Crown Agents Bank

Moving money where it's needed

Pillar 3 Disclosures

31 December 2022

Quadrant House, Sutton, SM2 5AS, UK | +44 (0) 203 903 3000 | info@crownagentsbank.com | www.crownagentsbank.com

Contents

Acronyms and Abbreviations

The following terms are used throughout these Disclosures:

AFC	Anti Financial Crime
ALCO	Asset and Liability Committee
BAC	Board Audit Committee
BRC	Board Risk Committee
CRC	Credit Risk Committee
CCB	Capital Conservation Buffer
CCYB	Countercyclical Capital Buffer
CEO	Chief Executive Officer
CET 1	Common Equity Tier 1 Capital
CIU	Collective investment undertakings
ORC	Operational Risk Committee
COREP	Common Reporting Framework
CRD	Capital Requirements Directive
CRO	Chief Risk Officer
CRR	Capital Requirements Regulation
EBA	European Banking Authority
ED	Executive Director
ERC	Executive Risk Committee
ERMF	Enterprise Risk Management Framework
ESG	Environmental, Social and Governance
EXCO	Executive Committee
FCA	Financial Conduct Authority
FCRC	Financial Crime Risk Committee
FSCS	Financial Services Compensation Scheme
GHG	Green House Gases
HQLA	High Quality Liquid Asset

ICAAP	Internal Capital Adequacy Assessment Process
ILAAP	Internal Liquidity Adequacy Assessment Process
ILG	Individual Liquidity Guidance
INED	Independent Non-Executive Director
IRRBB	Interest Rate Risk in the Banking Book
IT	Information Technology
JMSLG	Joint Money Laundering Steering Group
LCP	Liquidity Contingency Plan
LCR	Liquidity Coverage Ratio
MLRO	Money Laundering Reporting Officer
NED	Non-Executive Director
NGO	Non-Governmental Organisation
NSFR	Net Stable Funding Ratio
OLAR	Overall Liquidity Adequacy Rule
OCR	Overall Capital Requirement
PRA	Prudential Regulation Authority
RAS	Risk Appetite Statement and Tolerance Limits
Remco	Renumeration Committee
RP	Recovery Plan
SREP	Supervisory Review and Evaluation Process
TCR	Total Capital Requirement

1. Introduction

Pillar 3 Disclosure

The Capital Requirements Directive ("CRD") introduced a new framework under which banks and financial institutions are required to calculate their capital. This was based on global standards introduced by the Basel Committee on Banking Supervision through the Basel framework (now Basel III). The framework consists of 3 Pillars:

Pillar 1	**Minimum capital requirements:** defines the rules for the calculation of credit, market and operational risk to ensure that banks hold adequate regulatory capital against the risks they assume within their current business.
Pillar 2	**Supervisory review process:** sets out the key principles for the supervisory review of a bank's risk management framework and its capital adequacy. It sets out specific oversight responsibilities for both the Board and senior management, thereby reinforcing the principles of internal control and other corporate governance practices.
Pillar 3	**Market discipline:** sets out the items covered by this report; it requires expanded disclosures to permit investors and other market participants to obtain an understanding of the risk profiles of the bank.

The Financial Conduct Authority ("FCA") and Prudential Regulation Authority ("PRA") have responsibility for implementing the CRD within the United Kingdom.

The Pillar 3 disclosures made by Crown Agent Bank are designed to comply with Part VIII of the UK Capital Requirements Regulation (CRR) and associated onshored binding Technical Standards and guidelines from the European Banking Authority (EBA) which were incorporated into the Disclosure (CRR) Part of the PRA Rulebook from 1 January 2022.

The following represents the Bank's Pillar 3 disclosures in accordance with this requirement.

Regulatory Developments

On 14 October 2021, the PRA finalised their implementation of Basel standards through Policy Statement (PS) 22/21, and were implemented from 1 January 2022. The finalised requirements included the introduction of the Standardised Approach for Counterparty Credit Risk (SA-CCR) which replaces the Current Exposure Method (CEM) for Standardised derivative exposures.

On 13 December 2021, the Financial Policy Committee (FPC) announced that a Countercyclical Capital Buffer (CCyB) rate of 1% for UK exposures has been re-introduced and was applicable from 13 December 2022.

From 1 January 2022, UK banks became subject to a single UK leverage ratio requirement meaning that the CRR leverage ratio no longer applies to CAB.

Frequency, Location, and Verification

The Bank publishes its Pillar 3 Disclosures on an annual basis. Disclosures comply with the disclosure requirements laid out in the Capital Requirements Regulations 2015 (Part Eight) ("CRR")

The disclosures:

- Are based on the results of the year ended 31st December 2022 (with comparatives) unless otherwise stated. They include the impact of the 2022 financial performance and have been updated to reflect the most recent operational risk capital requirements.
- Should be read in conjunction with the Bank's Annual Report and Financial Statements.
- Have not been, and are not required to be, subject to independent external audit and do not constitute any part of the Bank's Financial Statements.
- Are published on the Bank's website once approved by the Board.

Scope of Disclosures

The disclosures below are the required Pillar 3 disclosures and apply solely to the Bank. These disclosures focus primarily on capital risk and the key risk categories behind the Group's Pillar 1 capital requirements (credit, counterparty credit, market and operational risks), providing granular information and analysis. The Bank continues to develop the quality and transparency of disclosures to ensure that they are as clear and informative as possible.

The Bank is an unquoted company registered in England, authorised by the PRA and regulated by the PRA and the FCA. The Bank's immediate parent is CAB Tech Holdco Limited whose parent is CAB Payments Holdings Limited.

CAB Payments Holdings ultimate parent undertaking and controlling party is Helios Investors III LP, acting through its general partner Helios Investors Genpar III LP. The Bank's management and ownership structures are set out in the Appendices to these disclosures.

Summary of Key Ratios

Bank's key ratios are presented below:

Key Ratios		
	2022	**2021**
Capital:		
Total Risk Exposure (RWA)	£269m	£187m
Common Equity Tier 1 Capital (CET1) Ratio	33.4%	30.3%
Total Capital Ratio	33.4%	30.3%
Leverage ratio	6.9%	5.0%
Liquidity:		
High Quality Liquid Assets (HQLA)	£1,158m	£1,084m
Liquidity Coverage Ratio (LCR)	158%	132%
Net Stable Funding Ratio (NSFR)	213%	211%

Note that the current year profit had not been included in December 2022 COREP returns that were submitted to the regulator as they had not been audited at that juncture. The profit for 2022 has been included in the COREP metrics disclosed in this document. For this reason, the above figures are different to what was reported in COREP.

2. Overview of Risk Management Arrangements

Enterprise Risk Management Framework

The Enterprise Risk Management Framework (ERMF) enables Crown Agents Bank Limited (CAB) to identify and manage the material risks to which it is exposed.

The ERMF sets out how CAB manages risk on a firm-wide basis. It aligns the overall strategic and commercial objectives approved by the Board whilst supporting the effective management of risks to ensure that CAB's risk profile remains within its risk appetite, or that where CAB's risk profile exceeds its risk appetite, appropriate action is taken. It protects and enhances shareholder value by contributing to the achievement of CAB's business objectives and ensuring that legal and regulatory requirements are met. The ERMF is approved by the Board on the recommendation of the Board Risk Committee (BRC) and the Executive Risk Committee (ERC) and subsequently adopted by Bank.

Through its normal operations the Bank is exposed to various key risks, which are captured by the firm-wide risk Taxonomy. The firm's 'level 1' risks are:

Financial Risk Types

a. Capital Adequacy Risk

b. Liquidity and Funding Risk

c. Market Risk

d. Credit Risk

Non-Financial Risk Types

a. Operational Risk

b. Financial Crime Risk

c. Regulatory Compliance Risk

d. Conduct Risk

e. Business Risk

The Board of the Bank is responsible for determining the long-term strategy of the business, the markets in which it operates, and the level of risk acceptable to the Bank. The level of risk acceptable to the Bank is controlled through the Bank's Risk Appetite Statement and Tolerance Limits (RAS) for the firm's 'level 1' risks.

Monitoring and Control

The Bank's approach to capital and liquidity management is driven by its prudent Risk Appetite which seeks to maintain a strong balance sheet to support the development of its business and to always meet regulatory requirements.

Each year the Bank updates its three-year strategic plan which covers both the development of the business and its impact on the capital and liquidity of the Bank. The plans are underpinned by the Bank's risk appetite and ensure that the available levels of capital and liquidity are appropriate to the business plans and strategy. The plans also ensure that business growth assumptions are integrated into the overall capital and liquidity assessment.

The Bank undertakes, at least annually, a detailed Internal Capital and Liquidity Adequacy Assessment Process (ICAAP & ILAAP) to assess its capital and liquidity requirements and risks. The ICAAP and ILAAP are a key part of the Bank's management disciplines through their review by the Asset and Liability Committee (ALCO), BRC, and approval by the Board (ILAAP was last approved in August 2022 and ICAAP in January 2023).

The Bank monitors its capital and liquidity ratios and requirements daily using a traffic light system to ensure internal and external capital requirements are met. The Recovery Plan sets out the actions to be taken when these measures reach certain trigger points. As of 31st December 2022, and at all times during the year, the Bank complied with its regulatory capital and liquidity requirements.

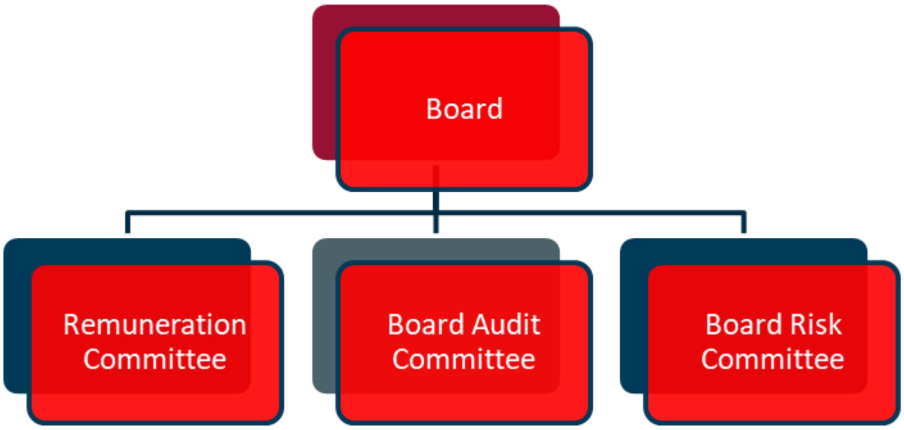
Risk Governance

Risk governance, underpinned by the Three lines of Defence model, helps to ensure that the right decisions are made by the right people at the right time. It describes the responsibilities and committee structure which facilitate oversight, challenge and robust decision making.

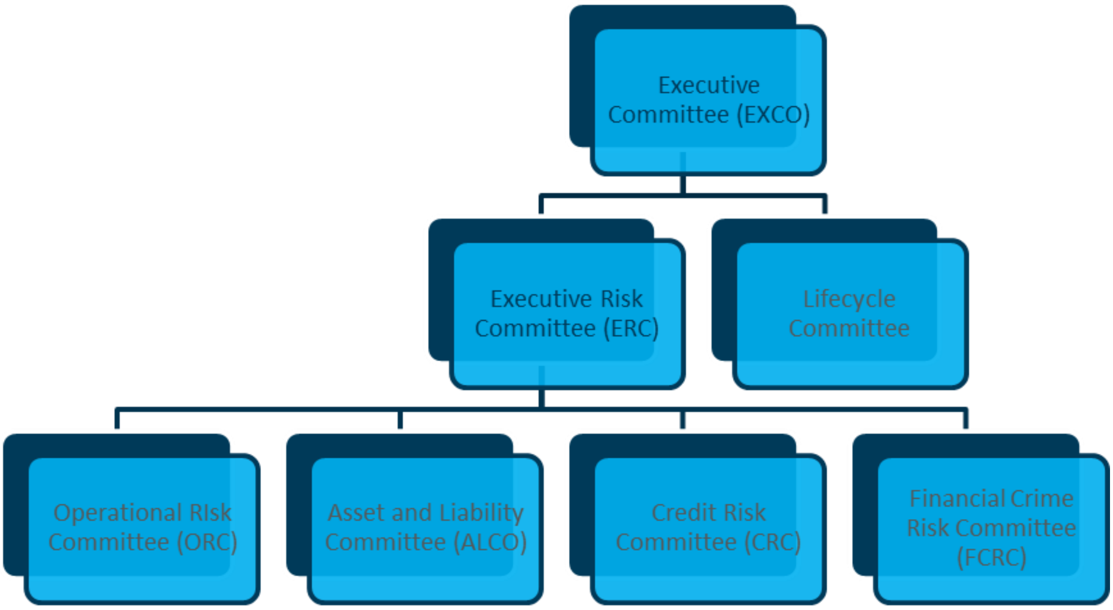
It is also an important element of how CAB's Board and Senior Management discharge their responsibilities as part of the broader management and oversight of CAB's activities.

