed 02.01.2023)	F	X	X	X	X

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

Lesley Martin is the Company Secretary.

Directors' Report for the year ended 31 December 2023 (continued)

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.

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of CAB; and
- the strategic report includes a fair review of the development and performance of the business and the position of CAB together with a description of the principal risks and uncertainties that they face.

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.

Directors' Report for the year ended 31 December 2023 (continued)

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 2024.

By order of the Board,
Bhairav Trivedi
Director
3 April 2024

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 'Company') for the year ended 31 December 2023 which comprise the Statement of Profit or Loss, the Statement of Other Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows, and notes to the financial statements, including material accounting policy information.

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

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2023 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 Company 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 Company'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 Company's ability to continue as a going concern;
- Obtaining an understanding of the relevant controls relating to the directors' going concern assessment;
- Reviewing the directors' going concern assessment to determine that it appropriately considers an assessment of key business risks including assessing the sufficiency of the Company's capital and liquidity taking into consideration the most recent Internal Capital Adequacy Assessment Process ('ICAAP') and Internal Liquidity Adequacy Assessment Process ('ILAAP') documents;
- 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 Company's future financial performance;
- Challenging the appropriateness of the directors' key assumptions used in their forecasts, by reviewing supporting and contradictory evidence in relation to these key assumptions and assessing the directors' consideration of stress testing and reverse stress testing on the Company's capital and liquidity and their consideration of severe but plausible scenarios. This included assessing the viability of mitigating actions within the directors' control and assessment of the directors' considerations of the implications of the macroeconomic environment and geopolitical risk;

Independent auditor's report to the members of Crown Agents Bank Limited (continued)

- Engaging our prudential regulatory experts to assess the results of management's stress testing and the impact on liquidity and regulatory capital;
- Assessing the reasonableness of the forecasts prepared by the directors, including evaluating the historical accuracy of the forecasts;
- Inspecting regulatory correspondence with the Prudential Regulation Authority ('PRA') and the Financial Conduct Authority ('FCA') and inspecting Board of Directors' meeting minutes to identify events or conditions that may impact Company's ability to continue as a going concern;
- Considering whether there were events subsequent to the balance sheet date which could have a bearing on the going concern conclusion;
- Considering the consistency of the directors' forecasts with other areas of the financial statements and our audit; 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 Company'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
Revenue recognition on manual adjustments to net foreign exchange gain The Company recognised a total net foreign exchange gain of £88,742,000 in the year ended 31 December 2023 (2022: £82,682,000). *Refer to material accounting policy information (Note 1) and to Note 5 of the financial statements.*	Our audit procedures included, but were not limited to: In relation to manual mark-to-market adjustments on open trades, we have: • Obtained an understanding of the key processes relating to manual mark-to-market adjustment on open trades and performed end-to-end walkthroughs of relevant key business processes to identify key systems, applications and controls in the process;

Independent auditor's report to the members of Crown Agents Bank Limited (continued)

Key Audit Matter	How our scope addressed this matter
Revenue recognition on manual adjustments to net foreign exchange gain (continued) The net foreign exchange gain comprises unrealised income/losses from foreign exchange transactions, and net foreign exchange translation gains/losses, which are subject to manual adjustments. Management performs mark-to-market adjustments to open trades daily. Automated elements of the process contain errors due to limitations in the calibration of data feeds within the core operating system. Management performs reviews to ensure errors are identified and manually corrected. The reliance on manual processes increases the risk of error. Foreign exchange gains/ losses on translation of non-sterling balances are calculated automatically using exchange rate data feeds. Errors in the data fees require management to manually reperform the calculation. Adjustments are also made to the automated data to reflect the illiquid nature of some frontier markets currencies. The accuracy and completeness of these manual adjustments has been designated as a key audit matter given the enhanced risk of material misstatement due to error.	• Evaluated the design and implementation of key controls, including information technology dependent manual controls, on the exchange rate adjustments to the mark-to-market balances; • Tested the operating effectiveness of key controls around management's manual interventions on mark-to-market adjustments on open trades; • Tested the accuracy of foreign exchange rates applied in the core banking system; • On a sample basis, performed a recalculation of the foreign exchange gains or losses, based on supporting documentation; • With assistance of our in-house data analytics specialists, tested the accuracy of net foreign exchange gain through re-computation; and • Tested the accuracy of the manual adjustments and validating the journal entries posted in the general ledger. In relation to manual adjustments to daily translation of non-Sterling balances, we have: • Obtained an understanding of the key processes relating to manual adjustments to daily revaluation of non-Sterling balances and performed end-to-end walkthroughs of relevant key business processes to identify key systems, applications and controls in the process; • Evaluated the design and implementation of key controls over the daily exchange rate adjustments on the non-Sterling balances; • Tested the operating effectiveness of key controls around management's manual interventions; • Tested the accuracy of foreign exchange rates applied in the core banking system; • On a sample basis, agreed frontier market currency trades to supporting documents such as SWIFT statements or deal tickets; • Tested the accuracy of the manual adjustments and validating the journal entries posted in the general ledger; • Performed a recalculation of the foreign exchange translation for a sample of non-Sterling balances on the Statement of Financial Position at year end, based on supporting documentation; and • With the assistance of our in-house data analytics specialists, tested the accuracy of net foreign exchange gain through re-computation.

Independent auditor's report to the members of Crown Agents Bank Limited (continued)

<table>
<tr><th>Key Audit Matter</th><th>How our scope addressed this matter</th></tr>
<tr><td>Revenue recognition on manual adjustments to net foreign exchange gain (continued)</td><td>We tested the information technology general controls including user access, change management, and segregation of duties within the core banking system.

We assessed the adequacy and appropriateness of the disclosures in the financial statements in relation to net foreign exchange gain and assessed for compliance with the requirement of IFRS.

Our observations
We found the manual adjustments to net foreign exchange are not materially misstated for the year ended 31 December 2023 and materially in accordance with IFRS.</td></tr>
<tr><td>Completeness and accuracy of expected credit losses ('ECL') on loans and advances including undrawn commitments

At 31 December 2023, the Company reported a total ECL balance sheet provision for loans and advances including undrawn commitments of £778,000 (2022: £332,000).

Refer to material accounting policy information (Note 1) and to Notes 2, 11, 23 and 31 of the financial statements.

Credit risk is an inherently judgmental area due to the use of subjective assumptions and a high degree of estimation. The Company has credit exposure with banks and customer counterparties located in a diverse range of countries around the world.

The impairment provision relating to the Company's loans and advances portfolio requires the directors to make judgements over the ability of the Company's debtors to make future repayments.

Management identifies stage 3 loans through criteria relating to days past due or being unlikely to pay. Judgement is applied in the assessment of unlikely to pay criteria. The identification of stage 3 loans and advances and the provision assessment of these related exposures with higher credit risk, within Liquidity as a Service ('LaaS'), lines of credit and guaranty products, has been identified as an enhanced risk.</td><td>Our audit procedures included but were not limited to:

In relation to the completeness of stage 3 loans, we have performed the following procedures, including with the assistance of our credit modelling specialists, to address the specific risks identified:
• Obtained an understanding of the key processes relating to ECL and performed end-to-end walkthroughs of relevant key business processes to identify key systems, applications and controls in the ECL process;
• Evaluated the design and implementation of key controls over staging allocation criteria including internal rating calculations, annual reviews, days past due monitoring and watchlist monitoring;
• Reviewed minutes of the credit risk management committee meetings which include watchlist monitoring;
• Critically assessed the methodology for determining the default criteria in accordance with IFRS 9 requirements;
• Reviewed a sample of stage 1 and 2 exposures against default criteria to assess judgements made around unlikely to pay criteria;
• Tested the effectiveness of bank reconciliation controls to identify missed payments; and
• Performed reconciliation of staging allocation to source documentation including the watchlist.

In relation to data inputs, we have performed the following procedures, including with the assistance of our credit modelling specialists, to address the specific risks identified:
• Evaluated the design and implementation of key controls over the ECL data including management's processes to ensure the accuracy and completeness of data feeding into the PD and EAD models;</td></tr>
</table>

Independent auditor's report to the members of Crown Agents Bank Limited (continued)

Key Audit Matter	How our scope addressed this matter
Completeness and accuracy of expected credit losses ('ECL') on loans and advances including undrawn commitments (continued) The ECL model used by the Company requires model inputs from a range of sources collated manually. Sources include operating system data, credit risk management committee minutes, internal rating scorecards and facility agreements. These inputs particularly impact the completeness and accuracy of Probability of Default ('PD') and Exposure at Default ('EAD'). The manual nature of the process increases the likelihood of error or omission, giving rise to an enhanced risk.	• Tested the reconciliation of exposures used in the ECL model at year-end against the exposures in the trial balance to ensure completeness of exposures in the ECL model; and • Tested the completeness and accuracy of data inputs for the ECL model, on a sample basis, by agreeing to operating system data, credit risk management committee minutes, internal rating scorecards and facility agreements. We performed a stand-back assessment of the ECL provision to assess its reasonableness and appropriateness, considering the quality of the portfolio, credit risk profile and staging profile. We assessed the adequacy and appropriateness of the disclosures in the financial statements in relation to ECL and assessed for compliance with the requirement of IFRS 9. This included assessing appropriateness of 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. **Our observations** We found the judgements and assumptions used by management in the ECL assessment, and related disclosures, are materiality in accordance with the requirement of IFRS 9. The ECL impairment provision on loans and advances, including undrawn commitments, is not materially misstated as at 31 December 2023.

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:

Independent auditor's report to the members of Crown Agents Bank Limited (continued)

Overall materiality	£2,988,000 (2022: £1,099,000)
How we determined it	5% of Profit before taxation adjusted for non-recurring operating expenses (2022: 1% of Revenue, net of interest expense)
Rationale for benchmark applied	Profit before tax ("PBT") is the benchmark typically used for profit-oriented banks. We have adjusted the PBT with the non-recurring operating expenses incurred in the current year. We believe that adjusted PBT provides us with most appropriate measure for the users of the financial statements, given that the Company is a profit-making entity and it is consistent with the wider industry.
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 £1,793,000 (2022: £659,000), which represents 60% (2023: 60%) of overall materiality. We considered several factors in determining performance materiality, including the level and nature of uncorrected and corrected misstatements in the prior year and the robustness of the control environment, and concluded that an amount in the middle of our normal range was appropriate.
Reporting threshold	We agreed with the directors that we would report to them misstatements identified during our audit above £90,000 (2022: £33,000) 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 company, 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.

Independent auditor's report to the members of Crown Agents Bank Limited (continued)

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 Company 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 Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Company's 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 44, 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 Company'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 Company 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.

Independent auditor's report to the members of Crown Agents Bank Limited (continued)

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 Company and the industry that it operates in, 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.

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 Company and the industry in which it operates, and considering the risk of acts by the Company 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 Company is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- Inspecting correspondence with PRA and FCA and holding bilateral discussions with the PRA;
- Inspecting minutes of meetings of directors held during the year and up until the date of approval of the financial statements;
- Attending Board Audit Committee and Board Risk Committee meetings held during the year and up until the date of approval of the financial statements 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.

Independent auditor's report to the members of Crown Agents Bank Limited (continued)

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 FRC'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 Board of Directors on 28 June 2021 to audit the financial statements for the year ending 31 December 2021 and subsequent financial periods. The period of total uninterrupted engagement is three years, covering the years ending 31 December 2021 to 31 December 2023.

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

Our audit opinion is consistent with our additional report to the Board Audit Committee.

Use of the audit report

This report is made solely to the Company'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 Company'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 Company and the Company'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

3 April 2024

Statement of profit or loss for the year ended 31 December 2023

	Note	2023 £'000	2022 £'000
Interest income	3	52,309	17,163
Interest expense	3	(30,854)	(10,398)
Net Interest Income	3	**21,455**	**6,765**
Gain on money market funds		11,034	3,585
Net gain on financial assets and financial liabilities mandatorily held at fair value through profit or loss		1,232	1,009
Fees and commission income	4	14,647	15,831
Net foreign exchange gain	5	88,742	82,682
Revenue, net of interest expense		**137,110**	**109,872**
Other operating income/(loss)	6	313	(484)
Total income, net of interest expense		**137,423**	**109,388**
- Recurring	7	(77,218)	(59,025)
- Non-recurring	7	(2,254)	(5,332)
Operating expenses		(79,472)	(64,357)
Impairment loss on financial asset at amortised cost	31	(454)	(329)
Profit before taxation		**57,497**	**44,702**
Tax expense	8	(14,708)	(10,444)
Profit for the year		**42,789**	**34,258**

Statement of other comprehensive income for the year ended 31 December 2023

	Note	2023 £'000	2022 £'000
Profit for the year		**42,789**	**34,258**
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	27	88
Income tax relating to these items	20	(12)	(17)
Other comprehensive income net of tax		**15**	71
Total comprehensive income		**42,804**	**34,329**

Company registration number 2334687

The notes on pages 60 to 153 form part of these financial statements.

Statement of financial position as at 31 December 2023

	Note	As at 31 December 2023 £'000	(Restated) As at 31 December 2022 £'000
Assets			
Cash and balances at central banks	9	528,396	607,358
Money market funds	10	518,764	209,486
Loans and advances on demand to banks	11	132,447	89,957
Investments in debt securities	13	353,028	414,061
Other loans and advances to banks[1]	11	137,569	83,992
Other loans and advances to non-banks[1]	11	8,216	12,447
Unsettled transactions[1]	16	8,417	16,071
Derivative financial assets	12	3,829	6,589
Investments in equity securities	14	495	488
Other assets[1]	16	34,653	20,911
Accrued income	15	1,217	857
Property, plant and equipment	17	1,177	1,568
Right of use assets	18	689	1,134
Intangible assets	19	19,084	17,523
Total assets		**1,747,981**	**1,482,442**
Liabilities			
Customer accounts	21	1,546,632	1,310,809
Derivative financial liabilities	12	9,679	4,565
Unsettled transactions	22	20,081	25,782
Other liabilities	22	18,255	11,314
Accruals	22	17,315	18,368
Lease liabilities	18	884	1,281
Deferred tax liability	20	695	316
Provisions	23	236	79
Total liabilities		**1,613,777**	**1,372,514**
Equity			
Called up share capital	24	41,200	41,200
Retained earnings	25	92,885	68,624
Investment revaluation reserve	26	119	104
Shareholders' funds		**134,204**	**109,928**
Total liabilities and equity		**1,747,981**	**1,482,442**

[1] Prior year restatement note is disclosed on Note 11 and Note 16.
Company registration number 2334687
The notes on pages 60 to 153 form part of these financial statements.
The Board of Directors approved the Company's financial statements on 3 April 2024.

B Trivedi
Chief Executive Officer

R Hallett
Chief Financial Officer

Statement of changes in equity for the year ended 31 December 2023

	Share Capital £'000	Retained Earnings £'000	Investment revaluation reserve £'000	Total £'000
Balance at 1 January 2023	**41,200**	**68,624**	**104**	**109,928**
Profit for the year (Note 25)	-	42,789	-	42,789
Movement in investment revaluation reserve for equity instruments at FVTOCI (Note 26)	-	-	27	27
Income tax relating to these items (Note 20)	-	-	(12)	(12)
Other comprehensive income net of tax	-	42,789	15	42,804
Total comprehensive income	**-**	**42,789**	**15**	**42,804**
Transactions with owners in their capacity as owners:				
Share based payment expense (Note 27)	-	972	-	972
Dividends declared (Note 25)	-	(19,500)	-	(19,500)
Balance at 31 December 2023	**41,200**	**92,885**	**119**	**134,204**
Balance 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 net of tax	**-**	**-**	**71**	**71**
Total comprehensive income	**-**	**34,258**	**71**	**34,329**
Transactions with owners in their capacity as owners:				
Share based payment expense (Note 27)	-	449	-	449
Balance at 31 December 2022	**41,200**	**68,624**	**104**	**109,928**

Company registration number 2334687

The notes on pages 60 to 153 form part of these financial statements.

Statement of cash flows for the year ended 31 December 2023

	Note	2023 £'000	Restated 2022 £'000
Cash inflow/(outflow) from operating activities[1]	28	**308,912**	(227,204)
Tax paid		(14,084)	(9,583)
Payments for interest on lease liabilities	18	(65)	(19)
Net cash generated from/(used in) operating activities[1]		**294,763**	**(236,806)**
Cash flow used in investing activities			
Purchase of investments in subsidiary undertakings		(543)	-
Purchase of property, plant and equipment	17	(416)	(346)
Purchase of intangible assets	19	(6,642)	(4,375)
Net cash used in investing activities		**(7,601)**	**(4,721)**
Cash flow used in financing activities			
Repayment of principal portion of the lease liabilities	18	(462)	(233)
Net cash used in financing activities		**(462)**	**(233)**
Net increase/(decrease) in cash and cash equivalents[1]		**286,700**	**(241,760)**
Cash and cash equivalents at the beginning of the year		906,801	1,113,467
Effect of exchange rate changes on cash and cash equivalents[1]		(13,894)	35,094
Cash and cash equivalents at the end of the year		**1,179,607**	**906,801**
Analysed as follows:			
Cash and balances at central banks	9	528,396	607,358
Money market funds	10	518,764	209,486
Loans and advances on demand to banks	11	132,447	89,957

[1] Prior year restatement note is disclosed on Note 28.

Company registration number 2334687

The notes on pages 60 to 153 form part of these financial statements.

Notes to the financial statements for the year ended 31 December 2023

1. STATEMENT OF ACCOUNTING POLICIES

(a) General Information

Crown Agents Bank Limited ("CAB", also referred to as the "Company") is a private company limited by shares and is incorporated and domiciled in England. The address of its registered office as at 31 December 2023 is Quadrant House, The Quadrant, Sutton, Surrey, SM2 5AS, England.

CAB provides regulated banking services that connect emerging and frontier markets to the rest of the world, using foreign exchange ("FX") and payments technology. 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 UK adopted International Accounting Standards (UK adopted International Financial Reporting Standards ("IFRSs")) in conformity with the applicable legal requirements of the Companies Act 2006.

The principal accounting policies applied in the preparation of these financial statements are set out in this Note. These accounting policies have been consistently applied to all the years presented unless otherwise stated. The balance sheet has been presented in order of liquidity.

Comparatives have been restated due to prior period errors set out in Note 11 and Note 16 and Note 28. This restatement was not as a result of a change of accounting policies and there is no impact to profit or loss and equity.

The preparation of financial statements in conformity with IFRS as adopted by the UK requires the use of certain critical accounting estimates which have been disclosed in Note 2. The financial statements are presented in British Pounds Sterling ("£"). All values are rounded to the nearest thousand (£'000), except where otherwise indicated.

CAB has adopted the following new or amended IFRSs and interpretations that are effective from 1 January 2023, none of which had any material impact on the financial statements.

Accounting standard	Amendment/interpretation
Amendments to IAS 8 Accounting Policies	Changes in accounting estimates and errors/ definition of accounting estimates – effective for annual reporting periods commencing 1 January 2023.
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Issued May 2021)
Amendments to IAS 12	Implementation of Pillar 2 tax - effective for annual reporting periods commencing 1 January 2023 but not applicable because CAB's annual revenues are below €750 million.
IFRS 17 Insurance Contracts and amendments to IFRS 17	Effective for annual reporting periods commencing 1 January 2023.
Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements – Disclosures of Accounting Policies	Effective for annual reporting periods commencing 1 January 2023.

Notes to the financial statements for the year ended 31 December 2023 (continued)

1. STATEMENT OF ACCOUNTING POLICIES (continued)

(b) Basis of preparation (continued)

As permitted, CAB has taken advantage of the disclosure exemptions as set out in section 400 of the Companies Act 2006, 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 plc (formerly CABIM Limited) ("CAB Payments"), which are available to the public and can be obtained as set out in Note 29.

(c) Going concern

The Directors have assessed the ability of CAB to continue as a going concern based on the net current asset position, regulatory capital requirements and estimated future cash flows. The Directors have formed the view that CAB has adequate resources to continue in existence for a period of 12 months from when these financial statements are authorised for issuance. Accordingly, the financial statements of CAB have been prepared on a going concern basis.

Critical to reaching this view were:

i. The output of internal stress assessments modelled the impact of severe yet plausible stresses which underpinned the Internal Capital Adequacy Assessment Process ("ICAAP") assessment.
ii. The output of the Reverse Stress Testing assessment which modelled the scenarios that would have to occur in order for CAB to fall below its Total Capital Requirement (being the aggregate of Pillar 1 and Pillar 2A capital requirements).

In reaching their conclusions, the Directors also considered the outputs of the 2023 Internal Liquidity Adequacy Assessment Process ("ILAAP"), the 2023 ICAAP and the 2023 Recovery Plan.

Internal Stress Assessments

In total, three stresses were considered:

i. Market & Climate Change Stress which modelled the impacts of a severe global recession which leads to increased credit defaults and widespread credit rating downgrades, a low interest rate environment detrimentally impacting Net Interest Income and £ sharply depreciating against USD which led to material increases in USD denominated Credit Risk Weighted Assets ("RWA").

ii. Idiosyncratic Stress which modelled the impact of a material reduction in revenue driven by idiosyncratic events.

iii. A Combined Stress which modelled the impact of the Market & Climate Stress occurring concurrently with the Idiosyncratic Stress.

Notes to the financial statements for the year ended 31 December 2023 (continued)

1. STATEMENT OF ACCOUNTING POLICIES (continued)

c. Going concern (continued)

Reverse Stress Tests

The Reverse Stress tests are used to assess vulnerabilities of CAB and determine what extreme adverse events would cause the business to fail. Where any of these events are deemed to be plausible, the Company will adopt measures to mitigate the impact of such events where plausible.

CAB did not identify reasonably possible scenarios which could result in failure to continue in operational existence for a period of 12 months from when these financial statements are authorised for issuance.

Conclusion

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 and;

ii. The significant judgements and estimates made by management in determining whether or not the adoption of the going concern is appropriate are disclosed in Note 2.1. The forecasts and assumptions used for impairment assessments were the same used for going concern assessment.

iii. There are no material uncertainties to disclose in respect of going concern.

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

(d) Interest income and interest expense

Interest income and interest expense for all interest-bearing financial instruments, including interest accruals on related foreign exchange contracts, are recognised within Net interest income in the statements of profit or loss and other comprehensive income. The interest expense on financial liabilities and 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 interest 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.

Notes to the financial statements for the year ended 31 December 2023 (continued)

1. STATEMENT OF ACCOUNTING POLICIES (continued)

(e) Fees 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 the following key revenue 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 monthly basis, which is consistent with market practice.
- Payment services fees: such fees 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 are charged and collected upfront.
    - Income from letters of credit: CAB also receives certain fees in respect of its finance business against the issue of letters of credit where the performance obligations are typically fulfilled towards the end of the customer contract. 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 are charged and collected upfront. Other charges relating to the services offered including advising fees, confirming bank's fees and bank charges, all of which are collected 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.
- 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 commission: This is commission 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 by the third party.

Notes to the financial statements for the year ended 31 December 2023 (continued)

1. STATEMENT OF ACCOUNTING POLICIES (continued)

(f) Net foreign exchange gains / losses

Net foreign exchange gains comprise the following:

- Profit on settlement of foreign exchange contracts and remeasurement of non-sterling balances: these profits arise on foreign exchange settlements involving the transfer of customer funds to specified recipients. Under the 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. On trade date CAB measures these transactions at fair value, further changes in fair value are recognised in profit or loss until the settlement of the contract. The remeasurement of non-sterling balances is performed daily via the translation of foreign currency balances at daily spot rates, with changes taken to profit and loss.
- Fair value gains or losses on derivatives: this income comprises the profits and losses on remeasurement of forward foreign exchange derivatives carried at fair value through profit and loss ("FVTPL").
- Foreign exchange gain on payment transaction revenue: a foreign exchange gain or loss on payment transactions is the difference between the spot exchange rate between the functional currency and the foreign currency at the date of the payment transaction.

(g) Foreign currency

(i) Functional and presentational currency
CAB's financial statements are presented in £ and rounded to thousands.

(ii) Transactions and balances
Foreign currency transactions are translated into the functional currency using the spot exchange rates on the dates of the transactions.

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

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss except for foreign exchange gains and losses in relation to instruments measured at fair value through other comprehensive income ("FVTOCI") which are recognised in other comprehensive income ("OCI").

(iii) Effects of foreign exchange movements on the statement of cash flows
The statement of cash flows includes cash flows in currencies other than £. Such cash flows should be reported at the £ equivalent of the cash flow at the time of the cash flow. In order to calculate such cash flows during the period, the approach taken has been to remove from movement in the £ equivalent at the beginning and end of the year, the effect of the movement in the £ balance caused solely by changes in the underlying exchange rate.

Notes to the financial statements for the year ended 31 December 2023 (continued)

1. STATEMENT OF ACCOUNTING POLICIES (continued)

Effects of foreign exchange movements on the statement of cash flows (continued)

CAB's systems do not presently allow extraction of the amount of FX gains and losses recognised in P&L on the retranslation of cash and cash equivalents, for which an adjustment needs to be made to operating profit for the purposes of arriving at cash flows from operating activities and presented at the foot of the cash flow statement as a reconciliation of the opening and closing cash and cash equivalent balance.

Historically the effects of foreign exchange rate movements on the £ equivalent balance recognised in P&L for the purposes of this adjustment has been determined by calculating the movement of the £ equivalent of the opening currency balance using the exchange rates at the beginning and the end of the year. Management have reconsidered the approach previously applied and have produced a report which now factors in daily movements at the daily closing rate to estimating the FX gains and losses on cash and cash equivalents recognised in P&L. Applying this more sophisticated approach has revealed that the adjustment made in 2022 was materially different to the more sophisticated approach used to estimate the 2023 adjustment. Therefore, the comparative reconciliation of profit to cash flows from operating activities has been restated so that it is consistent with the approach used in the current period.

(h) Taxation

Tax 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.

If current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Current or deferred tax assets or liabilities are not discounted.

Current tax
Current tax is the tax expected to be payable on the taxable profit for the year and on any adjustment to tax payable in respect of 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 reasonable 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.

Notes to the financial statements for the year ended 31 December 2023 (continued)

1. STATEMENT OF ACCOUNTING POLICIES (continued)

(i) Intangible assets

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated, using the straight-line method over their estimated useful lives, as follows:

Core accounting software – 12.5 years[1]

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.

[1] The amortisation period for core accounting software changed from 10 years in 2022 to 12.5 years in the current year. This change was prompted by a revision in our assessment of the expected useful life of this intangible asset, and accurately reflect the economic reality of this system which is expected to continue in use until at least 31 December 2026. As a result of this change, the amortisation expense has been adjusted prospectively in line with requirements of IAS 8. . The impact on the depreciation balance in each year is as follows:

	2023	**2024**	**2025**	**2026**
	£'000	**£'000**	**£'000**	**£'000**
Previous useful life	838	419	-	-
New useful life	314	314	314	314
Impact of change in estimate	**524**	**105**	**(314)**	**(314)**

Notes to the financial statements for the year ended 31 December 2023 (continued)

1. STATEMENT OF ACCOUNTING POLICIES (continued)

(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 becomes available for use. 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

Estimated useful lives are reassessed on an annual basis.

(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, a decline in operational performance, geo-political uncertainty, economic uncertainty (i.e rising interest rates and inflation) and changes in the outlook of future profitability. 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 resulting from 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 or loss and other comprehensive income.

Notes to the financial statements for the year ended 31 December 2023 (continued)

1. STATEMENT OF ACCOUNTING POLICIES (continued)

(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

Purchases or sales of financial assets are initially recognised and derecognised using trade date accounting. The trade date is the date of the commitment to buy or sell the financial assets.

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

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 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, CAB 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 FVTPL.

Notes to the financial statements for the year ended 31 December 2023 (continued)

1. STATEMENT OF ACCOUNTING POLICIES (continued)

(m) Financial instruments (continued)

i. Financial assets (continued)

CAB's financial assets measured at amortised cost are comprised primarily of:

- Cash and balances at central banks
- Loans and advances on demand to banks
- Other loans and advances to banks
- Other loans and advances to non-banks
- Investment in debt securities
- Unsettled transaction and
- Other assets such as balances with mobile network operators, staff loans, amounts due from group companies, transactions debited by third party nostro providers.

CAB's financial assets measured at FVTPL primarily comprises 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. Fair value is determined in the manner described in Note 37.

CAB's financial assets designated at FVTOCI comprise primarily of its investments in equity securities, which are not held for trading, (see Note 14). The equity securities 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 securities, 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 operating income/(loss)' line item (Note 6) 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 "Net 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.

Notes to the financial statements for the year ended 31 December 2023 (continued)

1. STATEMENT OF ACCOUNTING POLICIES (continued)

(m) Financial instruments (continued)

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 derivative 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, unsettled transactions and other liabilities such as trade creditors, funds received in advance, transactions credited by third party nostro providers and other creditors.

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.

Notes to the financial statements for the year ended 31 December 2023 (continued)

1. STATEMENT OF ACCOUNTING POLICIES (continued)

(m) Financial instruments (continued)

iii. Derivative financial instruments

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

Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured 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 amount is 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.

Notes to the financial statements for the year ended 31 December 2023 (continued)

1. STATEMENT OF ACCOUNTING POLICIES (continued)

(m) Financial instruments (continued)

vii. Financial guarantee contracts and letters of credit confirmations / bill acceptances – provisions (continued)

Fees relating to financial guarantee contracts and letter of credit confirmations / bill acceptances issued by CAB, fees can be received upfront and these fees are amortised on a straight-line basis to income over the year. When fees for financial guarantee contracts and letter of credit confirmations/ bill acceptances issued by CAB are 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, the cumulative amount of income recognised in accordance with CAB's revenue recognition policies.

Financial guarantee contracts and letter of credit confirmations /bill acceptances are presented as provisions on the statement of financial position and the remeasurement is included within the reversal of impairment/(impairment loss) on financial assets at amortised cost.

viii. 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 on demand to banks (comprising nostro balances)
- Other loans and advance to banks (comprising fixed term deposits)
- Other loans and advances to non-banks (comprising receivables from Non-Bank Financial Institutions (''NBFIs'') and other non-banks
- Investment in debt securities
- Other assets (financial assets included are balances with mobile network operators, amounts due from group companies, transactions debited by third party nostro providers, staff loans)
- Accrued Income
- Off – balance sheet financial assets (comprising Financial guarantees, Liquidity as a Service (''Laas'') 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 provision 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.

Notes to the financial statements for the year ended 31 December 2023 (continued)

1. STATEMENT OF ACCOUNTING POLICIES (continued)

(m) Financial instruments (continued)

viii. Impairment of financial assets (continued)

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 and financial guarantee contracts and letter of credit confirmations/bill acceptances 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 the 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;
- economic uncertainty i.e inflation and rising interest rates;
- geopolitical uncertainty;
- 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.

Notes to the financial statements for the year ended 31 December 2023 (continued)

1. STATEMENT OF ACCOUNTING POLICIES (continued)

(m) Financial instruments (continued)

viii. Impairment of financial assets (continued)

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 has 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 and letter of credit confirmations/bill acceptances, 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 less severe default criterion is more appropriate.

Notes to the financial statements for the year ended 31 December 2023 (continued)

1. STATEMENT OF ACCOUNTING POLICIES (continued)

(m) Financial instruments (continued)

viii. Impairment of financial assets (continued)

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 ECLs
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 and letter of credit confirmations / bill acceptances, 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 financial guarantee contracts and letter of credit confirmations / bill acceptances, 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.

Notes to the financial statements for the year ended 31 December 2023 (continued)

1. STATEMENT OF ACCOUNTING POLICIES (continued)

(m) Financial instruments (continued)

viii. Impairment of financial assets (continued)

Presentation of 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, life insurance and defined contribution pension plans. CAB also provides a Long-Term Incentive Plans 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 Plans
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 fair value of the employee services received in exchange for the grant of the awards is recognised in employee benefit expenses together with a corresponding increase in equity (retained earnings), over the period in which the service and the performance conditions are fulfilled (the vesting period).

Notes to the financial statements for the year ended 31 December 2023 (continued)

1. STATEMENT OF ACCOUNTING POLICIES (continued)

(n) Employee benefits (continued)

Performance conditions (market or non-market conditions) are taken into account when determining the fair value of awards at the date of grant. 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 share based 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 immaterial or 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 less than £10k). 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.

Notes to the financial statements for the year ended 31 December 2023 (continued)

1. STATEMENT OF ACCOUNTING POLICIES (continued)

(q) Leases (CAB as Lessee) (continued)

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 liabilities 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 liabilities, 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.