Committee Structure

The Board level Committee Structure is outlined below:



The Executive level Committee Structure is outlined below:



The Board level committee structure and terms of reference (TORs) are owned and approved by the Board.

The Executive level committee structure and TORs are owned and approved by EXCO.

A summary of the key committees responsible for the management and oversight of risks are as follows.

Board Level Governance

CAB Board

The Bank Board is the primary governing body for the Bank and has ultimate responsibility for setting the bank strategy, corporate objectives, and risk appetite.

From a Risk Management perspective, the CAB Board is responsible for:

- Approving the strategy, 3-year financial plan and annual budgets, considering the impact on risk appetite, wider risk management profile and risk related activities.
- Approving key policies.
- The establishment, approval, and periodic review (at least annually) of the ERMF (including the risk taxonomy).
- The establishment, approval, and periodic review (at least annually) of the Risk Appetite Statement and Tolerance Limits (RAS), which sets out the levels of risk which CAB are willing to accept.
- Periodic review and approval of the Bank's ICAAP, ILAAP, Funding Plan and Recovery Plan (RP) at least once per calendar year.
- Setting the tone and culture for risk management.

CAB's Board also maintain a close oversight of current and future activities through a combination of regular Board reports and monthly financial results, including budgets, forecasts, and other operational reports.

Board Remuneration Committee (Remco)

The Remco provides oversight ensuring that the Bank complies with its regulatory requirements in respect of remuneration. This includes:

- Determining and agreeing with the Board the framework or broad policy for the remuneration of the company's Chairman and Executive (incl. CRO).
- Reviewing the ongoing appropriateness and relevance of the remuneration policy.
- Determining, within the terms of the agreed policy, the total individual remuneration package of personnel designated as Code Staff within the Bank.
- Approving the design of, and determining targets for, any performance related pay schemes operated by the Bank and approve the total annual payments made under such schemes.
- Considering succession planning.
- Overseeing any major changes in employee benefits structures throughout the Bank.

Executive Committee (Exco)

Exco takes day to day responsibility for running CAB. The Exco implements the strategies and financial plans of CAB, which are approved by CAB's Board at least annually, and ensures the performance of the business is conducted in accordance with the Boards established risk appetites. The CEO and Exco report to the CAB Board on a regular basis.

Exco delegates Risk Management oversight to the Executive Risk Committee (ERC).

Board Risk Committee (BRC)

BRC provides oversight and advice to the Board on matters relating to risk and compliance. This includes:

- Oversight and challenge of current and potential risk exposures versus the RAS.
- Reviewing effectiveness of the ERMF and supporting risk systems and controls.
- Approval of risk policies for the level 1 risks on a periodic (at least annual) basis. Escalation to the Board if broader discussion is deemed necessary.
- Assisting the Board to promote a culture of risk awareness and good conduct throughout the organisation.
- Review of key risk related assessments including (but not limited to) the ICAAP, ILAAP, Funding Plan, Recovery Plan and Annual MLRO assessment.
- Ensuring that adequate resources are allocated to risk management.

Board Audit Committee (BAC)

BAC provides oversight and advice to the Board on matters relating to financial reporting and internal financial controls, in particular reviewing:

- The integrity of the financial statements and Pillar 3 disclosures.
- The effectiveness of the Internal Audit Function (IAF) and the external auditor.
- The effectiveness of audit controls.

Executive Level Governance

Executive Risk Committee (ERC)

ERC provides Enterprise-Wide Risk Oversight and dedicated oversight of Business, Compliance, Conduct and People Risks. It also approves the introduction of new products and receives escalations from the 4 sub-committees on the following level 1 risks:

- Asset and Liability Committee (ALCO): Capital Adequacy, Liquidity, Funding and Market.
- Credit Risk Committee (CRC): Credit.
- Operational Risk Committee (ORC): Operational (excl. People Risk).
- Financial Crime Risk Committee: Financial Crime.

ERC also reviews (either directly or through one of its sub-committees) all level 1 and level 2 Risk policies and risk framework documents at least annually.

ERC provides reporting to BRC regularly on the risk profile of CAB (through the second line of defence risk and compliance report) and will make recommendations and escalations on items within its remit and where actions are required.

Lifecycle Committee

The Lifecycle Committee assesses the potential regulatory, operational and reputational risks associated with prospective and existing clients throughout the course of their relationship ("lifecycle") with CAB. It also assesses potential client exits.

Operational Risk Committee (ORC)

ORC has been established to manage Operational Risk by:

- Developing and maintaining an operational risk framework through which operational risk is monitored, measured and managed.
- Overseeing the implementation of the Operational Risk Policy and framework.
- Monitoring forthcoming regulation in relation to operational risk and managing CAB's response.
- Reviewing Operational Risk RAS at least annually and any ad-hoc proposed changes.

Credit Risk Committee (CRC)

The role of the CRC is to:

- Review CAB's credit portfolios to ensure it remains within respective credit risk tolerances and Early Warning Indicators (EWI).
- Assess prospective and existing clients and counterparties.
- Review client, counterparty and country exposures, as well as considering issues of a strategic (credit related) nature.
- Review Credit Risk RAS at least annually and any ad-hoc proposed changes.

Asset and Liability Committee (ALCO)

ALCO has been established to manage Prudential Risks and Treasury activities by:

- Developing and maintaining the Prudential risk framework through which Prudential risk is monitored, measured and managed.
- Maintaining and monitoring compliance with Treasury Policy and procedures and with external regulatory and legal requirements.
- Monitoring forthcoming Prudential regulation and managing CAB's response.
- Reviewing Prudential Risk RAS at least annually and any ad-hoc proposed changes.
- Performing detailed oversight of the liquidity and funding, market risk and capital adequacy profile of CAB, including monitoring versus RAS.
- Reviewing the ICAAP, ILAAP, Funding Plan and Recovery Plan and recommending them to BRC for Board level review.

Financial Crime Risk Committee (FCRC)

FCRC assesses the Financial Crime risks relating to the defined strategy and monitors progress and supports the MLRO's oversight of Financial Crime Risk. It also:

- Reviews adherence with relevant legislation and regulations.
- Reviews all Financial Crime Risk Policies at least annually and reviews any ad-hoc changes.
- Reviews Financial Crime RAS at least annually and any ad-hoc proposed changes.

Three Lines of Defence

CAB operates a three lines of defence model in-line with industry best practice for risk management, which is a key foundation of the Risk Governance model. The three lines of defence model separates operational departments that identify and manage risks as the first line, oversight and advisory of the 1st line by the risk management functions as the second line, and finally the independent oversight of the effectiveness of the 1st and 2nd line by Internal Audit, which constitutes the 3rd line of defence.

First Line of Defence

The First Line of Defence is defined as the Front-Office, Operations, IT, Finance, and HR. First line of Defence owns and manages risk. Responsibilities include:

- Ensuring that risk policy, appetite and frameworks are implemented and adhered to.
- Identify the risks inherent in the products, activities, processes and systems for which they are accountable.
- Responsible for the assessment and management of risks with appropriate controls.
- Monitoring and managing risks proactively with Key Risk Indicators (KRI)s, as well as providing timely escalation.
- Ensuring they have sufficient resources and skills in the risk management processes for which they are accountable.
- Providing quality and timely risk management information and reporting.
- Receiving advice from the Second Line on forthcoming regulation, developing plans to ensure compliance with such, and implementing them.
- Ensuring that the appropriate risk culture is in place within their respective teams.

Second Line of Defence

The Second Line of Defence is the Risk and Compliance (R&C) Function. Responsibility includes:

- Drafting risk policies and co-ordinating Risk Appetite reviews.
- Advisory to and oversight of the 1st Line of Defence (including the Compliance, Operational Risk, Credit Risk, Prudential Risk and Anti-Financial Crime functions).
- Reporting via risk committees e.g. ERC (and its sub-committees) and BRC.

- Review and oversight of annual budget and 3 Year Operating Plan.
- Promoting the consistent use of risk management and ownership of risk at all levels within CAB.
- Building a risk aware culture including education and training.
- Developing, implementing and reviewing the Risk Management Framework, policies and processes.
- Reporting, escalating and communication of risk management issues to stakeholders.
- Advising the business of forthcoming regulation; and working with them on its implications.

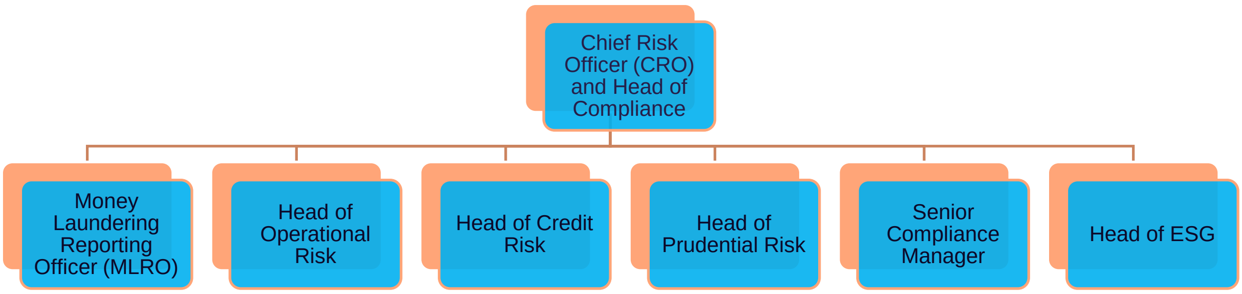
Third Line of Defence

Internal audit forms CAB's third line of defence. It does so through a risk-based approach to its work, providing assurance to CAB's Board of Directors and senior management. This assurance will cover how effectively CAB assesses and manages its risks and will include assurance on the effectiveness of the first and second lines of defence.

Risk and Compliance Function

The chart below sets out the leadership structure of the Risk and Compliance (R&C) Department. R&C is responsible for providing oversight of 1st line activities, but also performing an advisory role, where appropriate.

R&C is fully independent from the 1st Line of Defence and has unfettered access to any part of CAB that can have an impact on CAB's respective risk profiles.



The Chief Risk Officer (CRO) and Head of Compliance

The most senior executive responsible for oversight of CAB's risk management systems and controls and is accountable to the Board in relation to the ERMF. The CRO is responsible for 2nd line oversight of Business Risk.

Prudential Risk Function

The Prudential Risk Function is responsible for oversight of the following level 1 risks within CAB: Liquidity and Funding, Capital and Market Risk. It is also responsible for the oversight of model risk, which is a 'level 2' risk within the Operational Risk category. The Prudential Risk function is also responsible for leading the 2nd line review of financial planning and forecasting.

Credit Risk Function

The Credit Risk Function is responsible for oversight of the Credit (level 1) risk category within CAB, which includes day to day oversight of CAB's credit portfolio, credit risk management, credit applications and reviews.

Operational Risk Function

The Operational Risk Function is responsible for oversight of the Operational (level 1) risk category within CAB.

Anti-Financial Crime (AFC) Function

The AFC Function is responsible for 2nd line oversight of the Financial Crime (level 1) risk category within CAB. The AFC Function is led by the Money Laundering Reporting Officer (MLRO).

Compliance Function

The Compliance function is responsible for monitoring and testing adherence to the legal rules and regulations under which CAB operate and oversight of the following level 1 risks within CAB: Regulatory Compliance and Conduct Risk.

3. Capital Adequacy and Leverage Ratio

Capital Adequacy Risk

Capital adequacy risk is defined as the risk of having insufficient capital to support the risks to which it is or might be exposed during the normal course of business or under a stress scenario.

CAB's Capital adequacy Risk Appetite is to ensure that the CET1 ratio exceeds the total capital requirement (TCR) at all times, even during a severe but plausible stress, and exceeds the overall capital requirement (OCR) during non-stressed periods.

Capital adequacy is subject to daily monitoring against internally agreed Board RAS and EWI levels. The calibration and selection of these are informed by the outcomes of the annual Internal ICAAP and RP.

Capital Requirement

The minimum regulatory capital requirement is 8% of risk weighted assets, which is known as the Pillar 1 requirement. Additionally, banks are required to hold additional capital to cover risks not adequately captured in Pillar 1, which are known as Pillar 2A requirements. Jointly Pillar 1 + Pillar 2A sets the TCR and is the minimum amount of capital that the Bank needs to hold at all times.

The Total Capital Requirement ("TCR") is set by the PRA on a periodic basis, following completion of the ICAAP and Supervisory Review and Evaluation Process ("SREP").

Bank's overall capital requirement (OCR) is TCR + CRD buffers, which are the Capital Countercyclical Buffer and Capital Conservation Buffer. The Bank has complied with the capital requirements set by the PRA at all times throughout 2022.

The Bank's TCR and OCR is set out below.

Total Capital Requirement As a % of RWAs:	**As At 31-Dec 2022** %	**As At 31-Dec 2021** %
Minimum Capital Requirement	8.00	8.00
Pillar 2A requirement	4.37	3.99
Total Capital Requirement (TCR)	12.37	11.99
Capital Countercyclical Buffer	0.16	-
Capital Conservation Buffer	2.50	2.50
Overall Capital Requirement (OCR) ratio	**15.03**	**14.49**

Countercyclical Buffer (CCYB)

The purpose of the CCYB is to counteract the effects of the economic cycle on banks' lending activities. The CCYB calculation applies percentages, which have been set by the central banks of each country (typically at least 12 months in advance), to the "Relevant Exposures"[1] to entities within those countries. The calculation applies a weighted CCYB percentage to total risk weighted assets.

As the UK began its recovery from the COVID-19 pandemic, the Bank of England (BoE) increased the CCYB rate to 1% from 13th December 2022; this rate is expected to increase further to 2% from July 2023.

On the 31st December CAB also had exposure to Luxembourg through its holdings of a CIU, which has a CCYB rate of 0.5%.

The relevant disclosures,[2] are attached at Appendix 6. The outputs from the information in Appendix 6, which drive the CCYB calculation as at 31st December 2022, are as follows:

	£000
Total own funds requirement in respect of relevant exposures	7,355
Product of own funds requirements and relevant country CCYB rate	12
Resulting weighted CCYB %	0.16%

Capital Resources

The table below shows the composition of the Bank's regulatory capital position as at 31st December 2022.

The Bank's regulatory capital consists entirely of Common Equity Tier 1 capital, which is comprised of one class of issued ordinary share capital (issued at par) and accumulated reserves, subject to deductions for intangible assets and deferred tax assets (net of deferred tax liabilities).

As a result:

- The Capital Instruments[3] template has not been included as all data points are either not applicable or nil.
- The data re the Own Funds template[4] is included below. All the other data points are either not applicable or nil.

[1] These are effectively exposures to entities other than central banks/ governments or financial institutions. Exposures to institutions in countries which do not have regulatory equivalence are classified as Corporates under the regulations and are included with Relevant Exposures.
[2] The detailed template is set out in European Delegated Regulation 2015/1555.
[3] templates as per the PRA rulebook following PS22/21 Implementation of Basel standards: Final Standards
[4] templates as per the PRA rulebook following PS22/21 Implementation of Basel standards: Final Standards

Capital Resources	Template Row	2022 £000	2021 £000
Common Equity Tier 1 Capital:			
Share Capital	1	41,200	41,200
Retained earnings	2	68,728	33,693
	6	109,928	74,893
Less deductions:			
Intangible Assets	8	(17,523)	(18,298)
Free deliveries* which can alternatively be subject to a 1250% risk weight	20d	(2,534)	-
Net Deferred Tax Asset	10	-	-
	28	(20,057)	(18,298)
Total Common Equity Tier 1 Capital	29	**89,871**	**56,595**
Total Capital Resources	59	**89,871**	**56,595**

* Free deliveries are the transactions where the Bank has paid for securities or foreign currencies before receiving them. Transactions which are outstanding for more than 4 business days are required to be risk weighted at 1250% or alternatively can be deducted from the own funds.

Risk Weighted Assets - Pillar 1	Template Row	2022 £000	2021 £000
Credit Risk*		136,308	106,588
Counterparty Risk (Derivatives)		4,207	1,720
Total Credit Risk Weighted Assets		**140,515**	**108,308**
Settlement Risk and Credit Value Adjustment (CVA)		975	1,047
Market Risk		5,240	5,110
Operational Risk		122,529	72,390
Total Risk Weighted Assets	60	**269,258**	**186,856**

* Net of credit risk mitigation amounting £60,314k (£53,278k in 2021)

Capital Ratios	Template Row	2022 £000	2021 £000
Common Equity Tier 1 Capital Ratio	61	33.4%	30.3%
Total Tier 1 Capital Ratio	62	33.4%	30.3%
Total Capital Ratio	63	33.4%	30.3%

The Bank's operational risk RWA is based on the last 3 years of revenue and has increased after including the revenue from 2022. The credit risk RWA has increased due to increased allocations into CIUs, which have a 20% risk weight as well as an increase in RWA's associated with growth in the bank's lending activity throughout 2022.

Note that 2021 has been restated to reflect the Bank's transition to IFRS accounting standards

Capital ratios are calculated as regulatory capital divided by risk weighted assets. The Pillar 1 calculations are based on the Standardised Approach for Credit Risk and on the Basic Indicator Approach for Operational Risk.

Based on the TCR and OCR, the Bank's capital surplus is shown below.

Regulatory Capital Surplus	**2022**	**2021**
	£000	£000
Total Risk Weighted Assets (RWA)	269,258	186,856
Total SREP Capital Requirement (TCR)*	33,307	22,404
Overall Capital Requirement (OCR)*	40,470	27,075
Total Capital Resources	89,871	56,595
Capital surplus above TCR	56,564	34,191
	21.0%	18.3%
Capital surplus above OCR	49,401	29,520
	18.3%	15.8%

*__TCR__ = P1+P2A; **OCR**=TCR+CRD Buffers

Leverage Ratio

CRD requires firms to calculate a non-risk based leverage ratio to supplement risk-based capital requirements. The leverage ratio measures the relationship between the Tier 1 capital resources of the organisation and its total assets. The purpose of monitoring and managing this metric is to enable firms and regulators to identify and mitigate the build-up of excessive leverage. It is calculated as:

$$\frac{\text{Tier 1 capital}}{\text{Total on and off-balance sheet assets adjusted for deductions}}$$

The minimum requirement for the leverage ratio has historically been 3% but was increased to 3.25%, effectively from 1 January 2018[6]. While the leverage ratio is not a regulatory requirement for the Bank[7], the Bank chooses to monitor the metric as part of its risk management framework.

The calculation of the Leverage Ratio is as set out in the tables below which are based on the regulatory disclosure templates[8]. All template rows other than those noted in the tables are either not applicable or nil.

[6] Policy Statement | PS21/17 UK leverage ratio: treatment of claims on central banks (October 2017)
[7] The leverage ratio regime only applies to banks/ building societies with retail deposits exceeding £50 billion or foreign assets equal to or greater than £10bn
[8] The detailed disclosure templates re the Leverage Ratio are set out as part of the PRA Policy statement 21/21

Leverage Ratio	Template Row	2022 £000	2021 £000
Table LR Sum - Summary Reconciliation Of Accounting assets and Leverage Ratio exposures			
Total Statutory Assets per the Balance Sheet	281	1,482,442	1,311,971
Adjustments for derivative financial instruments	110	20,558	6,895
Off balance sheet Items	160/180	4,432	4,475
Less: central bank exposures*	283	(189,334)	(160,863)
Amounts deducted in determining Tier 1 capital	280	(20,057)	(18,298)
Leverage ratio total exposure measure	300	1,298,041	1,144,181

* Exposures to central banks subject to a maximum of deposits in the same currency is excluded from the leverage ratio exposure measure. The Bank's total GBP deposits amounted £189,334k and BoE reserve a/c balance was £608,298k.

Leverage Ratio	Template Row	2022 £000	2021 £000
Table LR Com = Leverage Ratio Common Disclosure			
On Balance Sheet exposures (excluding off-bal derivatives)			
On balance sheet items		1,293,108	1,151,108
Amounts deducted in determining Tier 1 capital	280	(20,057)	(18,298)
Total on balance sheeet exposures		1,273,051	1,132,810
Derivative Exposures			
Derivatives add-on original exposure method	110	20,558	6,895
Total derivative expsures		20,558	6,895
Other Off Balance Sheet Exposures			
Other off balance sheet exposures	150-180	20,299	20,374
Adjustment for credit conversion factor	150-180	(15,867)	(15,899)
Total off balance sheet exposures	150-180	4,432	4,475
Capital And Total Exposure Measure			
Total Tier 1 Capital & Total Capital	310	89,871	56,595
Leverage Ratio Total Exposure Amount	300	1,298,041	1,144,181
Total Leverage Ratio	330	**6.9%**	**5.0%**

The Bank's leverage ratio has increased to 6.9% (2021: 5%) mainly due to current year profit being included in the Capital resources.

Leverage Ratio	Template Row	2022 £000	2021 £000
Table LRSpl - Split Of Balance Sheet Exposures			
Total on balance sheet exposures, of which		1,293,108	1,151,108
Trading book		0	0
Banking book exposures, of which		1,293,108	1,151,108
Exposures treated as sovereigns net of Central Bank Deductions	100/130	731,603	889,195
Exposures to regional governments, MDB,international organisations and PSE not treated as sovereigns	120	248,104	36,429
Insitutions	180	116,869	96,196
Corporate	230	79,900	83,658
Other	290	116,633	45,630

4. Capital Management

Capital Requirements

As part of the ICAAP applicable to CRD firms, the Board is required to consider all material risks which the Bank faces and to determine whether additional capital is required in order to provide additional protection to depositors and borrowers and to ensure the Bank is sufficiently well capitalised to withstand a severe economic downturn.

The Board manages its internal capital levels for both current and future activities and documents its risk appetite and capital requirements during stress scenarios as part of the ICAAP.

The ICAAP represents the aggregated view on capital risk for the Bank and is used by the Board and management to understand the levels of capital required to be held over the near and medium term. The ICAAP is undertaken at least once per calendar year and was last approved by the Board in January 2023.

The Bank is required to maintain a certain level of capital to meet several requirements:

- To meet minimum regulatory capital requirements.
- To ensure the Bank can meet its objectives, including growth objectives.
- To ensure the Bank can withstand future uncertainty, such as a severe economic downturn.
- To provide assurance to depositors, borrowers, shareholders and other third parties.

Regular reports with respect to the levels of capital, as well as the results of stress scenarios, are presented to ALCO, BRC and the Board.

The key assumptions and risk drivers used to create the ICAAP are regularly monitored and reported and any material deviation from the forecast and risk profile of the Bank would mean the ICAAP assumption would need to be reviewed.

The Bank aims to maintain sufficient capital to cover regulatory requirements, including any capital planning buffers, and to maintain an appropriate operational capital buffer.