(r) Investments in subsidiaries

Investments in subsidiaries are non-monetary assets measured at cost less impairment. The investment in subsidiaries balance is recognised under other assets.

(s) Dividends

Dividends are recognised in the financial statements when they are declared and approved by the Board of Directors. This is because the approval of a dividend creates a legal obligation for the Company to pay the dividend to its shareholders..

Notes to the financial statements for the year ended 31 December 2023 (continued)

1. STATEMENT OF ACCOUNTING POLICIES (continued)

(t) 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.

Accounting standard	Details of amendment
Amendments to IAS 1	Classification of Liabilities as Current or Non-current - clarify that the classification of liabilities as current or noncurrent is based solely on a company's right to defer settlement for at least 12 months at the reporting date. The right needs to exist at the reporting date and must have substance.
Amendments to IFRS 16, Leases	Lease Liability in a Sale-and-Leaseback - requires a seller-lessee to account for variable lease payments that arise in a sale-and-leaseback transaction as follows. • On initial recognition, include variable lease payments when measuring a lease liability arising from a sale-and-leaseback transaction. • After initial recognition, apply the general requirements for subsequent accounting of the lease liability such that no gain or loss relating to the retained right of use is recognized.
IAS 7, Statement of Cash Flows and IFRS 7, Financial Instruments: Disclosures (Amendment)	Supplier Finance Arrangements. requires an entity to disclose qualitative and quantitative information about its supplier finance programs, such as terms and conditions – including, for example, extended payment terms and security or guarantees provided.
Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates:	Lack of Exchangeability (Issued August 2023).

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 2024.

Notes to the financial statements for the year ended 31 December 2023 (continued)

(u) New sustainability standards issued by the International Sustainability Standards Board (ISSB) effective 1 January 2024

The International Sustainability Standards Board ("ISSB") issued its first two sustainability reporting standards on 26 June 2023 as follows:

- General Requirements for Disclosure of Sustainability-related Financial Information (IFRS S1), the core framework for the disclosure of material information about sustainability-related risks and opportunities across an entity's value chain.
- Climate-related Disclosures (IFRS S2), the first thematic standard issued that sets out requirements for entities to disclose information about climate-related risks and opportunities.

IFRS S1 and IFRS S2 are applicable for accounting periods on or after 1 January 2024, but they have not yet been adopted for use in the UK. The Directors are in the process of assessing the implications of these standards.

2. CRITICAL JUDGEMENTS AND ESTIMATES IN APPLYING THE ACCOUNTING POLICY

In applying CAB'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.

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.

The critical judgements, apart from those involving estimation, made by management in applying the accounting policies in these financial statements 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 , which together are considered critical to CAB's results and financial position, are as follows:

Notes to the financial statements for the year ended 31 December 2023 (continued)

2. CRITICAL JUDGEMENTS AND ESTIMATES IN APPLYING THE ACCOUNTING POLICY (continued)

2.1 Key Judgements and estimates concerning the impairment and the going concern assessment

The assessment for impairment of intangible assets (Note 19) and assessment of appropriateness of going concern (Note 1(d)) reflects management's best estimate of the future cash flows of the CAB and the rates used to discount these cash flows, both of which are subject to uncertain factors as follows:

Judgements	Estimates
The accuracy of forecast cash flows is subject to a high degree of uncertainty in volatile market conditions. Where such circumstances are determined to exist, management re-tests intangible assets for impairment more frequently than once a year when indicators of impairment exist. Judgement was involved in calculating the cash flow forecasts and it involved consideration of past business performance, current market conditions and our macroeconomic outlook to estimate future earnings. Key assumptions underlying cash flow projections reflect management's outlook on interest rates and inflation, as well as business strategy, including the scale of investment in technology and automation.	**Cashflows forecasts** The future cash flows of CAB are sensitive to the cash flows projected for the 3 year period for which detailed forecasts are available and to assumptions regarding the long-term pattern of sustainable cash flows thereafter. Forecasts are compared with actual performance and verifiable economic data, but they reflect management's view of future business prospects at the time of the assessment. **Discount rates (Weighted Average Cost of Capital ("WACC"))** The rates used to discount future expected cash flows can have a significant effect on their valuation and are based on the costs of equity assigned to CAB. The cost of equity percentage is generally derived from a capital asset pricing model and market implied cost of equity, which incorporates inputs reflecting a number of financial and economic variables, including the risk-free interest rate in the country concerned and a premium for the risk of the business being evaluated. These variables are subject to fluctuations in external market rates and economic conditions beyond management's control. **Terminal growth rates** The terminal growth rate is used to extrapolate the cash flows in perpetuity because of the long-term perspective within CAB. Refer to sensitivity analysis in Note 19.

Notes to the financial statements for the year ended 31 December 2023 (continued)

2. CRITICAL JUDGEMENTS AND ESTIMATES IN APPLYING THE ACCOUNTING POLICY (continued)

2.2 Key Judgements and estimates concerning the impairment of financial assets

The calculation of CAB's ECL under IFRS 9 requires CAB to make a number of judgements, assumptions and estimates. The most significant are set out below:

Judgements	Estimates
• Defining what is considered to be a significant increase in credit risk • Selecting and calibrating the Probability of Default ("PD"), Loss Given Default ("LGD") and Exposure At Default ("EAD") models, which support the calculations, including making reasonable and supportable judgements about how models react to current and future economic conditions • Selecting model inputs and economic forecasts, including determining whether sufficient and appropriately weighted economic forecasts are incorporated to calculate unbiased expected loss • Making management adjustments to account for late-breaking events, model and data limitations and deficiencies, and expert credit judgements (none were noted).	Note 31- Credit Risk sets out the assumptions used in determining ECL and provides an indication of the sensitivity of the result to the application of different weightings being applied to different economic assumptions.

The quantitative disclosures, range of outcomes and sensitivities applied are disclosed in Note 31.

2.3 Key Judgements on classification of non-recurring costs

Some of the expenses accounted for by CAB have been separately identified as non-recurring in the Statement of Profit or Loss and Other comprehensive income on the basis that such presentation enhances the transparency and understanding of CAB's financial performance. Judgement has been applied in determining whether an item of expense is non-recurring in accordance with CAB's accounting policy. Based on an assessment of the nature, timing, and frequency of the events giving rise to certain expenses the following items have been presented as non-recurring:

- Professional costs incurred in connection with review and implementation of strategic exit options;
- Staff bonuses related to strategic operating options and to take on commitments.

2.4 Key judgement concerning the recognition of intragroup expense recharges

IAS 1 states: "an entity reports separately both assets and liabilities, and income and expenses. Offsetting in the statement(s) of profit or loss and other comprehensive income or financial position, except when offsetting reflects the substance of the transaction or other event, detracts from the ability of users both to understand the transactions, other events and conditions that have occurred and to assess the entity's future cash flows".

Management have utilised the exception included within IAS 1 and has netted off the income generated by the recharge of certain expenses to CAB's ultimate UK parent, CAB Payments, against the relevant costs. The netting off was recognised within the non-recurring costs, based on the following judgement:

Notes to the financial statements for the year ended 31 December 2023 (continued)

2. CRITICAL JUDGEMENTS AND ESTIMATES IN APPLYING THE ACCOUNTING POLICY (continued)

2.4 Key judgement concerning the recognition of intragroup expense recharges (continued)

- ***Substance of the transaction*** – the costs were incurred for the benefit of CAB Payments and
- ***Other events and conditions that have occurred and to assess the entity's future cash flows -*** CAB is not in the business of providing listing services and if income (recognised from the recharging of costs) was recognised on a separate line in the "Statement of profit or loss " , that would distort the statement for CAB which would detracts ability of users to read these Financial Statements as the events and substance of transactions do not have anything to do with CAB.

3. NET INTEREST INCOME

Interest income	**2023 £'000**	2022 £'000
Interest on cash and balances at central banks	28,147	8,216
Interest on loans and advances	7,632	3,414
Interest on letters of credit	599	302
Interest on investment in debt securities	15,802	5,168
Other interest income and similar income[1]	129	63
Interest income	**52,309**	**17,163**
Interest expense		
Interest on financial liabilities at amortised cost	(30,685)	(10,328)
Interest expense on lease liabilities	(65)	(19)
Other interest expense[1]	(104)	(51)
Interest expense	**(30,854)**	**(10,398)**
Total net interest income	**21,455**	**6,765**

[1] Other interest income and similar income and other interest expense are interest received, interest accrued or interest paid on collateral balances paid to or received from our FX Swap Counterparties.

4. FEES AND COMMISSION INCOME

	2023 £'000	2022 £'000
Fees and commission income:		
Account management and payments fees	11,750	12,151
Pension payment fees	1,467	1,395
Trade finance fees	725	645
Electronic platform fees	686	819
Introductory commission	19	821
Total fees and commission income	**14,647**	**15,831**

At 31 December 2023, CAB held on its statement of financial position £546k (2022: £611k) of accrued income in respect of services provided to customers and £75k (2022: £171k) of deferred and accrued income (entirely recognised within one year) in respect of amounts received from customers for services to be provided after the year end.

Notes to the financial statements for the year ended 31 December 2023 (continued)

5. NET FOREIGN EXCHANGE GAIN

	2023 £'000	2022 £'000
Profit on settlement of foreign exchange contracts and remeasurement of non-sterling balances	76,727	54,947
Fair value (loss)/ gains on derivatives[1]	(7,884)	8,059
Foreign exchange gain on payment transaction revenue	19,899	19,676
Total	**88,742**	**82,682**

[1] Foreign exchange derivative financial instruments are mandatorily held at fair value through profit or loss. These fair value movements offset the Profit and Losses arising from the remeasurement of non-sterling balances.

6. OTHER OPERATING INCOME/(LOSS)

	2023 £'000	2022 £'000
Other operating income/ (loss)	313	(484)
Total	**313**	**(484)**

The other operating loss balance for 2022 includes the effect of revisions to the estimate of the R&D claim accruals arising from expenses in 2020 and 2021. The claims relate to tax credits receivable from HMRC under the UK Research and Development Expenditure Credit ("RDEC") scheme and are recognised in the statement of profit or loss and other comprehensive income.

The 2023 balance consists of CAB's estimate of the R&D claim arising from expenses in 2023 and a revision of the estimate re 2022.

Notes to the financial statements for the year ended 31 December 2023 (continued)

7. OPERATING EXPENSES

	2023 £'000	2022 £'000
Staff costs and directors' emoluments (before non-recurring expenses)		
Salaries and bonuses	35,704	26,705
Share based payments	972	449
Social security costs	4,449	3,425
Pension costs	2,151	1,445
Fees payable to the auditors		
Audit[1]	974	681
Audit related services	37	-
Depreciation and amortisation		
Amortisation of intangible assets (Note 19)	5,054	5,121
Depreciation of property, plant, and equipment (Note 17)	795	815
Depreciation charge for right-of-use assets (Note 18)	445	322
Other expenses		
Low-value lease expenses	47	25
Bank charges	2,860	2,587
Clearing costs	2,314	2,514
Process automation	2,000	2,000
Recruitment	1,371	984
Software licences	5,734	4,628
Professional fees	2,265	843
Transfer pricing (intragroup)	4,073	-
Irrecoverable VAT	1,206	972
Other operating expenses	4,767	5,509
Total recurring operating expenses	**77,218**	**59,025**
Non-recurring operating expenses[2]	2,254	5,332
Total operating expenses	**79,472**	**64,357**

[1] Includes prior year fees of £254k (2022 - £210k).

[2] Non-recurring operating expenses consist of material non-recurring items that are considered exceptional in nature by virtue of their size and/or incidence and as a result of arising outside of the normal trading of CAB. In determining whether a cost is non-recurring, CAB considers the nature and frequency of similar events or transactions that have occurred in the past, as well as the likelihood of similar events or transactions in the future.

A. Non-recurring operating expenses can be analysed as follows.

	2023 £'000	2022 £'000
Professional costs incurred in connection with review of strategic options	-	1,868
Bonuses relating to take on commitments	2,254	3,464
	2,254	**5,332**

B. Number of employees

The monthly average number of full-time equivalent staff employed within CAB, including executive directors, was 303 (2022: 214) and the number of employees at year-end is 333 (2022:234). All employees are in the UK.

Notes to the financial statements for the year ended 31 December 2023 (continued)

8. TAX EXPENSE

A. Analysis of tax expense for the year

i. Tax expense

	2023 £'000	2022 £'000
Current tax		
Corporation tax based on the taxable profit for the year	14,060	10,565
Adjustment in respect of prior years	316	(20)
	14,376	**10,545**
Deferred tax		
Adjustment in respect of prior years	-	59
Impact of tax rate changes	-	10
Origination and reversal of temporary differences	332	(170)
Deferred tax charge/ (credit) in profit or loss (Note 20B)	**332**	**(101)**
Total tax expense for the year	**14,708**	**10,444**
Effective tax rate (%)	**26%**	**23%**

ii. Amounts recognised directly in other comprehensive income

	2023 £'000	2022 £'000
Aggregate deferred tax arising in the year end not recognised in net profit or loss and recognised in other comprehensive income:		
Current year	6	17
Adjustment in respect of prior years	6	-
Deferred tax (Note 20B)	**12**	**17**

Notes to the financial statements for the year ended 31 December 2023 (continued)

8. TAX EXPENSE (continued)

B. Factors affecting tax expense for the year

The tax assessed for the year is higher (2022: higher) than the standard rate of Corporation Tax in the UK.

	2023 £'000	2022 £'000
Profit before taxation	**57,497**	**44,702**
Standard rate corporation tax of 25.00%/19.00% on profit before taxation [See note below] (2022: 19.00%)	13,524	8,493
19.00%	2,694	8,493
25.00%	10,830	-
Effect of:		
Temporary differences regarding capital items	(19)	67
Expenses not deductible for tax purposes	257	140
Adjustment in respect of prior years	316	39
Permanent difference due to banking surcharge levy	630	1,695
Remeasurement of deferred tax following change of tax rates	-	10
Total tax expense for the year	**14,708**	**10,444**

As laid out in the Finance Act 2021, from 1 April 2023 the main corporation tax rate increased to 25% (19% previously). In addition, there is a permanent difference due to banking surcharge levy of 3% (8% previously) in relation to taxable profits of banks in excess of £100 million (£25 million previously) from 1 April 2023. The effects of this increase are reflected in the financial statements. The figures above incorporate the increased tax rate in respect of timing differences expected to reverse after that date.

Notes to the financial statements for the year ended 31 December 2023 (continued)

9. CASH AND BALANCES AT CENTRAL BANKS

	2023 £'000	2022 £'000
Cash and balances at central banks[1]	528,396	607,358
Less: impairment loss allowance	-	-
	528,396	**607,358**
Component of cash and balances included in cash flow under:		
Cash balances at central banks	**528,396**	**607,358**

[1] Cash and balances at central banks include no encumbered assets (2022 – £nil).

There are no restricted cash and balances at central banks. The cash and balances at central banks are measured at amortised cost as they meet the Solely Payment of Principal and Interest (SPPI) criterion and are held to collect the contractual cashflows.

The carrying amount of these assets is approximately equal to their fair value.

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

10. MONEY MARKET FUNDS

	2023 £'000	2022 £'000
Open ended investment companies		
Goldman Sachs USD Treasury Liquid reserves Fund	380,805	209,486
Black Rock ICS USD Liquidity Fund	98,566	-
JP Morgan USD Liquidity LVNAV Fund	39,393	-
Cash and cash equivalents per statement of cash flows	**518,764**	209,486
Component of Money Market Funds included in cashflow under:		
Cash and cash equivalent balances	**518,764**	209,486

Money market funds are mandatorily held at fair value through profit or loss as they do not satisfy the Solely Payment Of Principal And Interest ("SPPI") criterion set out in IFRS9.The funds are all rated AAA in 2023 and 2022 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.

Notes to the financial statements for the year ended 31 December 2023 (continued)

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:

	2023 £'000	(Restated) 2022 £'000
Loans and advances (gross)		
Loans and advances on demand to banks	132,457	89,961
Other loans and advances to banks[1]	137,596	84,042
Other loans and advances to non-banks[1]	8,721	12,646
Total	**278,774**	186,649
Less: Impairment loss allowance (Note 31)		
Loans and advances on demand to banks	(10)	(4)
Other loans and advances to banks	(27)	(50)
Other loans and advances to non-banks	(505)	(199)
Total	**(542)**	(253)
Net Loans and advances on demand to banks	132,447	89,957
Net Other loans and advances to banks[1]	137,569	83,992
Net Other loans and advances to non-banks[1]	8,216	12,447
Net loans and advances	**278,232**	186,396
Component of loans and advances included in the statement of cashflows under:		
Cash and cash equivalents	132,447	89,957
Total	**132,447**	89,957

CAB's other loans and advances to banks include £8,264k of encumbered assets (2022: £1,827k) in relation to derivative contracts with other financial institutions and the balances are not overdue. Other loans and advances to non-banks includes a loan to a related party (2023: nil; 2022: £2,251k) (see Note 29). Refer to Note 31 on Credit risk. for further details on impairment loss allowance.

[1]Prior period restatement note

A prior period adjustment has been made to record a reclassification of a counterparty which was incorrectly recognised in Other loans and advances to banks instead of Other loans and advances to non-banks. The 31 December 2022 statement of financial position has been restated as follows:

Financial statements as at 31 December 2022:	Other loans and advances to banks £'000	Other loans and advances to non-banks £'000
Year ended 31 December 2022 (as previously reported)	91,691	4,748
Prior period adjustment	(7,699)	7,699
Year ended 31 December 2022 (as restated)	**83,992**	**12,447**

The Other loans and advances to banks and Other loans and advances to non-banks balances on Note 28, Note 31, Note 32, Note 34 and Note 36 have been impacted by the same prior period adjustment amount and have been restated accordingly. There is no impact on the bucketing of the balances in the respective notes.

Notes to the financial statements for the year ended 31 December 2023 (continued)

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
2023	**711,098**	**3,829**	**9,679**
2022	714,810	6,589	4,565

The forward foreign exchange contracts have been transacted to economically hedge assets and liabilities in foreign currencies. The net unrealised loss (2022: profit) at the statement of financial position date is £5,850k (2022: £2,024k). These derivative financial instruments and the underlying transactions they hedge will mature during 2024 (2022: 2023).

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. There were no such instances during the year.

The following table presents the recognised financial instruments that are offset in the statement of financial position, or subject to enforceable master netting arrangements and other similar agreements but not offset, as at 2023 and 2022. The column 'net amount' shows the impact on CAB's balance sheet if all set-off rights were exercised.

2023 £'000	**Gross amounts**	**Gross amounts set off in the balance sheet**	**Net amounts presented in the balance sheet**	**Amounts subjected on master netting arrangements[1]**	**Net amount**
Financial assets					
Derivative assets	3,829	-	3,829	736	3,093
Financial liabilities					
Derivative liabilities	9,679	-	9,679	8,387	1,292

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[1]**	**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

[1]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.

Notes to the financial statements for the year ended 31 December 2023 (continued)

12. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

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.

	2023 £'000	2022 £'000
Investment in debt securities at amortised costs		
Balance at the beginning of the period	**414,061**	**73,248**
Purchases	484,208	518,079
Redemptions	(521,161)	(188,662)
Exchange gains/ losses	(19,776)	13,498
Movement in discount/premium and accrued interest receivable	(4,290)	(2,089)
	353,042	**414,074**
Less: Impairment loss allowance	(14)	(13)
Balance at the end of the period	**353,028**	**414,061**

Refer to Note 31 on Credit Risk for further details on impairment loss allowance.

Notes to the financial statements for the year ended 31 December 2023 (continued)

14. INVESTMENT IN EQUITY SECURITIES

Investment securities designated at FVTOCI are as follows:

	2023	2022
	£'000	£'000
Shares in The Society for Worldwide Interbank Financial Telecommunication ('SWIFT')	495	488
	495	**488**

	2023	2022
	£'000	£'000
At 1 January	488	382
Additions	-	-
Exchange (loss)/gain	(20)	18
Fair value gain	27	88
At 31 December	**495**	488

With the exception of the above, 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 FVTOCI.

No dividend income was recognised from these shares (2022: nil). There was no sale of these equity shares (2022: nil).

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

15. ACCRUED INCOME

	2023	2022
	£'000	£'000
Financial assets:		
Accrued income (others)	547	616
Less: Impairment loss allowance	(1)	(5)
	546	**611**
Non-financial assets:		
Research and development tax rebate	671	246
	1,217	**857**

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.

Notes to the financial statements for the year ended 31 December 2023 (continued)

16. UNSETTLED TRANSACTIONS AND OTHER ASSETS

A. Other assets

	2023 £'000	Restated 2022 £'000
Financial assets:		
Balances with mobile network operators[1]	446	326
Staff loans	330	544
Amounts due from group companies	25,960	7,964
Transactions debited by third party nostro provider[2]	1,996	8,322
Other assets	148	621
Less: Impairment loss allowance	(70)	(45)
	28,810	**17,732**
Non-financial assets:		
Investment in CAB Europe BV[3]	630	86
Prepayments	3,358	2,238
VAT refund	1,820	855
Deferred tax	35	-
	5,843	**3,179**
Total other assets	**34,653**	**20,911**

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

[1] Balances with mobile network operators ("MNO"s) 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. These balances are funds with the MNO which have yet to be transferred to beneficiaries.

[2] These balances represent amounts that are debited in advance by third party nostro providers at year-end. The prior year balance has been restated to financial assets because it was previously incorrectly classified under non-financial asset.

[3] 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 investment increased by £544k (2022:nil). There was no impairment recognised in the current year (2022:nil).

Notes to the financial statements for the year ended 31 December 2023 (continued)

16. UNSETTLED TRANSACTIONS AND OTHER ASSETS

B. Unsettled transactions

	2023 £'000	Restated 2022 £'000
Unsettled transactions[4]	8,417	16,071

[4] Unsettled foreign currency 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.

C. Prior period restatement note

A prior period adjustment has been made to record a reclassification of late receipts which was incorrectly recognised in Other Assets instead of Unsettled Transactions. The 31 December 2022 statement of financial position has been restated as follows:

Financial statements as at 31 December 2022:	**Other assets £'000**	**Unsettled transactions £'000**
Year ended 31 December 2022 (as previously reported)	24,022	12,960
Prior period adjustment	(3,111)	3,111
Year ended 31 December 2022 (as restated)	**20,911**	**16,071**

The Other Assets and Unsettled Transactions balances on Note 28, Note 31, Note 32, Note 34 and Note 36 have been impacted by the same prior period adjustment amount and have been restated accordingly. There is no impact on the bucketing of the balances in the respective notes.

Notes to the financial statements for the year ended 31 December 2023 (continued)

17. PROPERTY, PLANT AND EQUIPMENT

	Leasehold Improvements £'000	Computer Equipment[1] £'000	Fixtures & Fittings[2] £'000	Total £'000
Cost				
At 1 January 2023	122	2,506	2,205	4,833
Additions	-	347	69	416
Disposals	-	(81)	(2)	(83)
At 31 December 2023	**122**	**2,772**	**2,272**	**5,166**
Accumulated depreciation				
At 1 January 2023	90	1,603	1,572	3,265
Charge to profit or loss	22	368	405	795
Disposals	-	(69)	(2)	(71)
At 31 December 2023	**112**	**1,902**	**1,975**	**3,989**
Net book value				
As 1 January 2023	**32**	**903**	**633**	**1,568**
At 31 December 2023	**10**	**870**	**297**	**1,177**

[1]Includes mobile phones
[2] Includes artwork

2022	Leasehold Improvements £'000	Computer Equipment [1] £'000	Fixtures & Fittings[2] £'000	Total £'000
Cost				
At 1 January 2022	122	2,236	2,177	4,535
Additions	-	318	28	346
Disposals	-	(48)	-	(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 profit or loss	22	390	403	815
Disposals	-	(42)	-	(42)
At 31 December 2022	90	1,603	1,572	3,265
Net book value				
As 1 January 2022	**54**	**981**	**1,008**	**2,043**
At 31 December 2022	**32**	**903**	**633**	**1,568**

[1]Includes mobile phones
[2] Includes artwork

Notes to the financial statements for the year ended 31 December 2023 (continued)

17. PROPERTY, PLANT AND EQUIPMENT (continued)

The Directors consider property and plant for indicators of impairment at least annually, or when there is an indicator of impairment. There are no physically visible impairment indicators at year-end. Refer to Note 19 for analysis of other impairment indicators e.g market capitalisation decline.

Impairment loss is recognised when the recoverable amount of the business, (value in use calculation of the CGUs), is lower than the carrying amount of the net assets of CAB. Refer to Note 19 for determination of value in use calculation and comparison with net assets of CAB. No impairment charge was taken in the period (2022:nil).

18. LEASES (CAB as a lessee)

CAB has recognized a right of use (ROU) asset and lease liabilities for its property leases which are for an average lease term of five-year and ten-month period. The leases have been accounted for as a portfolio (as they have similar characteristics). The discounts used are the incremental borrowing rates in the range of 2.14% - 8.99% in 2023 (2022: 2.14% - 8.99%).

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

The services provided by the Lessors, 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 expenses amounted to £397k (2022: £259k).

The dilapidation provision included in the ROU amounts to £nil (2022:nil).

CAB's leases of low value fixtures and equipment are expensed in 'Other operating expenses' line item in Note 7 on a straight-line basis (see accounting policy in Note 1 for leases). These amounted to £47k (2022: £25k).

There were no short-term leases in 2023 (2022: nil).

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

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

The lease interest payments charged as an expense for the year totalled £65k (2022: £19k).

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

Notes to the financial statements for the year ended 31 December 2023 (continued)

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

A. 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 31 December 2023 and 31 December 2022 are shown below:

	Leasehold property[2] £'000
Cost	
At 1 January 2023	1,760
Additions	-
At 31 December 2023	**1,760**
Accumulated depreciation	
At 1 January 2023	626
Charge to profit or loss[1]	445
At 31 December 2023	**1,071**
Net book value	
At 31 December 2023	**689**
Cost	
At 1 January 2022	1,065
Additions	695
At 31 December 2022	**1,760**
Accumulated depreciation	
At 1 January 2022	304
Charge to profit or loss[1]	322
At 31 December 2022	**626**
Net book value	
At 31 December 2022	**1,134**

[1] Charge to P&L includes depreciation on leases attributable to discontinued operations.
[2] There is only one class of right of use assets which is the property lease.

Notes to the financial statements for the year ended 31 December 2023 (continued)

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

B. Lease liabilities

A reconciliation of CAB's remaining operating lease payments as at 31 December 2022 and 31 December 2023 are shown below:

	Leasehold property £'000
Lease liabilities as at 1 January 2023	1,281
Additions during the year	-
Payments during the year	(462)
Add: interest on lease liabilities	65
At 31 December 2023	**884**
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**

There were no variable lease payments expenses in the reporting period (2022: nil). CAB's lease liabilities as at 31 December 2022 and 31 December 2023 are split into current and non-current portions as follows:

	2023 £'000	**2022 £'000**
Current	372	670
Non-current	512	611
Lease liabilities	**884**	**1,281**

The maturity analysis of lease liabilities is disclosed in Note 32.

C. Impact of leases on the profit and loss

The following are the amounts recognised in profit or loss:

	2023 £'000	2022 £'000
Depreciation expense of right-of-use assets (Note 7)	445	322
Interest expense on lease liabilities (Note 3)	65	19
Expense relating to leases of low-value assets (Note 7)	47	25
Total amount recognised in profit or loss	**557**	**366**

CAB had total cash outflows for leases of £462k (2022: £277k).

Notes to the financial statements for the year ended 31 December 2023 (continued)

19. INTANGIBLE ASSETS

2023	**Brand / Name £'000**	**Core Accounting Software £'000**	**Other Software £'000**	**Total £'000**
Cost				
At 1 January 2023	1,427	5,328	27,150	33,905
Additions	37	82	6,523	6,642
Exchange rate loss	-	(27)	-	(27)
At 31 December 2023	**1,464**	**5,383**	**33,673**	**40,520**
Accumulated amortisation				
At 1 January 2023	123	4,031	12,228	16,382
Charged for the year	45	309	4,727	5,081
Exchange rate loss	-	(27)	-	(27)
At 31 December 2023	**168**	**4,313**	**16,955**	**21,436**
Net book value				
At 1 January 2023	**1,304**	**1,297**	**14,922**	**17,523**
At 31 December 2023	**1,296**	**1,070**	**16,718**	**19,084**

2022	**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				
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 1 January 2022	**1,326**	**1,880**	**15,091**	**18,297**
At 31 December 2022	**1,304**	**1,297**	**14,922**	**17,523**

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 £2,758k (2022: £1,239k). These costs are expensed to the statement of profit or loss and other comprehensive income over the period of the contract in line with the benefits received. There are no judgements 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.

Notes to the financial statements for the year ended 31 December 2023 (continued)

19. INTANGIBLE ASSETS (continued)

The Directors treat the business as a single cash-generating unit for the purposes of testing intangible assets for impairment. The recoverable amount of intangible assets was calculated by reference to the business estimated value-in-use. The inputs and assumptions used in the calculation of the value in use at year-end were assessed as reasonable and appropriate for the purposes of year-end financial reporting, because there were no significant changes impacting the business negatively. Therefore, no impairment charge was taken during the period.

Value in use calculation

The recoverable amount of this cash-generating unit is determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by the Board of Directors covering a three-year period ended 31 December 2026, with the terminal growth rate applied from the start of 2027. The key assumptions used by CAB in setting the financial forecasts for the initial three-year period were as follows:

	2023	2022
Discount rate	20.3%	17%
Terminal value growth rate	2%	0%

i. *Discount rate*
CAB uses a pre-tax discount rate based on a weighted average cost of capital.

ii. Terminal growth rate
Terminal growth rate has increased from 0% to 2% being an industry realistic benchmark based on the UK long term inflation rate.

iii. Sensitivity analysis of key assumptions in calculating value in use
CAB has conducted an analysis of the sensitivity of the impairment test to changes in the key assumptions used to determine the recoverable amount for the CGU to which intangible assets are allocated. CAB believes that any reasonably possible change in the key assumptions on which the recoverable amount of CAB is based would not cause the aggregate carrying amount of intangible assets to exceed the aggregate recoverable amount of the related CGUs.

Notes to the financial statements for the year ended 31 December 2023 (continued)

20. DEFERRED TAX LIABILITY

A. Deferred Tax Liability

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

	2023 £'000	2022 £'000
Deferred tax liabilities	**695**	316

Analysed as follows:

	Property, plant and equipment	Intangible assets	Investment in equity	ECL Provisions	Total
At 1 January 2023	3	245	24	44	316
Charge/(Credit) to profit and loss 2023	112	299	-	(44)	367
Charge to other comprehensive income 2023	-	-	12	-	12
At 31 December 2023	**115**	**544**	**36**	**-**	**695**
At 1 January 2022	233	160	7	-	400
Charge/(Credit) to profit and loss 2022	(230)	85	-	44	(101)
Charge to other comprehensive income 2022	-	-	17	-	17
At 31 December 2022	**3**	**245**	**24**	**44**	**316**

Notes to the financial statements for the year ended 31 December 2023 (continued)

20. DEFERRED TAX (continued)

A. Deferred Tax Liability (Continued)

The deferred tax liability can be further analysed as follows:

	2023 £'000	2022 £'000
Liability reversing at 23.5%	**695**	-
Liability reversing at 25.5%	-	(9)
Liability reversing at 27.25%	-	123
Liability reversing at 28%	-	202
At 31 December at 25.00% (2022: 25.5%/27.25%/28%)	**695**	316

B. Deferred tax recognised in the year

	2023 £'000	2022 £'000
Accelerated tax depreciation on property, plant and equipment	112	(230)
Intangible assets	299	85
Expected credit loss provision	(80)	44
Total tax expense/ (credit) to profit or loss[1]	**331**	**(101)**
Charged to other comprehensive income:		
Deferred tax expense on investment on equity securities	12	17
Total deferred tax expense/ (credit) for the year	**343**	**(84)**

[1] Includes a deferred tax asset credit of £18k (2022 - £nil).

C. Unrecognised deferred tax assets and deferred tax liabilities

At the reporting date, CAB had £nil (2022: £nil) unused tax losses available for offset against future profits.

Notes to the financial statements for the year ended 31 December 2023

21. CUSTOMER ACCOUNTS

	2023 **£'000**	2022 £'000
Repayable on demand	789,057	661,678
Other customers' accounts with agreed maturity dates or periods of notice by residual maturity repayable:		
3 months or less	670,895	479,641
1 year or less but over 3 months	81,028	127,062
2 years or less but over 1 year	5,652	42,428
	1,546,632	**1,310,809**

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.