Risk arises from the Bank's activities and will be affected by any unexpected increase in regulatory requirements or poor financial performance, losses being higher than expected and any downturn in market conditions.

The Bank closely monitors and manages capital consumption through ALCO. Capital forecasting is undertaken over a 3-year horizon and is designed to provide a forward view on capital allocation and excess regulatory capital. Furthermore, stress testing and sensitivity analysis is performed to provide information on the Bank's capital position. Capital requirements under stressed conditions are considered as part of the ICAAP.

Minimum Capital Requirement Pillar 1

The Bank's overall capital resources requirement under Pillar 1 is calculated by adding the capital resources requirements for credit risk, market risk and operational risk. The following table shows the Bank's capital resources requirement and capital resources surplus under Pillar 1:

Total Minimum Pillar 1 Capital Requirement	**2022 £000**	**2021 £000**
Capital Resources	89,871	56,595
Capital Requirement		
Credit Risk	10,905	8,527
Counterparty Credit Risk	337	138
Settlement Risk and Credit Value Adjustment (CVA)	78	84
Market Risk	419	409
Operational Risk	9,802	5,791
Capital Requirement under Pillar 1	21,541	14,948
Capital Resources - Surplus over Pillar 1 Requirement	**68,330**	**41,647**

5. Credit Risk

Credit Risk is defined as the: risk of financial loss arising from a borrower or counterparty's failure or inability to meet their financial obligations to CAB in accordance with agreed terms. Through its financial service offerings, credit risk is created when the Bank commits to or enters into an agreement with a borrower or counterparty.

Credit risk arises any time the Bank's funds are extended, committed, invested, or otherwise exposed through actual or implied contractual agreements, whether reflected on or off the balance sheet. CAB is exposed to Credit Risk in the execution of its core business activities and seeks to manage this exposure in a cost-effective manner.

The credit risk management framework covers:

- Credit risk appetite - determined by reference to the probabilities of default and the expected losses across its credit portfolio.
- Credit policy - covering limits, restrictions, minimum credit ratings and concentration criteria among others as, approved by the Bank's board of directors.
- Credit Committee oversight - which includes overall responsibility for all counterparty limit approvals and end-to-end management of credit risk.
- Credit management information - Credit Monitoring and reporting.

The Bank evaluates its level of risk through consideration of the level of exposure that it has to a range of different exposures. Exposure is defined as the maximum loss that a financial institution might suffer if a borrower, counterparty or group fails to meet their obligations or if assets and off-balance sheet positions (after offsets) must be realised. Mark-to-market exposures are carefully monitored in respect of forward foreign exchange transactions.

Many of the Bank's products are linked to the provision of international banking and payment services on a pre-funded basis. Short-term client credit risk exposures are generally intended to assist the transactional flows of correspondent banking relationships and to support the wholesale transactional banking business model.

Controls & Mitigation

Credit risk is principally controlled by establishing and enforcing authorisation limits, including set-off limits, by checking the creditworthiness of counterparties and defining exposure levels to those counterparties. Daily monitoring of positions ensures that prudential limits are not exceeded. The Bank continues to adopt a conservative credit policy and has suffered no credit exposure loss in the last 10 years.

The capital requirement relating to credit risk underlying certain exposures is mitigated by:

- Collateral – cash placed with the Bank by the client; or
- Guarantees – typically from institutions with very high credit ratings (e.g. World Bank).

Regular stress testing considers the likelihood of the failure of a market counterparty, credit concentrations and country risk.

Minimum Capital Requirement: Credit Risk

The Bank uses the Standardised Approach in determining the appropriate level of capital to be held for regulatory purposes. Under this approach the Bank must set aside capital equal to 8% of its total risk weighted assets to cover its Pillar 1 capital requirements.

The following table shows the credit risk exposures, the risk weighted assets and the composition of the minimum capital requirements for credit risk on 31 December 2022 and 31 December 2021:

Credit Risk Requirement	Credit Risk Exposure £000	Risk Weighted Assets £000	Minimum Capital Requirement £000
31 December 2022			
Central Governments and Central Banks	836,290	1,826	146
Mutilateral Development Banks	248,104	-	-
Public Sector Enterprises	85,549	-	-
Institutions	137,427	28,334	2,267
Corporate	79,429	78,889	6,311
CIU	62,794	12,559	1,005
Other	28,199	18,906	1,513
Total	**1,477,792**	**140,515**	**11,241**
31 December 2021			
Central Governments and Central Banks	1,038,228	3,207	257
Mutilateral Development Banks	36,429	-	-
Public Sector Enterprises	15,044	-	-
Institutions	104,721	21,053	1,684
Corporate	70,745	70,529	5,642
CIU	0	0	0
Other	13,520	13,520	1,082
Total	**1,278,687**	**108,308**	**8,665**

The overall capital requirement for credit risk has increased by £2,576k due to increased allocations into CIUs, which have a 20% risk weight. The increase in requirement was further impacted by an increase in RWA's associated with growth in the bank's lending activity throughout 2022.

The exposures categorised within 'Other' predominantly relate to other balance sheet assets that have no associated credit risk. These comprise various non-financial assets, including fixed assets, prepayments, and sundry debtors.

The Bank has no retail exposure and does not securitise its exposures.

Credit Risk Exposures by Sector

The following table shows the total amount of exposures, net of any provisions, including pipeline commitments and after offsets, analysed by sector:

Credit Risk Exposure by Sector	Financial £000	Government & Public Administration £000	Other Commercial £000	Total £000
31 December 2022				
Central Governments and Central Bank	-	836,290	-	836,290
Mutilateral Development Banks	248,104	-	-	248,104
Public Sector Enterprises	-	85,549	-	85,549
Institutions	137,427			137,427
Corporates	79,429			79,429
CIU	62,794			62,794
Other			28,199	28,199
Total	**527,753**	**921,839**	**28,199**	**1,477,792**
31 December 2021				
Central Governments and Central Bank	-	1,038,228	-	1,038,228
Mutilateral Development Banks	36,429	-	-	36,429
Public Sector Enterprises	-	15,044	-	15,044
Institutions	104,721			104,721
Corporates	70,745			70,745
CIU	0			0
Other			13,519	13,520
Total	**211,895**	**1,053,272**	**13,519**	**1,278,687**

"Corporates" is a regulatory term and includes exposures to banks in jurisdictions which do not have in place a financial regulatory system equivalent to that in the UK.

Geographic Distribution of Credit Risk Exposures

The geographical spread of the Bank's credit risk exposures is set out in the table below.

Geographical distribution based on risk country of counterparty	31 December 2022	31 December 2021
Region	**£000**	**£000**
UK	708,072	716,204
US	340,079	379,068
Africa	78,486	75,929
Europe	227,293	46,535
Middle East	17,864	23,654
Japan	5,871	20,135
Far East	50,026	8,022
Other	3,125	5,094
Canada	20,697	3,436
China	26,279	611
Total	**1,477,792**	**1,278,687**

Residual Maturity of Credit Risk Exposures

The table below summarises the Bank's exposures, including off balance sheet items, analysed by remaining contractual maturity. The maturity of exposures is shown on a contractual basis.

Credit Risk Exposure by Residual Maturity	Within 1 Year £000	1 to 5 Years £000	No defined maturity £000	Total £000
31 December 2022				
Central Governments and Central Banks*	72,985	8,326	754,979	836,290
Mutilateral Development Banks	224,393	23,710	-	248,104
Public Sector Enterprises	42,627	42,922	-	85,549
Institutions	33,913	-	103,514	137,427
Corporate	47,406	-	32,023	79,429
CIU	-	-	62,794	62,794
Other	-	-	28,199	28,199
Total	**421,324**	**74,958**	**981,510**	**1,477,792**
31 December 2021				
Central Governments and Central Banks*	24,991	-	1,013,237	1,038,228
Mutilateral Development Banks	36,429	-	-	36,429
Public Sector Enterprises	15,044	-	-	15,044
Institutions	33,459	-	71,262	104,721
Corporate	36,153	-	34,592	70,745
CIU	-	-	0	0
Other	-	-	13,519	13,520
Total	**146,075**	**-**	**1,132,611**	**1,278,687**

**Central Banks exposures include balance of £608,2792k in BoE reserve a/c which is instantly accessible. CIU exposures have no defined maturity; however, the underlying securities have a residual maturity of less than 1 year. Nostro balances have no defined maturity but are instantly accessible.*

Management of Credit Risk

Credit risks associated with credit exposure are managed through detailed credit policies which outline the approach to credit exposure, underwriting criteria, credit mandates, concentration limits and product terms. The Bank maintains a dynamic approach to credit management. Its credit policies and performance against risk appetites are regularly reviewed. The Bank will take necessary steps if specific issues are identified or if credit performance deteriorates, or is expected to deteriorate, due to economic or sector-specific weaknesses.

The Bank also seeks to mitigate credit risk by focusing on business sectors where it has specific expertise and through limiting concentrated exposures on larger loans or certain sectors which can represent higher risk, and seeks to obtain security cover from borrowers or counterparties where appropriate.

External rating agency ratings for borrowers are not always available in the specialist segments in which the Bank operates. Credit risk is, however, assessed through a combination of due diligence, reviewing credit reference agency reports, reviewing financial information, and the use of experienced underwriters.

The Bank has a single Credit policy and dedicated credit risk management team which assesses credit risk, supported by a Credit Risk Committee (CRC) with significant credit experience.

Credit Risk – Rating of Exposures

Credit risk exists in relation to:

- Treasury assets where the Bank has placed deposits with, or acquired assets which are exposures on, other financial institutions. Such deposits or assets are for the most part rated at least F1 by Fitch and the Bank considers that the credit risk of such assets is relatively low. As the Bank does not maintain a trading book, all such assets are placed or acquired with the intention of holding to maturity. Some of these assets are held as a part of the Bank's liquid assets buffer (see section 9 below).
- Other exposures, typically relating to trade finance exposures, a material part of which is secured by cash collateral.

The relevant capital requirement is calculated using the Standardised Approach. Credit ratings used in the classification of such exposures are provided by various agencies.

Exposure Value by External Rating	AAA+ to AA- £000	A+ to A- £000	BBB+ to B- £000	Unrated £000	Total £000
31 December 2022					
Central Governments and Central Banks	835,388	-	-	902	836,290
Mutilateral Development Banks	248,104	-	-	-	248,104
Public Sector Enterprises	85,549	-	-	-	85,549
Institutions	12,593	107,633	5,799	11,402	137,427
Corporate	10,153	5,370	11,567	52,337	79,428
CIU	62,654	140	-	-	62,794
Other	-	-	-	28,199	28,199
Total	**1,254,440**	**113,143**	**17,367**	**92,841**	**1,477,791**
31 December 2021					
Central Governments and Central Banks	1,035,021	-	-	3,207	1,038,228
Mutilateral Development Banks	36,429	-	-	-	36,429
Public Sector Enterprises	15,044	-	-	-	15,044
Institutions	15,706	84,820	2,680	1,516	104,721
Corporate	0	8,482	8,408	53,854	70,745
CIU	0	-	-	-	0
Other	-	-	-	13,519	13,520
Total	**1,102,200**	**93,302**	**11,088**	**72,096**	**1,278,687**

None of the assets noted above were past due[9] or impaired.

Credit ratings are based on the specific obligor to whom the Bank is exposed.

Credit Risk Concentration

Concentration risk exists through having high or excessive exposures to a concentration of certain counterparties, regions, or sectors. Concentration risks from credit exposure activities are managed and controlled through the adoption of concentration limits through the Risk Appetite Statement and Tolerances Limits ("RAS"). Reported exposures against concentration limits are regularly monitored, this includes large exposure monitoring.

Counterparty Credit Risk – Derivatives

Counterparty credit risk is the risk that a counterparty to a derivative instrument to which the Bank has an exposure could default.