Notes to the financial statements for the year ended 31 December 2023

22. UNSETTLED TRANSACTIONS, ACCRUALS AND OTHER LIABILITIES

A. Other liabilities

Financial liabilities	2023 £'000	Restated 2022 £'000
Trade creditors	1,688	545
Funds received in advance	3,327	4,989
Transactions credited by third party nostro providers[1]	159	3,500
Amounts due to group companies	11,034	459
Other liabilities	283	76
	16,491	**9,569**
Non-financial liabilities		
HM Revenue & Customs	1,680	1,693
Deferred income[2]	84	52
	1,764	**1,745**
Total other liabilities	**18,255**	**11,314**

[1] These balances represent amounts that are credited incorrectly by third party nostro providers at year-end. The prior year balance has been restated to financial liabilities because it was previously incorrectly classified under non-financial liabilities.
[2] Deferred income relates to payments that are received from customers before the services are provided to customers.

B. Unsettled transactions

	2023 £'000	2022 £'000
Unsettled transactions[3]	20,081	25,782

[3]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.

C. Accruals

	2023 £'000	2022 £'000
Accruals[4]	17,315	18,368

[4] Accruals comprise various balances which have not yet been invoiced for goods received or services provided e.g audit fees, bank charges, professional fees and payroll accruals.

Notes to the financial statements for the year ended 31 December 2023 (continued)

23. PROVISIONS

	2023 £'000	2022 £'000
Expected credit loss		
Financial guarantee liability	2	1
Liability for letter of credit confirmations / bill acceptances	6	6
Liquidity as a service ("LaaS") – undrawn commitments	228	72
ECL for off balance sheet balances (Note 31)	**236**	**79**

i. 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 £73k (2022: £85k).

ii. 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 confirms 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 premiums of £754k (2022: £572k).

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 £44,588k (2021: £40,283k) 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.

iii. Liquidity as a service ("LaaS") – undrawn commitments

LaaS is a credit facility offered by CAB to its customers which allows customers to draw down on the facility on satisfaction of the terms of this facility. CAB charges facility fees for consideration of providing this facility. CAB provides this facility to multiple counterparties. Please refer to Note 31 for the maximum exposure of LaaS. CAB received facility fees of £47k (2022: £52k).

24. CALLED UP SHARE CAPITAL

	2023 '000	2022 '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.

Notes to the financial statements for the year ended 31 December 2023 (continued)

25. RETAINED EARNINGS

	£'000
Balance at 1 January 2023	**68,624**
Profit for the year	42,789
Dividends declared[1]	(19,500)
Share based payment expense (Note 27)	972
Balance at 31 December 2023	**92,885**
Balance at 1 January 2022	**33,917**
Profit for the year	34,258
Share based payment expense	449
Balance at 31 December 2022	**68,624**

[1]During the year, CAB declared a dividend to its shareholders amounting to £19,500k (2022: nil). The dividend was declared on 26 April 2023 and was a non-cash item.

26. INVESTMENT REVALUATION RESERVE

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.

	£'000
Balance at 1 January 2023	**104**
Fair value gain on investments in equity instruments designated as at FVTOCI	27
Income tax relating to above	(12)
Balance at 31 December 2023	**119**
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**

Notes to the financial statements for the year ended 31 December 2023 (continued)

27. SHARE BASED PAYMENTS

CAB operates a number of employee equity-settled schemes as part of its strategy. The fair value of the employee services received in exchange for the grant of the awards is recognised in employee benefit expenses together with a corresponding increase in equity (share based payment reserve), over the period in which the service and the performance conditions are fulfilled (the vesting period). Movements during the year were as follows:

	2023 £'000	2022 £'000
Share based payments expenses recognised in statement of profit or loss and other comprehensive income	972	449
Share based scheme 1	665	449
Share based scheme 2	307	-
Expense arising from equity settled share based payment transactions	**972**	**449**

A. Share Based Scheme 1

Description and Vesting requirements

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

In July 2023, the parent company, CAB Payments Holdings plc shares were admitted to the London Stock Exchange, and this triggered an "exit" event. As a result, all vesting conditions were accelerated, as follows:

Share based payments scheme 1	**Number**
Outstanding at 1 January 2022	10,000
Granted during the year	-
Released 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**
Outstanding at 1 January 2023	10,000
Granted during the year	-
Released during the year	(10,000)
Cancelled during the year	-
Forfeited during the year	-
Outstanding at 31 December 2023	-
Vested and exercisable at 31 December 2023	-

The scheme is now closed. Given the accelerated vesting, the provision of vesting details provided in previous years is now irrelevant.

Notes to the financial statements for the year ended 31 December 2023 (continued)

A. Share Based Scheme 1 (continued)

Valuation and inputs to the model

The fair value at grant date is independently determined using the Monte Carlo model 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. The valuation is a Level 2 valuation.

In 2021, new allocations were made to further senior managers. The estimated fair values of the awards granted was £605 per share on grant date. There were no allocations in 2022 or 2023 for this scheme and therefore no valuations were required.

The following table lists the inputs to the models used to determine the fair value at grant date (last done in 2021) for the share awards granted in this scheme:

Share based payments scheme 1	**Key inputs**
Dividend yield (%)	n/a
Expected volatility (%)	30-40
Risk-free interest rate (%)	1.2
Expected life of share awards (%)	2.7
Share price at grant date (£)	142
Model used	Monte Carlo

A share based payment expense totalling £665k (2022: £449k) in respect of Scheme 1 was recognised in the statement of profit or loss and other comprehensive income.

Notes to the financial statements for the year ended 31 December 2023 (continued)

B. Share Based Scheme 2

Long Term Incentive Plan ("LTIP") awards were granted to incentivise senior management on 11 July 2023. The vesting conditions are subject to performance measures relating to relative total shareholder return ("TSR") and earnings per share. Each measure is assessed independently over the vesting period. The LTIP awards have an individual conduct gateway requirement that results in the award lapsing if not met. The scheme includes a clawback condition for a minimum period of three years.

Reconciliation of the LTIP award movements for the year to 31 December 2023 is as follows:

Share based payments scheme 2	Two-year awards		Three-year awards	
	Holding period	Non-holding period	Holding period	Non-holding period
	Number of awards			
Outstanding at 1 January 2023	-	-	-	-
Granted during the year	629,851	792,492	1,106,713	792,480
Released during the year	-	-	-	-
Cancelled during the year	-	(34,029)	-	(34,029)
Forfeited during the year	-	-	-	-
Outstanding at 31 December 2023	629,851	758,463	1,106,713	758,451
Vested and exercisable at 31 December 2023	-	-	-	-

Inputs to the models

The calculation of the LTIP expense take into account the following key inputs:

	Key input	
	Two year awards	**Three year awards**
Grant date	11 July 2023	11 July 2023
Share price at grant date (£)	£3.10	£3.10
Actual leavers	34,029	34,029
Vesting period	Until 11 July 2025	Until 11 July 2026
Earnings per share range	Less than 25.5p	Less than 33.4p
Total shareholder return discount	45%	39%
Holding period discount	8%	9%
Leavers lapse provision (holding/ non-holding period)	0%/22%	0%/31%
Clawback condition – effect on valuation	0%	0%
Model used	Monte Carlo	Monte Carlo

The resulting value is expensed to the statement of profit or loss and other comprehensive income over the vesting period in line with the vesting of the interests concerned.

A share based payment expense totalling £307k (2022: £nil) in respect of Scheme 2 was recognised in the statement of profit or loss and other comprehensive income.

Notes to the financial statements for the year ended 31 December 2023 (continued)

28. NOTES TO THE STATEMENT OF CASH FLOWS

A. Reconciliation of profit before taxation to net cash inflow from operating activities

	2023 £'000	Restated 2022 £'000
Profit before taxation	**57,497**	**44,702**
Adjusted for non-cash items:		
Effect of currency exchange rate changes[1]	(14,922)	53,194
Effect of other mark to market revaluations	-	(15)
Amortisation	5,081	5,121
Depreciation		
- Right of use assets	445	322
- Property, plant and equipment	795	815
Share based payment charges	972	449
Loss on write-off of property plant and equipment	12	36
Other non-cash expenses	1,045	1,606
Interest accrued on lease liabilities	65	19
	50,990	**106,249**
Changes in working capital:		
Net (increase)/ decrease in loans and advances to banks other than on demand[1]	(55,848)	11,330
Net increase/ (decrease) in customer accounts	294,432	(12,741)
Net decrease/ (increase) in investment in debt securities	41,410	(324,286)
Net decrease/ (increase) in other loans and advances to non-banks[1]	4,226	(12,431)
Net decrease/ (increase) in unsettled transactions[1]	1,952	(5,620)
Net increase in other assets[1]	(13,197)	(9,204)
Net (decrease)/ increase in other liabilities	(13,640)	8,837
(Increase) / decrease in accrued income	(360)	487
(Decrease) / increase in accruals	(1,053)	10,175
Net cash generated/ (outflows) from operating activities [1,2]	**308,912**	**(227,204)**

[1] Prior year restatement note is disclosed in note D below.
[2] Cash flows from operating activities include interest received of £53,606k (2022 – £21,718k) and interest paid of £21,869k (2022 - £5,472k).

B. Non-cash transactions

Non-cash transactions from investing activities for CAB during the year include acquisition of right of use assets amounting to £nil (2022: £695k).

C. Changes in liabilities arising from financing activities

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

Notes to the financial statements for the year ended 31 December 2023 (continued)

28. NOTES TO THE STATEMENT OF CASH FLOWS (continued)

D. Restatement of prior year balances

Certain 2022 cash flow balances have been restated as follows:

Notes to the statement of cash flows	Previously reported £'000	Prior Year Adjustments £'000				Restated £'000
		Adjustment 1	Adjustment 2	Adjustment 3	Adjustment 4	
Non-cash items						
Effect of currency exchange rate changes	50,311	-	-	2,883	-	53,194
Other non-cash expenses	-	-	-	-	1,606	1,606
Changes in working capital						
Net (increase)/decrease in loans and advances to banks other than on demand	(3,843)	7,699	-	7,474	-	11,330
Net decrease in customer accounts	(10,037)	-	-	(2,704)	-	(12,741)
Net increase in investment in debt securities	(332,055)	-	-	7,769	-	(324,286)
Net increase in other loans and advances to non-banks	(4,748)	(7,699)	-	16	-	(12,431)
Net (increase) / decrease in unsettled transactions	(2,509)	-	(3,111)	-	-	(5,620)
Net increase in other assets	(12,315)	-	3,111	-	-	(9,204)
Net (decrease)/ increase in other liabilities	10,443	-	-	-	(1,606)	8,837
Net cash outflow from operating activities	(242,642)	-	-	15,438	-	(227,204)
Statement of cash flows for the year ended 31 December 2022						
Net cash outflow from operating activities	(242,642)	-	-	15,438	-	(227,204)
Net cash used in operating activities	(252,244)	-	-	15,438	-	(236,806)
Net decrease in cash and cash equivalents	(257,198)	-	-	15,438	-	(241,760)
Effect of exchange rate changes on cash and cash equivalents	50,532	-	-	(15,438)	-	35,094

Adjustment 1: refer to Note 11.

Adjustment 2: refer to Note 16.

Adjustment 3: CAB has implemented an improved approach to capturing unrealised FX gains and losses which under IAS 7 are not deemed to be cash flows. As a result, the prior year balances relating to the statement of cash flows for the year ended 31 December 2022 and related notes have been restated accordingly.

Adjustment 4: relates to the net receipt of bonuses which were transferred internally. As a result there was no cash movement.

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Notes to the financial statements for the year ended 31 December 2023 (continued)

29. RELATED PARTY TRANSACTIONS

Controlling parties

The immediate parent is CAB Tech Holdco Limited whose parent, CAB Payments Holdings plc, is the only group to consolidate these financial statements as at 31 December 2023 and 31 December 2022. No company is required to consolidate these financial statements this year (2022: no company consolidated the entity). Copies of the financial statements of CAB Payments Holdings plc may be obtained from Quadrant House, The Quadrant, Sutton SM2 5AS, England.

The related party transactions, are as follows:

A. As at 31 December 2023, CAB had one (2022 – one) intercompany balance with Helios Investors Genpar III LP (a company which has significant influence over CAB) of £129k (2022: £64k). No interest accrues on the outstanding amount. Helios Investors Genpar III LP continues to have indirect significant influence over the Company as at 31 December 2023 following changes to the capital structure of the CAB Payments Holdings plc group on 6 July 2023; and.

B. During the year CAB provided administration services (HR, finance etc) and / or office space to two companies within the CAB Payments Holdings PLC group, Crown Agents Investment Management Limited up to 31 March 2023 (total charge £173k (2022 - £459k)) and Segovia Technology Company (no charge levied) for the whole year.

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

2023	Net foreign exchange gain £'000	Net interest income £'000	Total £'000
Helios Investors Genpar III LP	1	-	1
	1	**-**	**1**

2022	Net foreign exchange gain £'000	Net interest income £'000	Total £'000
Givedirectly Inc[1]	1,315	16	1,331
Helios Investors Genpar III LP	2	-	2
	1,317	**16**	**1,333**

[1] An entity of which Michael Faye, a director of CAB, CTH (both until 11 July 2023) and Segovia Technology Company (until 27 November 2023), was a director. This company is not a related party in 2023 due to Michael Faye no longer being deemed to have a controlling interest.

Notes to the financial statements for the year ended 31 December 2023 (continued)

29. RELATED PARTY TRANSACTIONS (continued)

D. As at the year end, CAB had intercompany balances which are presented within other assets and other liabilities with a number of related entities as follows:

	2023	2022
	£'000	£'000
CAB Payments Holdings plc	19,406	1,198
Crown Agents Investment Management Limited (CAIM)[1]	-	16
CAB Tech HoldCo Limited	(10,428)	139
Segovia Technology Company	2,767	3,031
Segovia Technology International Ltd	(82)	(114)
Segovia Technology Bangladesh Limited		0
Segovia Technology Congo SARL	1,173	1,405
Segovia Technology Cote d'Ivoire	6	6
Segovia Technology (Kenya) Co	200	50
Segovia Technology Liberia Corp	59	38
Segovia Technology 454 Ltd (Malawi)	805	327
Segovia Technology Nigeria Ltd	(3)	(8)
Segovia Pakistan Ltd	2	2
Segovia Technology Rwanda Corp Ltd	819	1,020
Segovia Technology Senegal	-	8
Segovia Technology (Tanzania) Co	(297)	(338)
Segovia Technology (Uganda) Co.Ltd	(224)	208
CAB Europe BV	721	517
Stichting CAB Payments Europe	2	-
	14,926	7,505
Total receivable (Note 16)	25,960	7,964
Total payable (Note 22)	(11,034)	(459)
	14,926	7,505

[1] CAIM was a subsidiary of the parent company, CAB Payments Holdings plc until 31 March 2023 and therefore is not a related party at year-end.

CAB held a bank account for CAB Payments Holdings plc amounting to £658k (2022:nil).

Notes to the financial statements for the year ended 31 December 2023 (continued)

29. RELATED PARTY TRANSACTIONS (continued)

E. Directors and key management loans

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

Staff loans

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

		2023		2022
	No	**£'000**	No.	£'000
Directors				
As at 1 January	3	159	3	159
As at period end	1	335	3	159
Key Management				
As at 1 January	8	252	8	252
As at period end		-	8	252

The loans outstanding as at 31 December 2022 (and repaid in 2023) accrued interest at the HMRC stipulated interest rate but only on balances in excess of £10,000. The Directors loan advanced in 2023 was to Bhairav Trivedi (CEO) and accrues interest at the HMRC stipulated rate on the entirety of the loan. All loans are repayable on the occurrence of the earliest of a number of events.

There was no impairment on loans in respect of the amounts owed by related parties (2022:nil). The ECL for staff loans was assessed as immaterial as at 31 December 2023 (2022: nil).

F. Remuneration of key management personnel (including directors)

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.

	2023	2022
	£'000	£'000
Short-term employee benefits (including bonuses and NIC's Ers)	12,427	5,591
Post-employment benefits	241	162
Share-based payments	639	449
Total remuneration	**13,307**	6,202

Included in the aggregate emoluments above, the CAB has made contributions of £103k (2022: £58k) on behalf of three directors (2022: three) to a defined contribution pension scheme. No retirement benefits accrued for any director (2022: none) under a defined benefit pension scheme.