The Bank is exposed to counterparty credit risk from derivative transactions for the purposes of reducing exposures to fluctuations in exchange rates; such derivatives are not used for proprietary trading purposes. As of 31 December 2022, all derivative contracts were cash collateralised.

In accordance with the CRR, counterparty credit risk exposure is calculated as the replacement cost of outstanding contracts plus an additional potential future credit exposure that varies according to the transaction.

Key data in respect of the Bank's derivative contracts is as follows:

	2022 £'000	**2021** £'000
Replacement Cost	6,139	1,145
Potential future exposure add-on*	14,101	17,635
Total derivative credit exposure	20,240	18,779
Notional principal	598,957	681,859

**Note that 2021 potential future exposure add-on was restated for 2021 to reflect the Standardised Approach for Counterparty Credit Risk (SA-CCR) which replaces the Current Exposure Method (CEM) for Standardised derivative exposures from Jan 2022.*

Counterparty credit limits are established for authorised counterparties and are updated on a periodic basis. For counterparties who are exempt from large exposure requirements, there is no counterparty exposure limit set. For all other entities exposures limits are set in line with the respective credit criteria, are managed within board approved risk limits and are monitored to ensure they remain within policy.

[9] i.e. the repayment of any capital or interest remains contractually outstanding for more than 90 days.

Reconciliation to Statutory Accounts

The reconciliation of the assets from the Bank's Statutory Accounts to the credit risk exposure is as follows:

Reconciliation to Statutory Accounts	2022 £000	2021 £000
Total Assets per Accounts	1,482,442	1,311,972
less: Assets deducted from Regulatory Capital		
Intangible Assets	(17,523)	(18,298)
Net Deferred Tax Asset	0	0
Cash collateral received for trade finance transactions	(4,043)	(14,185)
Other Adjustments (including non-accounting adjustments for finacial statements disclosure)	(8,074)	(12,172)
Add: Off Balance Sheet Exposures		
Trade Finance Commitments	4,432	4,475
Derivatives add-on (potential future exposure)	20,558	6,895
Total Credit Risk Exposures	1,477,792	1,278,687

Further details relating to the reconciliation of other items, including Own Funds, are provided in **Appendix 3**.

6. Market Risk

CAB has a highly restricted appetite for incurring Market Risk. It does not operate a trading book - all assets are held in the banking book with the intention to hold to maturity.

CAB is exposed to Market Risk via Interest Rate Risk in the Banking Book (IRRBB) and Foreign Exchange (FX) Risk through its currency exposures arising through its daily foreign exchange, funding, payments, and trade finance activities.

Interest Rate Risk

Interest rate risk is defined as the risk to earnings or economic capital arising from movements in interest rates that affect banking book positions. The Bank does not operate a trading book therefore all activities are captured under the banking book definition.

The Bank's has an intrinsically low interest rate risk in the Banking Book (IRRBB) risk appetite, measured by:

- the impact of earnings sensitivity over 12 months arising from a maximum of 100bps parallel and non-parallel rate shift.
- the economic value impact of a 200bps parallel rate shift (plus or minus)

It is the policy of the Bank that its interest rate risk shall be managed within prudent banking practices and within all applicable legal and regulatory limitations.

Control & Mitigation

As the Bank is transaction led and writing customer loans is not central to its strategy assets are not generated unless a corresponding liability has arisen from customer deposits; CAB only maintains a small customer loan book which needs to be funded.

The Bank seeks to generally term match assets to the maturity profile of its liabilities to meet internal and regulatory liquidity requirements and there is limited appetite or need to perform maturity transformation within the balance sheet that could give rise to interest rate risk.

Current account deposits placed with the Bank are contractually instantly accessible; however, these balances are rate insensitive and have proven to be very stable over recent years. As such a portion of these current accounts are hedged for longer duration to mitigate earnings volatility

The Bank monitors its interest rate risk by calculating the economic gain/loss of a 200 bp shift in the yield curve (both up and down) and comparing it against a Board approved limit of £1m.The Bank also monitors the earnings (net interest income) gain/loss (over a twelve-month period) of a 100 bp parallel shift. The results are as follows:

Economic Value of Equity (EVE) Sensitivities	**31 Dec 22 £'000**	**31 Dec 21 £'000**
Gain/(Loss)		
200 bps upward shift	18	23
200 bps downward shift	(30)	(27)

Net Interest Income (NII) Sensitivities	**31 Dec 22 £'000**	**31 Dec 21 £'000**
Gain/(Loss)		
100 bps upward shift	6,101	6,567
100 bps downward shift	(6,101)	392

The sensitivity in NII to a 100bp shift in interest rates is predominantly in respect of current account deposits which, whilst being rate insensitive, are prudently deemed not to be stable in a liquidity stress and thus do not form part of the longer duration hedging programme.

The Bank is not exposed to interest rate risks due to basis risk (because none of its term assets/ liabilities are contractually tied to external base rates (e.g. LIBOR or SONIA) or option risk (because its product offering does not give the counterparty the option of when the underlying cash flows are made).

The Bank does not fair value any of its interest-bearing assets or liabilities[10]. As a result, there will be no immediate accounting gain or loss following any change in interest rates.

Asset-liability Gap Risk

The bank maintains a materially matched book as is evidenced by the low sensitivity to interest rate changes noted above, however given timing differences and the price of hedging small gaps, it is not always cost effective to have an absolute match of assets and liabilities So a small variation within appetite is permitted.

Foreign Exchange Risk

Foreign Exchange Risk (FX Risk) is risk to earnings or capital arising from adverse movements in foreign exchange (FX) rates.

The Bank's FX risk appetite is to ensure that the exposure to FX rate movements is immaterial compared to the capital resources available.

This objective is achieved as a result of tightly limiting the size of open FX positions that the Bank can run. The largest aggregate FX open position to which the Bank can be allowably exposed is restricted as a Board approved limit. More granular limits are set at individual/currency grouping levels. Speculative transactions are strictly prohibited, and FX exposures are reported daily.

[10] The Bank accounts under IFRS with its assets meeting the criteria of Held to Maturity under IFRS9

Control & Mitigation

As with other risks, the Bank's tolerance of its foreign exchange risk is set out in the RAS and the Bank ensures that the risk is kept within the stipulated limits via the forward sale/purchase of foreign currency in line with the maturing of the relevant assets/ liabilities.

The Trading desk is responsible for managing and monitoring the Bank's foreign exchange risk. The underlying currency mismatch is measured and reported daily for any further action by management as appropriate.

The level of that mismatch as of 31 December 2022 and 2021 was as follows:

Functional currency (£'000 equivalent)	US $	Euro	KES	UGX	Other	Total
2022						
Assets/(liabilities)	-359,117	-52,733	333	507	-4,021	-415,031
Net forward purchases/(sales)	361,751	52,007	119	0	5,137	419,014
	2,634	-726	452	507	1,116	3,983
2021						
Assets/(liabilities)	-457,115	-25,018	667	582	27,250	-453,634
Net forward purchases/(sales)	454,664	24,264	-1	-2	-25,282	453,643
	-2,451	-754	666	581	1968	9

The Bank maintains risk management systems to identify, measure, monitor, and control market risk including the daily distribution of spot and forward Foreign Exchange ("FX") and other positions, as well as the resultant calculation of the relevant capital requirement against those positions.

Other Risks

The Bank holds certain assets, notably its investments in Collective Investment Undertakings (CIUs), for which an active market exists, and which are therefore potentially subject to market risk. As of 31st Dec 2022, the CIUs portfolio amounted £209,486k (£336,737k in 2021).

The Bank also holds fixed rate bonds but does not fair value / mark to market those assets. The assets are intended to be held to full maturity. The Bank does not carry out any proprietary trading activity.

7. Liquidity & Funding Risk

Liquidity Risk is the risk that the Bank cannot meet its obligations in a timely manner as they fall due or can do so only at excessive cost. This may be during the normal course of business or under a stress scenario.

The Bank's Risk Appetite is to ensure that adequate liquidity is held at all times, by meeting the 30 Day OLAR[11] stress and a holding a sufficient level of surplus HQLA, both in terms of amount and quality, over and above minimum regulatory liquidity requirements, such that there is no significant risk that its liabilities cannot be met as they fall due, whether in business-as-usual or in a stress.

The Bank is transaction led and does not borrow to finance significant lending. A substantial proportion of customer accounts are current accounts that, although repayable on demand, have historically formed a stable deposit base.

Controls & Mitigation

Liquidity risk can arise because:

- The Bank has insufficient funds to pay the amounts that it owes (either to depositors or creditors).
- The Bank has sufficient funds but they are not readily accessible.

Liquidity is measured and monitored daily based on metrics and limits set out within the RAS and assessed by ALCO in its monthly meetings as well as daily monitoring and reporting.

The bank calculates its minimum liquidity requirement as the higher of the regulatory and its own internal assessment and then holds a material liquidity buffer above this to ensure it is suitably protected against liquidity risks. The bank manages and monitors liquidity risk and the liquidity buffer - on a daily basis and ensures that liquidity risk management systems and arrangements are adequate with regard to the internal risk appetite to cover cash flow obligations fluctuations in funding and to support anticipated asset growth.

Liquidity risk is specifically assessed through the ILAAP, which is approved by the Board. As part of this process, the Bank has assessed the level of liquidity necessary to prudently cover systemic and idiosyncratic risks and the ILAAP sets out the minimum level of liquidity to be held at any time, taking into account the specific nature of the deposit base.

The ILAAP requires the Bank to consider all material liquidity risks in detail and has documented the Bank's analysis of each key liquidity risk. Liquidity risks are specifically considered by ALCO each month.

Based on the business model of funding primarily through wholesale deposits, the Board has set a liquidity risk appetite which it considers to be appropriate to provide it with the assurance that the relevant liquidity

[11] The Overall Liquidity Adequacy Rule (OLAR) stress reports whether the Bank has surplus liquidity at 30/60/90 days depending on a firm-based measure of inflows and outflows in a stressed environment.

risk drivers should be considered and appropriately stressed and that the Bank is able to meet liabilities beyond the targeted survival period.

The Bank's key liquidity buffer is its holding of HQLAs, which primarily consists of its reserve account held with the Bank of England and holdings of bonds issued by AAA rated counterparties and CIU's which invest in US Treasuries, as shown below:

	31-Dec-22 £'000	31-Dec-21 £'000
Bank of England reserve account	608,280	676,577
Less Operational expenses	(4,486)	(2,531)
	603,794	674,046
Other HQLAs – Fixed rate Bonds	407,526	72,847
Collective Investment Units (CIU)	146,634	336,736
Total HQLAs	**1,157,953**	**1,083,629**
Total HQLA liquidity buffer as a % of funding liabilities	88.3%	90.7%

N.B. The underlying assets in the CIU are short dated US Treasury bonds. The value of the Fixed rate Bonds quoted above is their market value rather than their accounting value.

Encumbered Assets

As of 31 December 2022, the Bank's only encumbered assets were cash collateral posted to other financial institutions totalling £2,920k (2021: £4,826K) in respect of foreign exchange derivative contracts with the institutions concerned. Further details can be found at Appendix 5.

Liquidity & Funding Ratios

The Bank manages its liquidity position with regard to its internal risk appetite, the Liquidity Coverage Ratio (LCR) and Net Stable funding ratio (NSFR) as required by the PRA.

The LCR aims to improve the resilience of banks to liquidity risks over a 30 day period.

The NSFR aims to ensure that banks have an acceptable amount of stable funding to support their assets over a one year period of extended stress.

Liquidity Coverage Ratio ("LCR")

The detailed rules for the calculation of the LCR are set out in the PRA rulebook, which have been applicable since 1st January 2022.

Under the rules, the LCR is calculated as:

$$\frac{\text{High Quality Liquid Assets}}{\text{Cash outflows – capped cash inflows}}$$

High Quality Liquid Assets, cash outflows and capped cash inflows are defined in the PRA Rulebook.

The Bank's deposit balances are predominantly central bank, commercial bank, governments, and government agency clients as the major CAB funding sources. They are truly international and a large proportion of the balances (c.70% currently) relate to correspondent/commercial banking relationships as part of the Bank's offering for payment and FX solutions. The LCR regulatory treatment is to assign a 100% outflow factor to these deposits.

Central Banks and Government clients fund their international operations through their CAB accounts with periodic, relatively low volumes of transactions compared to the commercial banks. They are assigned 40% outflow factor other than those maintained for clearing, custody and cash management purpose i.e. operational balances which are weighted at 25%.

Based on these rules, the Bank's LCR as of 31 December 2022 is 158% (2021: 132%) which is significantly in excess of the minimum requirements of 100%.

Further details underlying the calculation of the LCR together with quarterly information can be found at Appendix 4[12].

The only material foreign currency inflows and outflows involved are USD and EUR, both of which are readily convertible into and out of GBP.

Net Stable Funding Ratio ("NSFR")

The NSFR came into force as a regulatory requirement with effect from 1st January 2022 at a minimum requirement of 100%.

Other than capital, the Bank's main sources of stable funding is operational deposits from its non-financial customers and fixed term deposits maturing >6 months up to 1 year, both these balances are weighted at 50% ASF factor.

[12] The detailed disclosure requirements are set out in the PRA rulebook under the Disclosure (CRR) section.

Bank's main funding requirements come from loans to financial counterparties maturing within 6 months and 12 months requiring 10% and 50% stable funding respectively and other non financial balance sheet assets requiring either 50% or 100% stable funding depending on maturity.

The Bank's NSFR as of 31 December 2022 is 213% (2021 211%), substantially in excess of the 100% minimum requirement.

Key Liquidity Risk Drivers

This section provides an overview of the Bank's key liquidity risk drivers.

Deposit Funding Risk

The deposit funding risk is the primary liquidity risk driver for the Bank, and this could occur if there was a concern by depositors over the current or future creditworthiness of the Bank. Although the Bank seeks to operate in such a way as to protect depositors, an extremely low proportion of deposits are currently protected by the government's Financial Services Compensation Scheme ("FSCS"). The FSCS currently provides £85,000 of protection to eligible depositors.

Liquidity Contingency Plan

As a regulated firm, the Bank is required to maintain a Liquidity Contingency Plan ("LCP"). The plan which ties into the Bank's Recovery Plan ("RP") is designed to identify emerging liquidity concerns at an early stage, so that mitigating actions can be taken to avoid a more serious crisis developing. The plan, involves a two-stage process, covering preventative measures and corrective measures to be invoked when there is a potential or actual risk to the Bank's liquidity or capital position. The LCP/RP provides a plan for managing a liquidity or capital situation or crisis within the Bank, caused by internal events, external events, or a combination thereof. The plan outlines what actions the Bank could take to ensure it complies with the liquidity adequacy rules, maintains sufficient capital, and operates within its risk appetite and limits, as set and approved by the Board.

8. Operational Risk

Operational Risk is defined as the risk of loss, or non-financial impact, resulting from inadequate or failed internal processes, people, and systems, or from external events. It arises from day-to-day operations and is relevant to every aspect of the business.

As part of the Operational Risk Framework:

- An Operational Risk Policy sets out how the risk is managed and is reviewed annually.
- Business units are responsible for managing operational risk, with measurement and monitoring carried out by Risk Management.
- Internal controls include procedures, segregation of duties, reconciliations, exception and exposure reporting, business continuity planning and authorisation processes, and are based on management information.
- Risk Management provides an independent assessment of the strength of the operational risk framework to the Board.

Controls & Mitigation

The Operational Risk Committee meets regularly to discuss operational issues. It has responsibility for monitoring all the key operational risks facing the organisation, including compliance and operational risks.

Key control standards include levels of authority and individual approval limits; detailed procedures; segregation of duties; regular and timely reconciliations; succession planning and business continuity. Regardless of value, all operational incidents are recorded by the business, and reviewed and investigated by Risk Management, who may recommend additional controls and procedures where appropriate.

The PRA's standardised (Basic Indicator Approach) Assessment is used to assess capital requirements for operational risk. Scenario Assessment shows that the current regulatory requirement for Operational Risk is sufficient to cover the risks identified.

Measurements of Operational Risk

The Bank aims to maintain robust operational systems and controls and seeks to operate within a defined level of operational risk. The operational risk appetite considers risk events, the assessment of internal controls as well as holding additional capital for certain operational risks.

Through the establishment of, and investment in, sound systems, controls and audit functions, the Bank aims to minimise operational failures. The Bank has placed emphasis on ensuring that the IT infrastructure, performance, resilience, and security meet the on-going needs of the business.

The operational risk charge for the Bank under Pillar 1 is calculated using the Basic Indicator Approach, whereby a multiplier is applied to the average net relevant indicator over a rolling three-year period. In CAB's case, the relevant indicator is the Bank's revenue. The RWA calculated under this approach is as follows:

Operational Risk Requirement	31-Dec-22 £'000	31-Dec-21 £'000
Average revenue over preceding three years	65,349	38,608
RWA associated with Operational Risk	122,529	72,390

9. Remuneration

The PRA has defined certain requirements relating to remuneration, referred to as the Remuneration Code ('the Code'). Firms that fall within the scope of the Code (which includes banks) must establish, implement, and maintain remuneration policies, procedures and practices that are consistent with and promote sound and effective risk management. Policies and procedures must be comprehensive and proportionate to the nature, scale, and complexity of the firm's activities.

A firm must maintain a record of its Code Staff (being those staff whose professional activities have a material impact on the firm's risk profile) and take reasonable steps to ensure Code Staff understand the implications of their status.

The disclosure requirements of Pillar 3 are defined by CRR Article 450. Data is provided for remuneration received by Code Staff for the year ended 31 December 2022.

During the year, the Bank designated a total of 27 individuals (including Non-Executive Directors) who were classed as Code Staff. Of these, 20 were categorised as Senior Management (being the Executive and Non-Executive Directors who served during the year, and members of the Executive Committee), as well as 7 individuals categorised as Other Code Staff.

Approach to Remuneration

The Bank's remuneration policies are designed to comply with the Code and the Bank is committed to adherence to its practices and guidelines in respect of Code Staff.

The key principles behind the Bank's remuneration policy are those that it believes are critical to the business and reflect its values and recognise the need to be competitive. The policy is to set remuneration levels which are aligned within the overall Bank stated risk appetite and ICAAP measures, and to ensure that the Executive Directors, Senior Management, and employees are fairly and responsibly rewarded in return for high levels of individual and business performance.

The overall aim of the policy is to attract, motivate and retain Executives of high calibre who can deliver sustained performance consistent with strategic goals, appropriate risk management and to reward them for enhancing value.

The following key principles underpin these themes:

- Attract and retain high calibre individuals – employee turnover will be monitored for the proportion attributable to remuneration policy and practices; the performance management framework will be maintained to ensure it continues to reflect and support business goals; assessment of the value of roles will be through an objective measurable methodology, that ensures value is attached to tangible services and outputs of the role.
- Remuneration will not be excessive – staffing retention budgeted by setting remuneration appropriately through regular compensation benchmarking against independent third-party data.
- Remuneration is aligned to the success of the Bank – performance related components of remuneration are aligned to the Bank's longer-term business planning, including operational budget, risk adjusted financial measures aligned to its core strategy.
- Proportion of variable pay is appropriate, predominantly cash based and may be deferred – where a significant proportion of remuneration is variable, it will be designed to reward longer term success.

The ratio of fixed to variable remuneration will differ depending on the specific incentive schemes in operation across the business, however as a general rule the Bank seeks to ensure that the majority of an individual's remuneration is fixed.

- No reward for poor performance - the performance management framework focuses on objective measurement of outputs along with behavioural measures which assess the way in which work is done.

Decision-making Process for Determining Remuneration Policy

In line with regulatory guidance, remuneration is overseen by the Remuneration Committee ('the Committee') a Board sub-committee. The Committee is responsible for:

- Reviewing the appropriateness and relevance of the remuneration policy.
- Determining and regularly reviewing the policy, terms, objectives and content of the Executive Directors' service contracts.
- Approving the design of and determining targets for any performance-related pay schemes applying to the Executive Directors.
- Approving renumeration of the CRO and the Compliance and Risk Function.
- Determining the policy and scope of pension arrangements for the Executive Directors;
- Reviewing and approving the introduction of any new incentive arrangement across any part of the organisation.
- Overseeing any major changes to the Bank's employee benefits structures.
- Overseeing remuneration policy throughout the Bank, noting the risks posed by remuneration policies.
- Overseeing the annual pay review budget.

Remuneration Policy for Code Staff[13]

The objective of the remuneration policy is to ensure that appropriate incentives are awarded for individual contributions to the success of the Bank and encourage enhanced performance. The policy in relation to the various elements of remuneration structures for Executive Directors and other Code Staff is set out below.

Basic Salary

The basic salary of the Executive Directors and other members of the senior leadership team (as for all employees) is determined by considering the responsibilities and experience of the individual directors and having regard to relevant market comparisons. Progression is reflected through the annual salary and employee performance appraisal review processes.

Variable Pay

The Executive Directors, other Code Staff (as for all employees) participate in a non-pensionable performance incentive scheme, the metrics of which reflects the Bank's key objectives. These elements are

[13] The Remuneration Policy does not apply to non-executive directors who are paid a fixed fee which is reviewed periodically by the Remuneration Committee

all set to provide challenging objectives, giving the Executive Directors and all staff an incentive to perform at the highest level.

Benefits

Each Executive Director is provided with benefits which comprise pension arrangements, private medical insurance, life assurance and income protection insurance. Other Code Staff are entitled to similar benefits.

Link Between Pay and Performance

Performance-based remuneration is awarded by the Remuneration Committee in a manner which promotes sound risk management (within the Bank's stated risk appetite and ICAAP measures) and does not induce excessive risk-taking.

The Bank's remuneration policy focuses on ensuring sound and effective risk management through:

- A governance structure for setting goals and communicating these to employees.
- Making all variable remuneration awards at the discretion of the Remuneration Committee and subject to individual, business unit, overall Bank performance, stated risk appetite and ICAAP measures.

In practice all remuneration decisions are approved by the CEO and Human Resources before implementation and as part of this would also be reviewed from a risk perspective. The remuneration decisions of Executive Directors and Other Code Staff are reviewed and approved by the Remuneration Committee.

Design and Structure of Remuneration

There are three main elements of remuneration available to Code Staff:

- Basic salary
- Variable awards (the discretionary bonus performance incentive scheme) and
- Benefits.

Additionally, certain Code staff are also part of the Group's Long Term Incentive Plan which only materialises on certain exit events.

All the current Executive Directors have entered contracts that can be terminated after the relevant notice period has been served, or by payment by the Bank of an amount equivalent to the remuneration payable during such notice period. Service contracts for Other Code Staff have notice periods which vary depending on the role.

Non-Executive Directors are appointed by letter for an initial term of three years after which their continued appointment will be reviewed annually and may be extended. Non-Executive Directors are not eligible for variable compensation.

The variable incentive scheme is operated in a manner which promotes sound risk management (within the Bank's stated risk appetite and ICAAP measures) and does not induce excessive risk-taking. This is done by ensuring:

- An appropriate balance between fixed and performance-based components.

- Awards are made by assessing both individual performance against KPIs and underlying Bank performance (using an appropriate combination of financial & non-financial metrics). Individuals performance within control functions are assessed against the achievement of objectives linked to their functions which are independent of the financial performance of the business area that the individual controls.
- The outcomes are also moderated by the extent to which personal objectives had been achieved and based on any input from the Exco with regards to any adjustments required for risk.
- The awarding of performance-based remuneration for Executive Directors and other Code Staff is at the full discretion of the Remuneration Committee.

Salary and Fees

All Code Staff, other than Non-Executive Directors, receive a basic salary that reflects the risks and responsibilities attached to each specific role. Salaries are reviewed by the Remuneration Committee on an annual basis with consideration given to external market data for similar roles in the financial services sector. Other factors considered by the Remuneration Committee include the individual's skills, experience, performance and behaviour.