The aggregate emoluments (including share based payment charge) and accrued pension contributions of the highest paid director in CAB were £3,163k (2022: £2,113k) and £58k (2022: £nil) per annum respectively.

The aggregate emoluments (including pension contributions and exit compensation) of CAB's key management personnel (excluding directors) were £8,583k (2022: £6,999k).

Notes to the financial statements for the year ended 31 December 2023 (continued)

29. RELATED PARTY TRANSACTIONS (continued)

G. Expense recharges to CAB Payments Holdings plc

CAB recharged non-recurring expenses (including the associated irrecoverable VAT) relating to the dual track process, amounting to £15,791k (2022: £nil), to CAB Payments Holdings plc during the year.

An amount of £19,406k (2022: £1,198k) was receivable from CAB Payments Holdings plc. The amount relates to payments made by CAB on behalf of, or recharged to, CAB Payments Holdings plc .

CAB Payments Holdings plc holds a bank account with CAB and the balance at year-end was £657k (2022:nil)

H. Other related party transactions

On 19 April 2023, CAB declared a dividend to its parent company, CTH, amounting to £19,500k (2022: £nil).

Notes to the financial statements for the year ended 31 December 2023 (continued)

30. CONTINGENT LIABILITIES AND COMMITMENTS

A. CONTINGENT LIABILITIES

CAB does not have any other contingent liabilities at the balance sheet date other than those disclosed in Note 23 nor any which have been approved but not contracted (2022: nil). It should be noted that as disclosed in Note 38, a property lease was signed on 25 January 2024.

B. COMMITMENTS

i. Capital Commitments

CAB does not have any capital commitments at the balance sheet date (2022: nil) nor any which have been approved but not contracted (2022: £nil). It should be noted that, as disclosed in Note 38 (Events After The Balance Sheet Date), a property lease was signed shortly after the year end.

ii. Other Commitments

a) Software license agreement

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	**2023 £'000**	2022 £'000
Not later than one year	2,260	2,210
Later than one year and not later than five years	1,883	4,143
	4,143	6,353

The total of the amounts due under the contract are expensed to the statement of profit or loss over the life of the contract in line with the benefits received.

b) Lease commitments

CAB has committed to the following lease payments for the use of office space at Quadrant House and Tower 42 lease contracts (Note 18) in existence at year-end .

Payment Due	**2023 £'000**	2022 £'000
Not later than one year	372	670
Later than one year and not later than five years	512	611
	884	1,281

Right of use of asset balance and a lease liability balance have been recognised on the statement of financial position and interest expense and depreciation will be recognised on the statement of profit or loss and other comprehensive income over the life of the lease contract.

Further commitments are discussed in Note 23.

Notes to the financial statements for the year ended 31 December 2023 (continued)

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 financial assets which are loans and advances on demand to banks, other loans and advances to banks, other loans and advances to non-banks, investments in debt securities, unsettled transactions, accrued income and other asset exposures. In addition, it considers off-balance sheet exposures from financial guarantees, acceptances, confirmations, and LaaS. 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.

A. Credit risk management

CAB monitors credit risk per class of financial instrument. CAB recognises expected credit losses on financial assets that are measured at amortised cost which includes cash and balances at central banks, loans and advances on demand to banks, other loans and advances to banks, other loans and advances to non-banks, unsettled transactions, accrued income, Investment in debt securities, other assets, as well as off-balance sheet account (undrawn commitments) such as financial guarantees, letter of acceptances, letter of confirmations and LaaS.

B. Exposure to Credit Risk by Instrument

The table below outlines the classes identified, as well as the financial statement line item and the note. The related notes contain an analysis of the items included in the financial statement line for each class of financial instrument including how the exposure to credit risk arise. There are no changes to the exposures to risks on these financial instruments and how those exposures to risk arise compared to prior year.

Instrument	**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.	9
Loans and Advances on Demand to Banks	These are nostro bank accounts that CAB holds with other commercial banks in support of client payment flows.	11

Notes to the financial statements for the year ended 31 December 2023 (continued)

31. CREDIT RISK (continued)

B. Exposure to Credit Risk by Instrument (Continued)

Instrument	Description	Note
Other Loans and Advances to banks	Credit Support Annexes ("CSA") Loans represent collateral required from customers through a credit support annexe for initial and variation margin as part of derivative transactions. They are under a collateralised mark to market ("CTM") regime. A CTM model requires the out of the money party to post collateral with an amount equal to the cumulative mark to market value, either with the counterparty or with an exchange. Both initial and variation margin 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 pays to counterparties before the completion of the sales and shipping process. The amount that CAB pays out is discounted by a discounted fee (interest rate) and as such, is lower that the principal expected to be received. They are essentially factoring transactions. Trade Finance loans are short-term working capital loans to banks operating in trade finance markets. They assist buyers and sellers to finance their trade commitments on a transactional basis. CAB receives interest payments in return.	11
Other Loans and Advances to non-banks	Liquidity as a service ("LaaS") is a type of overdraft facility where CAB agrees to provide customers with a facility for a set period with specific terms as set out in the LaaS agreement. The customers use the liquidity to undertake foreign exchange business with CAB. 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%).	11
Unsettled Transactions	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).	16
Investment 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 ("FRN"s) 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 ("CD"s) 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.	13

Notes to the financial statements for the year ended 31 December 2023 (continued)

31. CREDIT RISK (continued)

B. Exposure to Credit Risk by Instrument (Continued)

Instrument	Description	Note
Other assets	Balances with mobile network operators are the payments from mobile network operators ("MNO"s) 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 the 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 also include amounts due from group companies.	16
Accrued Income	Accrued income is money owed to CAB for services rendered or provided that have not yet been invoiced. The balance arises from several components such as management fees, pension fee accruals, and other revenues.	15
Off-Balance Sheet Accounts	These are trade finance guarantees, letter of acceptances and confirmation that are contingent liabilities and so require documented levels of performance to be achieved for settlement. Typically, CAB's counterparty is another bank and ordinarily the contract has a maximum tenor of 6 months. The undrawn portion of LaaS facilities. The LaaS facilities are repayable on demand as drawing to the agreed limit can be made at the counterparty's instruction then the undrawn portion does attract an ECL amount.	26

Notes to the financial statements for the year ended 31 December 2023 (continued)

31. CREDIT RISK (continued)

C. Maximum exposure to credit risk

The maximum credit exposures (gross balance before ECL adjustment) distributed across each instrument are summarised in the table below.

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

	2023 £'000	Restated 2022 £'000
Cash and balances at central banks	528,396	607,358
Loans and Advances on Demand to Banks	132,457	90,077
Other Loans and Advanced to Banks[1]	137,596	84,119
Other Loans and Advances to Non-Banks [1]	8,712	12,453
Unsettled Transactions[2]	8,417	18,209
Investments in debt securities	353,042	414,074
Other Assets (measured at amortised cost)[2]	28,880	17,777
Accrued Income	1,218	616
Total On-Balance Sheet Exposure	**1,198,718**	**1,244,683**

[1]Prior year balances have been restated. Refer to Note 11
[2] Prior year balances have been restated. Refer to Note 16

Refer to Note 31 (I.iv) for the financial assets carrying amounts tying to statement of financial assets. The total off-balance sheet exposure is summarised in the table below.

	2023 £'000	**2022 £'000**
Financial guarantee contracts	1,911	4,000
Trade Finance - letter of credit confirmation / acceptance		
Letters of Acceptance	4,228	15,000
Letters of Confirmations	9,173	23,000
Liquidity as a service	14,884	4,721
Total Off-Balance Sheet Exposure[1]	**30,196**	**46,721**

[1] 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 CAB to its customers which allows customers to draw down on the facility on satisfaction of the terms of this facility.

The carrying amounts of financial assets best represents their maximum exposure to credit risk. The amounts include both balance sheet and undrawn exposures.

Notes to the financial statements for the year ended 31 December 2023 (continued)

31. CREDIT RISK (continued)

D. Significant increase in credit risk

CAB uses a defined criteria to determine whether credit risk has increased significantly for each instrument. 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 except for NBFIs and International Development Organisations counterparties which do not fit the Moody's risk rating model (RiskCalc). Below is a table that represents the through-the-cycle ("TTC") PD range per rating and the exposure-weighted distribution for 2023. Furthermore, ratings 0 to 3 represent investment grade ratings whilst 4 to 7 represent sub-investment grade ratings. This range in unchanged from previous years.

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 risk 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.

Notes to the financial statements for the year ended 31 December 2023 (continued)

31. CREDIT RISK (continued)

E. Incorporation of forward-looking information

CAB incorporates readily available forward-looking information in its computation of ECL and utilises external data to formulate a 'base case' scenario, projecting future economic variables and exploring a representative spectrum of alternative forecast scenarios. CAB assigns probabilities to the identified forecast scenarios, with the base case representing the singularly most probable outcome utilised for strategic planning and budgeting purposes.

Key drivers of credit risk and credit losses for each financial instrument class are meticulously identified and documented, and statistical analyses of historical data establish relationships between macro-economic variables and credit risk as well as credit losses. Throughout the reporting period, there have been no alterations to the estimation techniques or significant assumptions.

CAB's balance sheet is made from a simple product suite where the significant macro-economic variable is GDP growth rates. These are disclosed in section 31 (D) with related sensitivities.

The greatest volume of the exposure on the Balance Sheet is Bank of England balances and hold to maturity US Treasuries and other High Quality Liquid Assets that are not really affected negatively by inflation, interest rates and unemployment in those jurisdictions as they are with low risk institutions.

Whilst inflation, interest rates and unemployment could affect the economic cycle in some of the 130+ countries of risk, the exposure is short-term and ordinarily de minimis at less than 10% of the CAB's balance sheet through Nostro balances and FX settlement exposure. The cost of providing detailed forecast macro-economic variables such as unemployment, inflation and interest rates would be onerous and potentially greater than the small exposure in such countries. Furthermore, in some jurisdictions such data may not be available.

The table below outlines GDP growth indicators forecasted in economic scenarios as of December 31, 2023, for the years 2024 to 2028, specifically focusing on the UK and key regions where CAB operates, thereby exerting a substantial impact on ECLs.

	2024	2025	2026	2027	2028
United Kingdom GDP growth					
Base scenario	0.5%	1.5%	1.9%	1.5%	1.4%
Upside scenario	4.6%	3.7%	3.0%	1.8%	1.3%
Mild upside scenario	3.0%	2.9%	2.6%	1.7%	1.3%
Stagnation scenario	(2.0%)	0.6%	1.6%	1.5%	1.5%
Downside scenario	(3.1%)	0.2%	1.4%	1.4%	1.5%
Severe downside scenario	(5.1%)	(0.7%)	1.1%	1.3%	1.6%
Americas GDP growth					
Base scenario	1.1%	1.6%	2.4%	2.2%	1.8%
Upside scenario	3.7%	3.6%	3.7%	3.6%	1.7%
Mild upside scenario	2.6%	2.9%	3.3%	2.5%	1.8%
Stagnation scenario	(0.4%)	0.9%	1.9%	2.1%	1.9%
Downside scenario	(1.1%)	0.5%	1.6%	2.0%	1.9%
Severe downside scenario	(2.3%)	(0.3%)	1.0%	1.8%	2.0%

Notes to the financial statements for the year ended 31 December 2023 (continued)

31. CREDIT RISK (continued)

E. Incorporation of forward-looking information

	2024	2025	2026	2027	2028
Eurozone GDP growth					
Base scenario	0.8%	2.0%	2.1%	1.7%	1.4%
Upside scenario	4.0%	4.5%	3.4%	1.9%	1.2%
Mild upside scenario	2.7%	3.6%	3.0%	1.8%	1.3%
Stagnation scenario	(1.2%)	1.0%	1.7%	1.7%	1.5%
Downside scenario	(2.1%)	0.4%	1.4%	1.7%	1.5%
Severe downside scenario	(3.7%)	(0.5%)	1.0%	1.6%	1.6%
Asia-Pacific GDP growth					
Base scenario	3.6%	3.8%	3.8%	3.7%	3.6%
Upside scenario	7.0%	5.9%	5.4%	4.2%	3.5%
Mild upside scenario	5.6%	5.1%	4.9%	4.0%	3.5%
Stagnation scenario	1.6%	2.9%	3.1%	3.5%	3.7%
Downside scenario	0.7%	2.4%	2.8%	3.4%	3.7%
Severe downside scenario	(0.9%)	1.6%	2.1%	3.2%	3.8%
Sub-Saharan Africa GDP growth					
Base scenario	3.1%	3.4%	3.4%	3.4%	3.2%
Upside scenario	8.8%	6.9%	5.7%	3.8%	2.8%
Mild upside scenario	6.6%	5.7%	4.9%	3.7%	3.0%
Stagnation scenario	(0.0%)	1.9%	2.3%	3.1%	3.4%
Downside scenario	(1.6%)	1.1%	1.7%	3.0%	3.6%
Severe downside scenario	(4.1%)	(0.4%)	0.6%	2.9%	3.8%
Middle East North Africa GDP growth					
Base scenario	2.6%	3.0%	2.8%	2.6%	2.5%
Upside scenario	8.1%	6.7%	5.1%	3.0%	2.1%
Mild upside scenario	5.9%	5.4%	4.3%	2.8%	2.3%
Stagnation scenario	(0.5%)	1.5%	1.8%	2.4%	2.7%
Downside scenario	(2.0%)	0.6%	1.2%	2.3%	2.9%
Severe downside scenario	(4.4%)	(0.9%)	0.1%	2.2%	3.1%

Notes to the financial statements for the year ended 31 December 2023 (continued)

31. CREDIT RISK (continued)

E. Incorporation of forward-looking information (continued)

As at 31 December 2022	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%

Notes to the financial statements for the year ended 31 December 2023 (continued)

31. CREDIT RISK (continued)

E. 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 2023, 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. Each economic scenario represents the average 12-month PD and ECL, assuming a 100% weighting to that scenario. There will be interdependencies between the various economic inputs and the exposure to sensitivity will vary across the economic scenarios.

	2023			2022		
As at 2023	**Average 12m PD**	**ECL (£'000)**	**ECL sensitivity from Base Case (£'000)**	**Average 12m PD**	**ECL (£'000)**	**ECL sensitivity from Base Case (£'000)**
Base	0.23%	814	-	0.8%	440	0
Upside	0.22%	713	-101	0.7%	409	- 31
Mild upside	0.22%	750	- 64	0.8%	421	- 19
Stagnation	0.24%	889	+75	0.9%	465	+25
Downside	0.24%	921	+107	0.9%	478	+38
Severe	0.25%	1,004	+190	1.0%	501	+61

There are no changes to the estimation techniques for ECL at year-end and there are no significant changes to the GDP growth rate when compared to prior year. It can be noted above that the sensitivity analysis does not result in significant changes to the ECL balances.

The ECL is calculated using a weighted case from the macro-economic scenarios above. The probability of each scenario occurring in both 2023 and 2022 is based on the following;

Economic Scenario	Probability Weighting
1. Base	30%
2. Upside	10%
3. Mild upside	15%
4. Stagnation	10%
5. Downside	20%
6. Severe	15%

Notes to the financial statements for the year ended 31 December 2023 (continued)

31. CREDIT RISK (continued)

F. Measurement of expected credit losses

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.

i. Probability of Default

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

Notes to the financial statements for the year ended 31 December 2023 (continued)

31. CREDIT RISK (continued)

F. ECL (continued)

i. Probability of Default (continued)

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.

ii. Loss Given Default

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.

iii. Exposure at Default

The EAD is the estimated total value of CAB exposures at the time of default. It includes all the outstanding amounts, including the account balance, interest, fees, and arrears as well as any default penalty and recovery fees associated with defaulted account. For off-balance sheet exposures, the EAD specifically includes committed but undrawn amounts together with interest.

G. Groupings based on shared risks characteristics

When ECL are measured on a collective basis (aggregating the results of each individual calculation), the financial instruments are grouped based on 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.

Notes to the financial statements for the year ended 31 December 2022 (continued)

31. CREDIT RISK (continued)

H. 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:

	2023 £'000	2022 £'000
Impairment recognised in profit or loss:		
Increase in ECL for Cash and balances at Central Banks	-	-
Increase/(decrease) in ECL for Loans and advances on Demand to Banks	7	(1)
Increase in ECL for Loans and Advances to Banks	9	32
Increase in ECL for other Loans and Advances to Non-Banks	215	236
Increase in ECL for Unsettled Transactions	-	-
Increase in ECL for Investment in debt securities	1	11
Increase/(decrease) in ECL for other assets exposures	69	-
(Decrease)/Increase in ECL for accrued income	(5)	4
Total impairment recognised in profit or loss for financial assets	**296**	**282**
Increase in ECL for Guarantees	1	(32)
Increase in ECL for Acceptances	3	1
(Decrease)/Increase in ECL for Confirmations	(2)	6
Increase in ECL for Laas	156	72
Total impairment loss recognised in profit or loss	**454**	**329**

I. 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.

Notes to the financial statements for the year ended 31 December 2023 (continued)

31. CREDIT RISK (continued)

i. 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).

	2023 £'000	Restated 2022 £'000
Exposure by Grade		
On Balance Sheet Exposure		
Cash and Balances at Central Banks	**528,396**	**607,358**
Investment Grade	528,396	607,358
Sub-Investment Grade	-	-
Loans and Advances on Demand to banks	**132,457**	**90,077**
Investment Grade	114,493	68,587
Sub-Investment Grade	17,964	21,490
Other Loans and Advances to banks[1]	**137,596**	**84,119**
Investment Grade	78,253	50,111
Sub-Investment Grade	59,343	34,008
Other Loans and Advances to non-banks[1]	**8,712**	**12,453**
Investment Grade	-	-
Sub-Investment Grade	8,712	12,453
Unsettled Transactions[2]	**8,417**	**18,209**
Investment Grade	1,609	6,786
Sub-Investment Grade	6,808	11,423
Investment in Debt Securities	**353,042**	**414,074**
Investment Grade	353,042	414,074
Sub-Investment Grade	-	-
Other Assets[2]	**28,880**	**17,777**
Investment Grade	2,690	-
Sub-Investment Grade	26,190	17,777
Accrued Income	**1,218**	**616**
Investment Grade	670	-
Sub-Investment Grade	548	616
Total On Balance Sheet Exposure	**1,198,718**	**1,244,683**

[1] Prior year balances have been restated. Refer to Note 11
[2] Prior year balances have been restated. Refer to Note 16

Notes to the financial statements for the year ended 31 December 2023 (continued)

31. CREDIT RISK (continued)

i. Portfolio Grading (continued)

The table below summarises the total off-balance sheet exposure.

	2023	2022
	£'000	£'000
Exposure by Grade		
Off Balance Sheet Exposure		
Financial guarantees	**1,911**	4,000
Investment Grade	-	-
Sub-Investment Grade	1,911	4,000
Acceptances	**4,228**	15,000
Investment Grade	1,482	-
Sub-Investment Grade	2,746	15,000
Confirmations	**9,173**	23,000
Investment Grade	3,680	-
Sub-Investment Grade	5,493	23,000
Laas	**14,884**	4,721
Investment Grade	-	-
Sub-Investment Grade	14,884	4,721
Total Off-Balance Sheet Exposure	**30,196**	**46,721**

Notes to the financial statements for the year ended 31 December 2023 (continued)

31. CREDIT RISK (continued)

ii. Breakdown by Country / Region

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

Exposures by Region	**2023 £'000**	**Restated 2022 £'000**
Cash and Balances	**528,396**	**607,358**
UK	528,396	607,358
Loans and Advances on demand to banks	**132,457**	**90,077**
Africa	13,703	9,149
China	1,482	927
Europe	22,652	16,119
Far East	3,398	931
Japan	15,685	5,692
Middle East	868	7,568
Other	1,572	5,385
UK	23,380	17,976
Americas	49,717	26,330
Other Loans and Advances to banks[1]	**137,596**	**84,119**
Africa	52,020	34,045
China	8,079	27,237
Europe	10,486	1,050
Far East	15,491	-
Japan	-	-
Middle East	33,423	19,200
Other	-	-
UK	15,260	137
Americas	2,837	2,450
Other Loans and Advances to non-banks[1]	**8,712**	**12,453**
Africa	5,544	142
China	-	-
Europe	351	3,078
Far East	-	-
Japan	-	-
Middle East	-	-
Other	-	-
UK	2,817	9,233
Americas	-	-

[1]Prior year balances have been restated. Refer to Note 11

Notes to the financial statements for the year ended 31 December 2023 (continued)

31. CREDIT RISK (continued)

ii. Breakdown by Country / Region (continued)

Exposures by Region	**2023 £'000**	Restated 2022 £'000
Unsettled Transactions[2]	**8,417**	**18,209**
Africa	5,285	4,729
China	-	-
Europe	1,419	58
Far East	656	-
Japan	-	-
Middle East	413	-
Other	-	12,058
UK	644	1,362
Americas	-	2
Investments in Debt Securities	**353,042**	**414,074**
Africa	-	25,320
Europe	194,873	139,631
Far East	65,036	49,282
Middle East	-	-
Other	29,923	18,067
UK	-	20,521
Americas	63,210	161,253
Other Asset[2]	**28,880**	**17,777**
Africa	4,925	237
Europe	1,778	-
Far East	11	-
Middle East	-	-
Other	-	2,149
UK	11,368	15,329
Americas	10,798	62
Accrued Income	**1,218**	**616**
UK	1,218	615
Americas	-	1
Total On Balance Sheet Exposure	**1,198,718**	**1,244,683**

[1]Prior year balances have been restated. Refer to Note 11

[2] Prior year balances have been restated. Refer to Note 16

Notes to the financial statements for the year ended 31 December 2023 (continued)

31. CREDIT RISK (continued)

ii. Breakdown by Country / Region (continued)

The total off balance sheet exposure is broken down below.

Off Balance Sheet Exposures by Region	2023	2022
	£'000	£'000
Financial Guarantees	**1,911**	**4,000**
Africa	1,589	4,000
Europe	-	-
Far East	-	-
Middle East	-	-
Other	-	-
UK	87	-
Americas	235	-
Acceptances	**4,228**	**15,000**
Africa	2,746	15,000
Europe	-	-
Far East	-	-
Middle East	-	-
Other	-	-
UK	-	-
Americas	1,482	-
Confirmations	**9,173**	**23,000**
Africa	5,493	23,000
Europe	-	-
Far East	-	-
Middle East	-	-
Other	-	-
UK	-	-
Americas	3,680	-
LaaS	**14,884**	**4,721**
Africa	544	4,721
Europe	1,875	-
Far East	-	-
Middle East	-	-
Other	-	-
UK	12,465	-
Americas	-	-
Total Off Balance Sheet Exposure	**30,196**	**46,721**

Notes to the financial statements for the year ended 31 December 2023 (continued)

31. CREDIT RISK (continued)

iii. Breakdown by Maturity

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

Exposure by maturity	2023 £'000	Restated 2022 £'000
On Balance Sheet Exposure		
Cash and Balances at Central Banks	**528,396**	**607,358**
3 months or less	528,396	607,358
More than 3 months	-	-
Loans and Advances on demand to banks	**132,457**	**90,077**
3 months or less	132,457	52,421
More than 3 months	-	37,656
Other Loans and Advances to banks[1]	**137,596**	**84,119**
3 months or less	137,596	84,119
More than 3 months	-	-
Other Loans and Advances to non-banks[1]	**8,712**	**12,453**
3 months or less	8,712	12,453
More than 3 months	-	-
Unsettled Transactions[2]	**8,417**	**18,209**
3 months or less	8,417	15,309
More than 3 months	-	2,900
Investment in debt Securities	**353,042**	**414,074**
3 months or less	353,042	414,074
More than 3 months	-	-
Other Assets[2]	**28,880**	**17,777**
3 months or less[2]	28,880	16,592
More than 3 months	-	1,185
Accrued Income	**1,218**	**616**
3 months or less	1,218	616
More than 3 months	-	-
Total On Balance Sheet Exposure	**1,198,718**	**1,244,683**
Off Balance Sheet Exposure		
Financial Guarantees	**1,911**	**4,000**
3 months or less	1,911	4,000
More than 3 months	-	-
Acceptances	**4,228**	**15,000**
3 months or less	4,228	15,000
More than 3 months	-	-
Confirmations	**9,173**	**23,000**
3 months or less	9,173	23,000
More than 3 months	-	-
LaaS	**14,884**	**4,721**
3 months or less	14,884	4721
More than 3 months	-	-
Total Off Balance Sheet Exposure	**30,196**	**46,721**

[1]Prior year balances have been restated. Refer to Note 11

[2] Prior year balances have been restated. Refer to Note 16

Notes to the financial statements for the year ended 31 December 2023 (continued)

31. CREDIT RISK (continued)

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

On Balance sheet exposure	2023 £'000	Restated 2022 £'000
Cash and Balances at Central Banks		
Gross Carrying Amount	528,396	607,358
Loss Allowance	-	-
Carrying Amount After Loss Allowance	528,396	607,358
Loans and Advances on demand to banks		
Gross Carrying Amount	132,457	90,077
Loss Allowance	(10)	(3)
Carrying Amount After Loss Allowance	132,447	90,074
Other Loans and Advances to **banks**[1]		
Gross Carrying Amount	137,596	84,119
Loss Allowance	(27)	(50)
Carrying Amount After Loss Allowance	137,569	84,069
Other Loans and Advances to **non-banks**[1]		
Gross Carrying Amount	8,712	12,453
Loss Allowance	(496)	(200)
Carrying Amount After Loss Allowance	8,216	12,253
Unsettled Transactions[2]		
Gross Carrying Amount	8,417	18,209
Loss Allowance	-	(4)
Carrying Amount After Loss Allowance	8,417	18,205
Investment in debt securities		
Gross Carrying Amount	353,042	414,074
Loss Allowance	(14)	(14)
Carrying Amount After Loss Allowance	353,028	414,060
Other Assets [2]		
Gross Carrying Amount [2]	28,880	17,777
Loss Allowance	(70)	(45)
Carrying Amount After Loss Allowance[2]	28,810	17,732
Accrued Income		
Gross Carrying Amount	1,218	616
Loss Allowance	(1)	(5)
Carrying Amount After Loss Allowance	1,217	611
Total On-Balance Sheet Gross Carrying Amount	**1,198,718**	1,244,683
Total Loss Allowance	**(618)**	(321)
Total On-Balance Carrying Amount After Loss Allowance	**1,198,100**	1,244,362

[1]Prior year balances have been restated. Refer to Note 11
[2] Prior year balances have been restated. Refer to Note 16

Notes to the financial statements for the year ended 31 December 2023 (continued)

31. CREDIT RISK (continued)

iv. Loss Allowance (continued)

The off-balance sheet exposure is broken down below.

Off Balance sheet exposure	**2023 £'000**	2022 £'000
Financial Guarantees Contracts		
Gross Carrying Amount	1,911	4,000
Loss Allowance	(2)	(1)
Carrying Amount After Loss Allowance	1,909	3,999
Acceptance		
Gross Carrying Amount	4,228	15,000
Loss Allowance (Acceptance)	(3)	(1)
Carrying Amount After Loss Allowance	4,225	14,999
Confirmation		
Gross Carrying Amount	9,173	23,000
Loss Allowance (Confirmations)	(3)	(6)
Carrying Amount After Loss Allowance	9,170	22,994
Liquidity as a service		
Gross Carrying Amount	14,884	4,721
Loss Allowance	(228)	(72)
Carrying Amount After Loss Allowance	14,656	4,649
Total off balance sheet Exposure	**30,196**	46,721
Total Loss Allowance	**(236)**	(79)
Total off balance sheet Exposure After Loss Allowance	**29,960**	46,642
Total Exposure	**1,228,914**	1,291,404
Total Loss Allowance	**(854)**	(400)
Total Exposure After Loss Allowance	**1,228,060**	1,291,004

Notes to the financial statements for the year ended 31 December 2023 (continued)

31. CREDIT RISK (continued)

v. 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.

Year		**2023**			2022	
ECL		**£'000**			£'000	
	Stage 1	**Stage 2**	**Stage 3**	**Stage 1**	**Stage 2**	**Stage 3**
Cash and balances at central banks	**-**	**-**	**-**	**-**	**-**	**-**
Investment Grade	-	-	-	-	-	-
Sub-Investment Grade	-	-	-	-	-	-
Loans and advances on demand to banks	**10**	**-**	**-**	**4**	**-**	**-**
Investment Grade	-	-	-	-	-	-
Sub-Investment Grade	10	-	-	4	-	-
Other Loans and advances to banks	**27**	**-**	**-**	**54**	**-**	**-**
Investment Grade	1	-	-	-	-	-
Sub-Investment Grade	26	-	-	54	-	-
Other Loans and advances to non-banks	**14**	**450**	**32**	**200**	**-**	**-**
Investment Grade	14	-	-	-	-	-
Sub-Investment Grade	-	450	32	200	-	-
Unsettled Transactions	**-**	**-**	**-**	**3**	**1**	**-**
Investment Grade	-	-	-	-	-	-
Sub-Investment Grade	-	-	-	3	1	-
Investment in debt securities	**14**	**-**	**-**	**13**	**-**	**-**
Investment Grade	14	-	-	13	-	-
Sub-Investment Grade	-	-	-	-	-	-
Other asset exposures	**53**	**1**	**16**	**41**	**-**	**-**
Investment Grade	-	-	-	-	-	-
Sub-Investment Grade	53	1	16	41	-	-
Accrued income	**1**	**-**	**-**	**5**	**-**	**-**
Investment grade	-	-	-	-	-	-
Sub-Investment Grade	1	-	-	5	-	-
Total On-Balance Sheet ECL per Stage	**119**	**451**	**48**	**320**	**1**	**-**
Total On-Balance Sheet ECL		**618**			**321**	

Notes to the financial statements for the year ended 31 December 2023 (continued)

31. CREDIT RISK (continued)

v. Breakdown as a function of staging and risk grade (continued)

The off-Balance sheet breakdown of ECL per instrument at each stage is shown below:

Year	**2023**			**2022**		
ECL	**£'000**			**£'000**		
Off Balance Sheet Items	**Stage 1**	**Stage 2**	**Stage 3**	**Stage 1**	**Stage 2**	**Stage 3**
Financial Guarantees	**2**	**-**	**-**	**1**	**-**	**-**
Investment Grade	-	-	-	-	-	-
Sub-Investment Grade	2	-	-	1	-	-
Trade Finance – letter of confirmation/acceptance						
Acceptance	**3**	**-**	**-**	**1**	**-**	**-**
Investment Grade	-	-	-	-	-	-
Sub-Investment Grade	3	-	-	1	-	-
Confirmation	**3**	**-**	**-**	**6**	**-**	**-**
Investment Grade	-	-	-	-	-	-
Sub-Investment Grade	3	-	-	6	-	-
Liquidity as Service	**7**	**221**	**-**	**71**	**-**	**-**
Investment Grade	-	-	-	-	-	-
Sub-Investment Grade	7	221	-	71	-	-
Total Off-Balance Sheet ECL Per Stage	**15**	**221**	**-**	**79**	**-**	**-**
Total Off-Balance Sheet ECL		**236**			**79**	
Total ECL (On-Balance Sheet & Off-Balance Sheet)		**854**			**400**	

Notes to the financial statements for the year ended 31 December 2023 (continued)

31. CREDIT RISK (continued)

v. Breakdown as a Function of Staging and Risk Grade (continued)

The on-balance sheet and off-Balance sheet breakdown of maximum exposure per instrument at each stage is shown below:

Maximum exposure per staging	**2023**			**2022**		
	£'000			**£'000**		
On balance sheet items	**Stage 1**	**Stage 2**	**Stage 3**	**Stage 1**	**Stage 2**	**Stage 3**
Cash and balances at central banks	528,396	-	-	607,358	-	-
Loans and advances on demand to banks	132,137	320	-	89,989	88	-
Other Loans and advances to banks	137,596	-	-	84,119	-	-
Other Loans and advances to non-banks	2,532	6,092	88	12,453	-	-
Unsettled Transactions	7,365	1,052	-	17,134	1,075	-
Investment in debt securities	353,042	-	-	414,074	-	-
Other asset exposures	25,426	3,358	96	17,777	-	-
Accrued income	1,218	-	-	616	-	-
Total On-Balance Sheet maximum exposure	**1,187,712**	**10,822**	**184**	**1,243,520**	**1,163**	-
Total On-Balance Sheet maximum exposure		**1,198,718**			**1,244,683**	
Off Balance Sheet Items						
Financial Guarantees	1,899	12	-	4,000	-	-
Acceptances	4,228	-	-	15,000	-	-
Confirmation	9,173	-	-	23,000	-	-
Liquidity as Service	685	14,199	-	4,721	-	-
Total Off-Balance Sheet maximum exposure	**15,985**	**14,211**	-	**46,721**	-	-
Total Off-Balance Sheet maximum exposure		**30,196**			**46,721**	
Total maximum exposure per stage	**1,203,697**	**25,033**	**184**	**1,290,241**	**1,163**	-
Total maximum exposure per stage		**1,228,914**			**1,291,404**	

Notes to the financial statements for the year ended 31 December 2023 (continued)

31. CREDIT RISK (continued)

vi. Coverage ratios table

The tables below analyse the coverage ratio.