Non-Executive Directors receive fees for their services. Fees are reviewed and approved by the Remuneration Committee on an annual basis with consideration given to the level of fees at comparable organisations.

Variable Awards

The Bank makes one type of variable award scheme available to Code Staff – a performance incentive scheme. Non-executive directors are not eligible for variable compensation.

When considering the performance of the Bank and participants the Committee will assess progress against a number of key financial and operational drivers including:

- Profit before tax
- Return on assets / return on equity
- Cost/income ratio
- Stated risk appetite
- ICAAP measures
- Progress in the Bank's focus areas
- Compliance with internal business procedures
- Customer outcomes

The performance of individuals within control functions is assessed independently of the financial performance of the business area that the individual controls. This is overseen by the Remuneration Committee with input from the BRC, where necessary

These measures were all set to provide challenging objectives that are aligned with the Bank's strategy, giving the Executive Directors an incentive to perform at the highest level. The financial outcomes were also moderated by the extent to which personal objectives had been achieved.

Where individual KPIs are achieved but the underlying performance of the Bank is unsatisfactory, annual performance-based payments may be reduced in part or withheld altogether at the Remuneration Committee's discretion.

Payment of performance-based remuneration will be subject to any deferral requirements as required by the Remuneration Committee at their discretion.

Remuneration Paid to Code Staff

The following table summarises the 2022 remuneration for the Bank's Executive Directors, Non-Executive Directors, Senior Management and staff whose professional activities have a material impact on the risk profile of the company (together, Code Staff).

Fixed and variable remuneration to Code Staff	**Senior Management***	**Other Code Staff**	**Total**
	£'000	**£'000**	**£'000**
Fixed remuneration	3,960	939	4,900
Variable remuneration	5,644	420	6,065
Total remuneration	9,605	1,359	10,965
Number of Code Staff	20	7	27

* Those designated as Senior Management under the FCA's Senior Management regime (including non-executive directors).

No Code Staff were paid more than €1 million.

No sign-on payments were paid to Code Staff. Similarly, no compensation was payable to Code Staff.

The variable remuneration includes a share based taxable benefit[14] received by Senior Management (the Long-Term Incentive Plan) totalling £248K and by Other Code Staff totalling £7K. All other remuneration is paid in cash apart from sundry staff benefits (such as medical insurance and pension contributions) which is included within the fixed remuneration figures.

None of the remuneration is deferred.

[14] The amount included is pro-rated in accordance with the vesting of the share benefit in line with accounting principles.

10. Taskforce on Climate – Related Financial Disclosures

Governance

The Board believes strongly that achieving sustainable growth goes beyond generating profits, and that the Bank has an important role to play as a corporate citizen that is fully involved in each of the communities where we do business.

We recognise that climate change is one of the most pressing issues of our age, and we oversee the Bank's overall approach to Climate-related events and the impact on the communities that we serve.

The Board and its Committees oversee the senior management who are responsible for the execution of the management of CAB's Environmental, Social, and Governance (ESG) risks and opportunities. Reports on relevant ESG and Climate-related events that have an impact on CAB are reported to the Board and its committees at least once per calendar year. There were no specific Climate-related events that required reporting to the Board and its committees in 2022.

Strategy

When we reflect on the Financial Risks from Climate Change, we consider both the physical risks and transition risks to the firm. After these considerations, we have determined that the most likely impact to the firm and our customers will come from physical risks such as floods, tropical storms, and hurricanes. We consider that the impact of the physical risks to CAB will be low due to the nature, size, and complexity of the business. In terms of transition risks to a greener economy, we do not consider that there is an impact on CAB due to the nature, size, and complexity of the business.

We have 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 the ILAAP and the ICAAP documents are submitted to the Board for review and approval.

We are aware that we can also have a positive impact on those impacted by Climate-related events by moving money where it is most needed through our established relationships with International Development Organisation (IDOs), Non-Governmental Organisations (NGOs), and Charities.

As a UK regulated Bank, we are fully aware that our strategy may be impacted by any policies or regulation imposed on the sector relating to the Financial Risks from Climate Change.

In addition, we undertake horizon scanning and will consider and review the impacts of new and developing physical risks as they arise. Any such reviews will be submitted to the relevant governance committee for appropriate review and challenge.

Risk Management

When we reflect on the Financial Risks from Climate Change, we consider both the physical risks and transition risks to the firm. After these considerations, we have determined that the most likely impact to the firm and our customers will come from physical risks and not transition risks as CAB do not have a significant lending book or longer-term exposures.

Our view of risks is not static. An important component of our risk management approach is to ensure that top and emerging risks, as they evolve, are identified, managed, and incorporated into our existing risk management assessment, measurement, monitoring, and escalation process.

The identification of top and emerging risks occurs in the course of business development and as part of the execution of risk oversight by risk owners and stakeholders. The SMF4 (Chief Risk Officer – "CRO") is responsible for overseeing the management of the Financial Risks from Climate Change.

Under the board approved Enterprise Risk Management Framework ("ERMF") Climate Risk is considered as part of Business Risk.

Any emerging risks, including climate risks, are reported to the relevant governance committees.

Metrics & Targets

Liquidity stresses are by their nature sudden and extreme and therefore physical climate change risks are deemed more relevant than transition risks.

To model an extreme case, CAB assumed that that a very severe physical climate change event simultaneously impacted the top 20 most vulnerable geographies to climate change (as defined by publicly available sources) and all depositors resident in those geographies instantly withdrew their funds placed with CAB irrespective of tenor of deposit. The impact on CAB's Liquidity Coverage Ratio (LCR) was then modelled. The impact per geography is shown below:

Country	Total Deposit £m	LCR impact of withdrawal
Afghanistan	29	-1.4%
DRC	7	-0.9%
Ethiopia	0	0.0%
Guinea Bissau	0	0.0%
Liberia	30	-1.2%
Madagascar	16	-0.4%
Solomon Islands	24	-2.3%
Somalia	0	0.0%
Uganda	25	-1.3%
Sierra Leone	11	0.5%
Rwanda	63	-5.1%
Mali	11	0.6%
Total	**216.1**	**-12%**

1. Whilst the top 20 geographies were considered, CAB only had deposits from counterparties resident in twelve of them

2. LCR impact modelled at ILAAP date – 30 April 2022

The analysis concludes that the 12% adverse impact modelled above would still leave a sizeable surplus to the regulatory minimum of 100%. We continue to monitor our liquidity position in relation to the Financial Risks from Climate Change and any significant changes are reported to the relevant governance committee for appropriate challenge and review.

Capital

As CAB do not write long term customer loans, its business is resilient to transitional climate change risks. All trade finance loans have an original maturity of less than one year with the vast majority having an original maturity of less than six months. Consequently, any deterioration in credit quality of a counterparty due to transitional climate change risks will be evident prior to CAB initiating a loan.

To model a climate change stress on Group capital, the following scenarios were considered:

- Trade finance counterparties resident in the top 20 geographies materially at risk of being detrimentally impacted by climate change (as defined by the University of Notre Dame Country Climate Change Vulnerability Index) default.
- At the Common Equity Tier 1 capital (CET1) ratio low point a severe physical climate change event causes the banking system of the most vulnerable geographies to fail resulting in all 'in flight' spot Foreign Exchange (FX) receivables to not settle on time thus causing a capital deduction. Subsequently, the impacted banking systems are re-established, and transactions are settled (i.e. there is no permanent loss).
- Revenue increase of 5% above plan in FX and payments business lines to reflect increasing frequency and severity of climate change events thereby increasing IDO and remittance activity.
- The results of this scenario are shown below in terms of CET1 ratio:

	Actual / £k	Forecast / £k			
	Jun-22	Dec-22	Dec-23	Dec-24	Dec-25
Base CET1 Ratio	22.2%	22.0%	23.7%	22.6%	26.2%
Climate Scenario CET1 Ratio	22.2%	22.0%	23.8%	23.4%	27.4%
Delta	**0%**	**0%**	**0.2%**	**0.8%**	**1.3%**

The maximum delta between the Climate Scenario and the Base CET1 ratio occurs at 31 March 2023 and equates to a CET1 ratio under the Climate Scenario 1.8% lower than that under the base case, but still meaningfully above Regulatory Minima (low point in Climate Scenario CET1 ratio of 19.2% vs Regulatory Minima of 14.9%).

It should be noted that the above was modelled pre any management actions which would serve to increase CET1 ratio.

The analysis concludes that prior to any pre-management actions, CAB comfortably meets risk appetite under the modelled climate scenarios. We continue to monitor our capital position in relation to the

Financial Risks from Climate Change and any significant changes are reported to the relevant governance committee for appropriate challenge and review.

GHG Emissions

To establish an accurate baseline, we conducted a thorough analysis of pre-pandemic data from 2019 through to 2022. Our approach to estimating Crown Agents Bank's total greenhouse gas (GHG) emissions for this period employed the methodology and conversion factors developed by the UK Department for Environment, Food and Rural Affairs (Defra) and the Department for Business, Energy & Industrial Strategy (BEIS) for 2021.

As expected, our GHG emissions decreased sharply by 73% between 2019 and 2020, dropping from 801 to 214 metric tonnes of CO_2 equivalent due to the impact of the COVID-19 pandemic. Our carbon emissions data for 2021 showed a slight increase of 7% from the 2020 level, with a figure of 227 (2021) and a further increase to 1720 (2022) metric tonnes of CO_2 equivalent in 2022 in line with the overall company performance and growth.

This increase is attributable to multiple factors including the lifting of COVID-19 restrictions, a significant expansion in our operations and performance and an expanded scope of emissions assessment, resulting in further increases in emissions data. This growth in the business is clearly demonstrated by flights and hotels and associated travel accounting for 98% of our total Scope 3 emissions. Despite this we continue to actively pursue measures to reduce our emissions where possible.

The 2020 and 2021 results are considered anomalous due to the pandemic's restrictions on travel and changes in working conditions. Therefore, we tracked data for 2019 to ensure that a baseline tracking pre-COVID-19 levels of emissions were factored into our calculations. We will recalibrate the baseline next year due to the growth in the business model.

We take our commitment to environmental responsibility seriously and have invested in a comprehensive process of independent assessments of environmental, social, and governance risks and opportunities, in line with our business principles and standards. In recognition of our efforts, we were awarded an EcoVadis Gold Award for our 2022 rating which has subsequently been renewed in 2023. Additionally, we are proud to have achieved external certification as carbon-neutral for 2019, 2020, and 2021. We are currently evaluating certification for 2022 and have set ambitious carbon reduction targets of 5% per million revenue year on year to align with our growth strategy.

We report to relevant governance committees, including our Greenhouse Gas Emissions ("GHG"), and provide quarterly updates on our Human Capital Metrics. Each year, we conduct a GHG inventory that covers emissions from Scopes 1, 2, and 3, including travel but excluding our supply chain, and we subject all our data to external amassment by an independent third-party consultant.

Most of the increase in our GHG emissions is due to a dramatic rise in travel and an increase in the scope 3 emissions that we track, but we have also observed significant changes in our business model, such as expanding our operations and changing locations demonstrated in our strong financial performance. As a result, we have seen a slight increase in Scope 2 emissions. However, when we compare the 2019 and 2022 figures on a like-for-like basis, we see a decrease in emissions intensity on a per-employee and per-£million-turnover basis in line with our commitment of 5% reduction in emissions year on year per million turnover.

CAB, in conjunction with Carbon Footprint Ltd, has assessed its carbon footprint and has achieved the Carbon Assessed standard.

At CAB we actively track our business travel and employee commuting under our scope 3 emissions and will be building our capability to report on our value chain carbon emissions in the 2023 and 2024.