Coverage ratios	**2023**			**2022**		
On balance sheet	**Gross carrying amount £'000**	**ECL £'000**	**Coverage ratio %**	**Gross carrying amount £'000**	**ECL £'000**	**Coverage ratio %**
Stage 1	1,187,712	119	0.01%	1,243,520	320	0.03%
Stage 2	10,822	451	4.16%	1,163	1	0.09%
Stage 3	184	48	26.09%	-	-	-
Total on-balance sheet	**1,198,718**	**618**	**0.05%**	**1,244,683**	**321**	**0.03%**
Off - balance sheet						
Stage 1	15,985	15	0.09%	46,721	79	0.17%
Stage 2	14,211	221	1.56%	-	-	-
Stage 3	-	-	-	-	-	-
Total - off balance sheet	**30,196**	**236**	**0.78%**	**46,721**	**79**	**0.17%**
TOTAL	**1,228,914**	**854**	**0.07%**	**1,291,404**	**400**	**0.03%**

vii. Movement in loss allowances across the stages

The tables below analyse the movement of the loss allowance during the year per class of assets with movements in ECL.

	2023			2022		
ECL (£'000)	**Stage 1**	**Stage 2**	**Stage 3**	Stage 1	Stage 2	Stage 3
Loss allowance at beginning of year	397	1	-	69	1	-
Loans Expired / Closed from previous period	(392)	(1)	-	(61)	(1)	-
New Loans Issued	843	6	-	388	-	-
Expected Credit Loss Before Changes in Loss Allowance	848	6	-	396	-	-
Change in Loss Allowance	(712)	664	48	(1)	-	-
Transfer to Stage 1	-	-	-	-	-	-
Transfer to Stage 2	(664)	-	-	(1)	-	-
Transfer to Stage 3	(48)	-	-	-	-	-
Transfers in	-	664	48	-	1	-
Adjustments in Expected Credit Loss	-	-	-	3	-	-
Loss Allowance at end of year	**136**	**670**	**48**	**397**	**1**	**-**
Total Loss Allowance at end of year		**854**			**398**	

Notes to the financial statements for the year ended 31 December 2023 (continued)

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:

Assets 2023						
More than Less than	Less than 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
Cash and balances at central banks	529,835	-	-	-	-	529,835
Money market funds	518,764	-	-	-	-	518,764
Loans and advances on demand to banks	132,508	-	-	-	-	132,508
Other loans and advances to banks	73,416	65,011	-	-	-	138,427
Other loans and advances to non-banks	8,216	-	-	-	-	8,216
Derivative financial assets	3,795	34	-	-	-	3,829
Unsettled transactions	8,417	-	-	-	-	8,417
Investment in debt securities	105,535	169,033	70,263	20,712	-	365,543
Investment in equity securities	-	-	-	-	495	495
Other assets	28,810	-	-	-	-	28,810
Accrued income	1,217	-	-	-	-	1,217
Total	**1,410,513**	**234,078**	**70,263**	**20,712**	**495**	**1,736,061**

Liabilities 2023						
More than Less than	Less than 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
Non derivative liabilities						
Customer accounts	1,460,996	83,136	6,052	-	-	1,550,184
Unsettled transactions	20,081		-	-	-	20,081
Other liabilities	16,491				-	16,491
Accruals	17,315		-	-	-	17,315
Lease liabilities	134	238	181	331	-	884
Total	**1,515,017**	**83,374**	**6,233**	**331**		**1,604,955**
Derivative liabilities						
Derivative financial instruments	9,645	34	-	-	-	9,679

Notes to the financial statements for the year ended 31 December 2023 (continued)

32. LIQUIDITY RISK (continued)

The liquidity (undiscounted) cashflow profile of CAB's financial assets and financial liabilities (including interest receivable / payable on maturity) is as follows:

Restated 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
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[1]	71,740	12,252	-	-	-	83,992
Other loans and advances to non banks[1]	12,447	-	-	-	-	12,447
Derivative financial assets	6,573	16	-	-	-	6,589
Unsettled transactions[1]	16,071	-	-	-	-	16,071
Other assets[1/2]	9,410	-	-	-	-	9,410
Investment in debt securities	101,323	243,385	66,844	10,125	-	421,677
Investment in equity securities	-	-	-	-	488	488
Accrued income (others)	857	-	-	-	-	857
	1,125,222	255,653	66,844	10,125	488	1,458,332

Restated Liabilities 2022						
More than Less than **Non-derivative liabilities**	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
Customer accounts	1,139,567	171,242	-	-	-	1,310,809
Unsettled transactions	25,782	-	-	-	-	25,782
Other liabilities[3]	9,569	-	-	-	-	9,569
Accruals	18,368	-	-	-	-	18,368
Lease liability	108	359	346	468	-	1,281
	1,193,394	171,601	346	468	-	1,365,809
Derivative liabilities						
Derivative financial instruments	4,542	23	-	-	-	4,565

[1] Prior year balances now restated. Refer to Note 11 and Note 16 for further details.
[2] Excludes non-financial assets such as corporation tax refund and VAT refund.
[3] Excludes non-financial liabilities such as amounts due to HM Revenue & Customs.

Notes to the financial statements for the year ended 31 December 2023 (continued)

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 statement 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 financial instruments exposures were as follows:

	Net foreign currency monetary (liabilities) / assets in £'000					
2023 Currency	**US Dollar**	**Euro**	**KES**	**UGX**	**Other**	**Total**
(Liabilities) / assets	(282,680)	(98,272)	360	(35)	10,665	(369,962)
Net forward purchases / (sales)	282,402	97,077	(309)	(1)	(10,177)	368,992
	(278)	**(1,195)**	**51**	**(36)**	**488**	**(970)**
Change in assets / (liabilities) due to a change in currency value by						
+ 100 basis points	(3)	(12)	1	0	5	(9)
- 100 basis points	3	12	(1)	0	(5)	9

2022 Currency	**US Dollar**	**Euro**	**KES**	**UGX**	**Other**	**Total**
(Liabilities) / assets	(359,117)	(52,733)	333	507	(4,021)	(415,031)
Net forward purchases	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)

Notes to the financial statements for the year ended 31 December 2023 (continued)

33. CURRENCY RISK (continued)

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

	2023 £'000	2022 £'000
Assets		
Denominated in other currencies	1,039,643	750,998
Liabilities and Equity		
Denominated in other currencies	1,408,459	1,161,492

A 10% appreciation in the value of £ against all other currencies would decrease CAB's profit or loss value by £97k (2022: £398k decrease).

A 10% depreciation in the value of £ against all other currencies would increase CAB's profit or loss value by (£97k) (2022: £398k increase).

Notes to the financial statements for the year ended 31 December 2023 (continued)

34. INTEREST RATE RISK

A. 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 CAB's book as at 31 December 2023. 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.

B. 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**
2023						
Assets						
Cash and balances at central banks	528,396	-	-	-	-	528,396
Money market funds	518,764	-	-	-	-	518,764
Loans and advances on demand to banks	132,447	-	-	-	-	132,447
Other loans and advances to banks	74,365	50,701	12,503	-	-	137,569
Other loans and advances to non-banks	8,216	-	-	-	-	8,216
Derivative financial assets	3,795	15	19	-	-	3,829
Unsettled transactions	-	-	-	-	8,417	8,417
Other assets	330	-		-	28,480	28,810
Investment in debt securities	104,424	56,322	110,547	89,336	-	360,629
Investment in equity securities	-	-	-	-	495	495
Accrued income	-	-	-	-	1,217	1,217
Total assets	**1,370,737**	**107,038**	**123,069**	**89,336**	**38,609**	**1,728,789**
Liabilities						
Customer accounts	1,459,960	37,686	43,334	5,652	-	1,546,632
Derivative financial liabilities	9,645	15	19	-	-	9,679
Unsettled transactions	-	-	-	-	20,081	20,081
Other liabilities[1]	-	-	-	-	17,375	17,375
Accruals	-	-	-	-	17,315	17,315
Shareholders' funds	-	-	-	-	134,204	134,204
Total liabilities	**1,469,605**	**37,701**	**43,353**	**5,652**	**188,975**	**1,745,286**
Interest rate sensitivity gap	(98,868)	69,337	79,716	83,684	(150,366)	(16,497)
Cumulative gap	(98,868)	(29,531)	50,185	133,869	(16,497)	

[1] Including financial liabilities and lease liabilities

Notes to the financial statements for the year ended 31 December 2023 (continued)

34. INTEREST RATE RISK (continued)

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

Interest Rate Repricing (Restated)	£'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 (as restated)						
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[1]	71,740	12,252	-	-	-	83,992
Other loans and advances to non-banks[1]	12,447	-	-	-	-	12,447
Derivative financial assets	6,573	16	-	-	-	6,589
Unsettled transactions[2]	16,071					16,071
Investment in debt securities	98,675	64,460	175,103	75,823	-	414,061
Investment in equity securities	-	-	-	-	488	488
Other assets[2]					9,371	9,371
Accrued income	-	-	-	-	857	857
Total assets	**1,112,307**	**76,728**	**175,103**	**75,823**	**10,716**	**1,450,677**
Liabilities (as restated)						
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[3]	-	-	-	-	10,850	10,850
Accruals	-	-	-	-	18,368	18,368
Shareholders' funds	-	-	-	-	109,928	109,928
Total liabilities	**1,144,109**	**128,392**	**42,873**	**-**	**164,928**	**1,480,302**
Interest rate sensitivity gap	(31,802)	(51,664)	132,230	75,823	(154,212)	(29,625)
Cumulative gap	(31,802)	(83,466)	48,764	124,587	(29,625)	

[1] The prior year balance was restated. Refer to Note 16 for further details.
[2] The prior year balance was restated. Refer to Note 11 for further details.
[3] Including financial liabilities and lease liabilities.

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

Parallel Shift	**2023 £'000**	2022 £'000
+ 200bp	172	18
- 200bp	(196)	(30)

Notes to the financial statements for the year ended 31 December 2023 (continued)

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 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 (all Common Equity Tier 1 ("CET1")), all of which are calculated in accordance with relevant regulatory requirements.

CAB's regulatory capital consists solely of Common Equity Tier 1 capital which includes ordinary share capital, retained earnings and reserves after deductions for 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. 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, CAB calculates 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 capital risk on an ongoing basis through other means such as:

- Stress testing: internal CAB specific 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.
- 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.

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

Notes to the financial statements for the year ended 31 December 2023 (continued)

36. CLASSIFICATION OF FINANCIAL INSTRUMENTS

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

	2023 £'000	Restated 2022 £'000
Financial Assets		
Mandatorily measured at fair value through profit or loss		
Money market funds	518,764	209,486
Derivative financial assets - foreign exchange related contracts	3,829	6,589
	522,593	**216,075**
Measured at amortised cost		
Cash and balances at central banks	528,396	607,358
Loans and advances on demand to banks	132,447	89,957
Other loans and advances to banks[1]	137,569	83,992
Other loans and advances to non-banks[1]	8,216	12,447
Investment in debt securities	353,028	414,061
Unsettled transactions[1]	8,417	16,071
Other assets (excluding non-financial assets)[1]	28,810	17,732
Accrued income (others)	546	611
	1,197,429	**1,242,229**
Measured at FVTOCI		
Investment in equity securities	**495**	**488**

[1]The prior year balance was restated. Refer to Note 11 and Note 16 for further details.

	2023 £'000	Restated 2022 £'000
Financial Liabilities		
Mandatorily measured at fair value through profit or loss		
Derivative financial instruments - foreign exchange related contracts	9,679	4,565
	9,679	**4,565**
Measured at amortised cost		
Customer accounts	1,546,632	1,310,809
Unsettled transactions	20,081	25,782
Other liabilities (excluding non-financial liabilities)	16,491	9,569
Lease liabilities	884	1,281
Accruals	17,315	18,368
	1,601,403	**1,365,809**

Notes to the financial statements for the year ended 31 December 2023 (continued)

37. FAIR VALUE MEASUREMENTS

A. 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:

B. 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.

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

There were no transfers between fair value hierarchy level during the year (2022: nil). There were no changes in valuation techniques used during the year (2022: nil).

Notes to the financial statements for the year ended 31 December 2023 (continued)

37. FAIR VALUE MEASUREMENTS (continued)

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

Financial assets and financial liabilities at fair value through profit or loss	Valuation techniques	Inputs (including any significant unobservable inputs)
Derivative financial assets	The Mark-to-Market ("MTM") calculation for foreign currency forwards is performed within Core Banking System ("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.
Money market funds	Net asset value based on the valuation of the underlying level 1 investments.	Quoted market prices but not for identical assets.
Investment in equity securities	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 reporting period.
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.

D. 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 statement of profit or loss and other comprehensive account.

Notes to the financial statements for the year ended 31 December 2023 (continued)

37. FAIR VALUE MEASUREMENTS (continued)

E. 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:

	2023 £'000	2022 £'000
Revaluation of money market funds:		-
Fair value gain or loss on forward foreign exchange contracts[1]	88,742	63,352
	88,742	**63,352**

[1]The (loss)/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.

F. 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.

G. 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)).

H. 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.

Notes to the financial statements for the year ended 31 December 2023 (continued)

37. FAIR VALUE MEASUREMENTS (continued)

I. Financial liabilities measured at fair value

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

Asset /(Liability) Type – 2023	**Level 2 £'000**	**Stress**	**Sensitivity £'000**
Financial assets at fair value			
- Money market funds	518,764	1% increase in int rates	(895)
- Derivative financial assets	3,829	£ x-rate rise of 1%	(299)
- Investment in equity securities	495	Equity price +5%	24
Financial liabilities at fair value			
- Derivative financial liabilities	(9,679)	£ x-rate rise of 1%	(3,390)
	513,409		-

Asset /(Liability) Type – 2022	Level 2 £'000	Stress	Sensitivity
Financial assets at fair value			
- Money market funds	209,486	1% increase in int rates	(107)
- Derivative financial assets	6,567	£ x-rate rise of 1%	(3,098)
- Investment in equity securities	488	Equity price +5%	24
Financial liabilities at fair value			
- Derivative financial liabilities	(4,543)	£ x-rate rise of 1%	(1,093)
	211,998		-

These are all recurring fair value measurements. There are no financial assets classified as level 1 and level 3. There were no movements between fair value levels.

J. Fair value and carrying amount of Investment in debt securities

	2023		2022	
Fixed rate bonds	**Carrying Value**	**Fair Value**	Carrying Value	Fair Value
US Treasury Bills (excluding accrued interest)	7,845	7,775	66,207	65,636
Other fixed rate bonds (excluding accrued interest)	343,070	342,907	345,321	341,889
Accrued interest	2,113	2,113	2,533	2,533
At 31 December	353,028	352,795	414,061	410,058

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.

Notes to the financial statements for the year ended 31 December 2023 (continued)

38. EVENTS AFTER THE REPORTING PERIOD

A. London Bridge Lease

CAB completed on a lease agreement for office space at 3 London Bridge, SE1 9SG, London on 25 January 2024. A right of use of asset balance and a lease liability balance will be recognised on the statement of financial position 2024 and interest expense and depreciation will be recognised on the statement of profit or loss and other comprehensive income from 2024 onwards. CAB has committed to the following undiscounted lease payments:

Payment Due	2023 £'000	2022 £'000
Not later than one year	-	-
Later than one year and not later than five years	8,345	-
Later than five years	15,513	-
	23,858	-

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

39. BOARD APPROVAL

The financial statements for the year ended 31 December 2023 were approved by the Board of Directors and authorised for issue on 3 April 2024.

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