Overview of emissions data

Year	(tCo2e)	Variance	Comment
2019	801	Baseline Pre-COVID-19	2019 gives a more accurate reading and accountability for travel and office usage
2020	214	COVID-19 restriction on office and travel	During COVID-19 there were a lot fewer flights; this also reflects the significant proportion of working from home and not present in the office. We should note that we have not calculated the impact of every individual's energy consumption in their homes and have factored this into the data for requirements for future responses.
2021	227	Increase is largely due to organisation growth and is still impacted by COVID-19 restrictions	As above COVID-19 travel restrictions remain for most of 2021 impacting the business travel. More comprehensive analysis of employee's travel is included in the 2021 data.
2022	1,720	Emissions growth largely due to the increase in scope of the assessment and rapid business growth	The Majority of the increase in Crown Agents Banks's emissions is due to a dramatic increase in travel. When comparing 2019 and 2022 figures on a like for like basis we do see a decrease in emissions intensity on a per employee and per £million turnover basis.

Carbon categories for our collective Carbon Emissions by year

2019		Carbon categories
Scope	**(tCo2e)**	**Variation**
1	82	Direct emissions, owned assets
2	117	Includes electricity consumption
3	602	Includes staff commuting and business travel (75.2% of the total and 54.3% from business travel)
Total	**801**	**Baseline pre-COVID-19 data**

2020		Carbon categories
Scope	**(tCo2e)**	**Variation**
1	39	Stationary Combustion (Scope 1) showed a 52% reduction in GHG emissions in 2020 compared to 2019 numbers.
2	101	Small reduction of 14%, as the office was still operating with COVID-19 restrictions.
3	74	Scope 3 observed a major reduction (88%), mainly due to Business Travel (97% reduction).
Total	**214**	**Restriction on travel resulted in a drastic reduction in Scope 3**.

2021		Carbon categories
Scope	**(tCo2e)**	**Variation**
1	37	Stationary Combustion (Scope 1) showed a marginal 5% decrease in GHG emissions compared to 2020 numbers and a 54% reduction if compared to 2019 numbers.
2	0	Zero - This was achieved with central procurement from RELX with verified 100% renewable certification for all electricity.
3	190	Scope 3 observed a significant increase from 2020 of 87.79%, primarily due to some business travel and commuting as the COVID-19 restrictions have eased. Scope 3 accounted for 83% of our emissions.
Total	**227**	**Rounded up to 227, this includes error margin and the Zero impact with 100% renewable electricity for Scope 2.**

2022		Carbon categories
Scope	**(tC02e)**	**Variation**
1	27	Stationary Combustion (Scope 1) showed a 22% decrease in GHG emissions compared to 2021 numbers and a 67% reduction if compared to 2019 numbers.
2	3	There has been a small increase in overall scope 2 emissions due to moving to the new Site Tower 42.
3	1,690	Scope 3 observed a significant increase from 2021 due to increased travel as the restrictions of Covid 19 are no longer in place. There has also been significant business growth and an increase in the scope of emissions that are assessed resulting in further increases in emissions. **Scope 3 accounted for 98% of our emissions.**
Total	**1,720**	**+ 307.9 due to uncertainty**

At CAB, we are committed to building a strategy to achieve Net Zero in line with the UK Government's commitment and will be developing our plan to achieve Net Zero in 2023 and 2024 and we will:

- Publish our commitment to 5% reduction targets per million GBP revenue.
- Introduce initiatives to reduce our carbon footprint including bank wide social impact KPIs for all staff including the Executive Team.
- Publish our Impact statement and publishing Impact reporting commitment metrics.
- Achieve and publish external sustainability rating with EcoVadis rating agency.

In addition, we will review reporting requirements to ensure that our approach is appropriate for our size and aspiration as we continue our planned growth trajectory.

For information, the calculation methodology is described below:

Carbon Footprint Ltd, the external verifier for CAB.

The carbon footprint appraisal is derived from a combination of client data collection and data computation by Carbon Footprint's Ltd analysts.

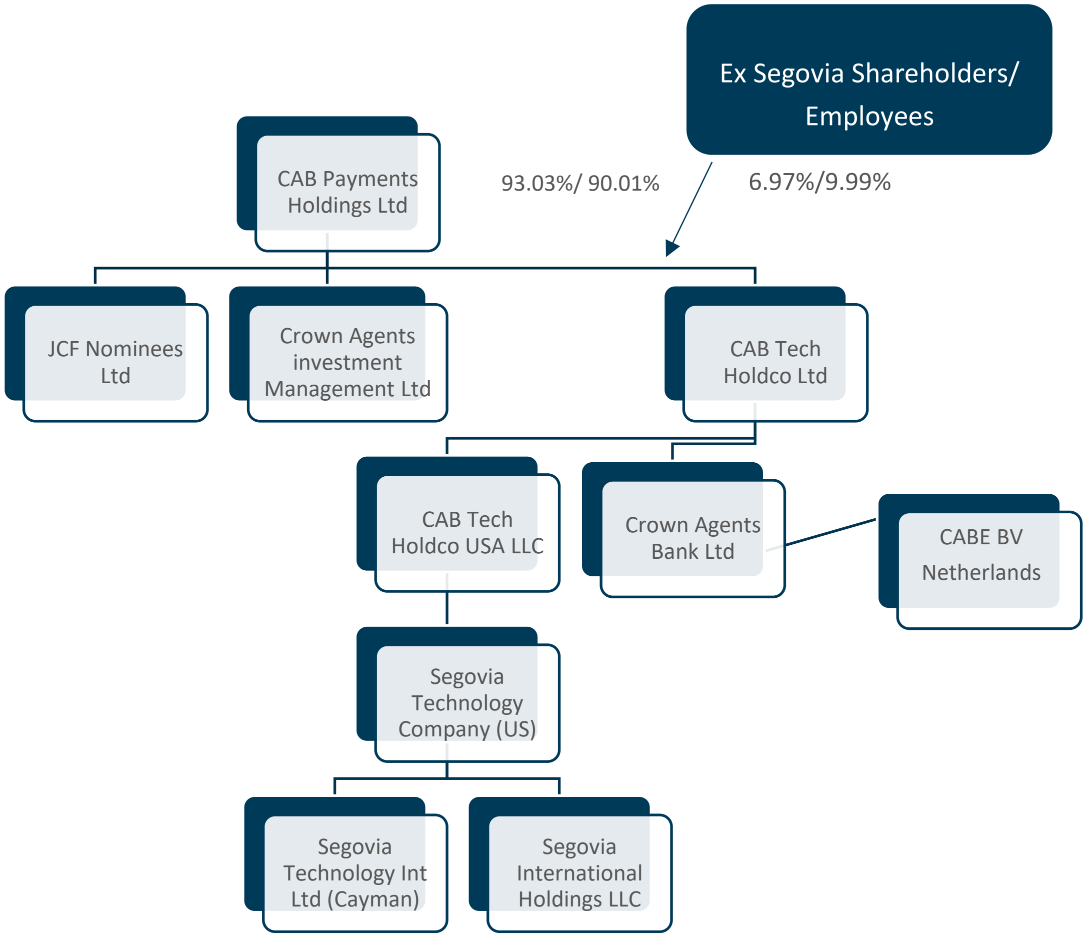
Carbon Footprint's analysts have calculated Crown Agents Bank's footprint using the 2021 conversion factors developed by the UK Department for Environment, Food and Rural Affairs (Defra) and the Department for Business, Energy & Industrial Strategy (BEIS). These factors are multiplied with the company's GHG activity data. Carbon Footprint has selected this preferred method of calculation as a government recognised approach and uses data which is realistically available from the client, particularly when direct monitoring is either unavailable or prohibitively expensive.

11. Appendices

Appendix 1	Group Structure
Appendix 2	Senior Management Structure
Appendix 3	Balance Sheet Reconciliation
Appendix 4	Liquidity Coverage Ratio Metrics
Appendix 5	Asset Encumbrance
Appendix 6	Countercyclical buffer information
Appendix 7	Quarterly Information

Group Structure Chart (31 December 2022)

Appendix 1



Notes

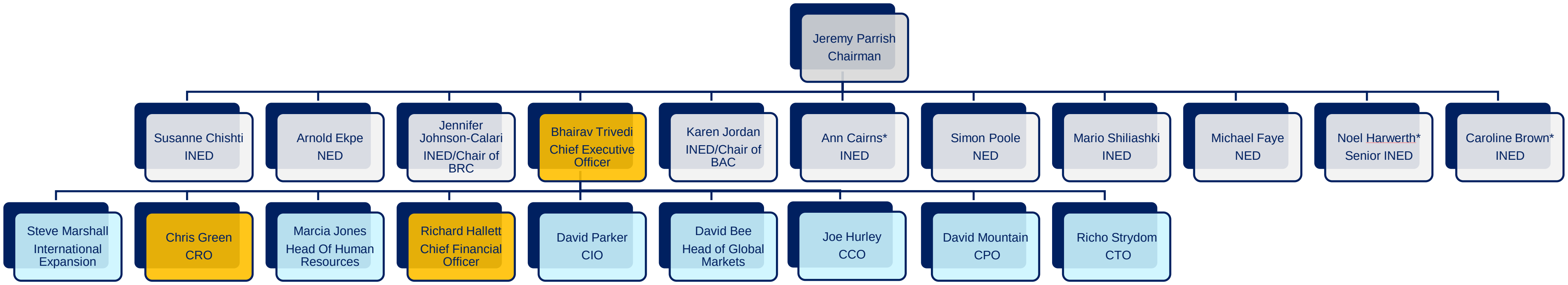
1. The holding of ex Segovia shareholders/ employees in CAB Tech Holdco Ltd increases over time up to a maximum of 9.99% depending on the exercise of share options and the vesting of restricted share and restricted share units.

2. On completion of the Segovia purchase, a “merger” company ((CAB Tech Merger Sub Inc) was temporarily created as a wholly owned subsidiary of CAB Tech Holdco USA LLC.

3. A further 10 overseas legal entities are owned by the group typically with the Caymans holding company as the parent with a 100% holding.

Group Structure Chart 2022

Appendix 2



Board (NED)

Exec Board Members

EXCO Members

* Appointments:
NH Jan 2023
CB Jan 2023
AC March 2023

Crown Agents Bank Limited 2022 Pillar 3 Disclosures

Appendix 3

Balance Sheet Reconciliation

As at 31 December 2022	Accounting Balance Sheet as per Published Financial Statements	Regulatory Adjustments (Deductions from Regulatory Own Funds)	Cash collateral and other Adjustments (including non-accounting adjustments for finacial statements disclosure)	Regulatory Balance Sheet	Subject to Credit Risk	Subject to Counterparty Credit Risk	Regulatory Own Funds
	£'000s	*£'000s*		*£'000s*	*£'000s*	*£'000s*	*£'000s*
Assets							
Cash and balances at central banks	607,358	0		607,358	607,358		
Loans and advances to banks & customers	186,396	0	(4,043)	182,353	182,353		
Money Market Funds & Other Investments	209,974			209,974	209,974		
Cheques in the course of collection	0	0		0	0		
Debt securities	414,061	0		414,061	414,061		
Derivatives	6,589	0		6,589		6,589	
Intangible assets	17,523	(17,523)		-	-		
Tangible assets	2,701	0		2,701	2,701		
Deferred tax	-	0		-	-		
Other assets	34,745	0	(8,074)	26,671	26,671		
Prepayments and accrued income	3,094	0		3,094	3,094		
Total Assets	**1,482,442**	**(17,523)**	**(12,117)**	**1,452,802**	**1,446,213**	**6,589**	**-**
Add: Off Balance Sheet Exposures							
Trade Finance				4,432	4,432		
Derivatives				20,558		20,558	
Total Credit Risk Exposures				**1,477,792**	**1,450,645**	**27,147**	
Liabilities							
Customer accounts	1,310,809	0		1,310,809			
Bank overdrafts	0	0		0			
Items in course of transmission	0	0		0			
Derivatives	4,565	0		4,565			
Deferred tax liabilities	316	0		316			
Other liabilities	38,325	0		38,325			
Accruals and deferred income	18,500	0		18,500			
Called up share capital	41,200	0		41,200			41,200
Retained earnings	68,728	0		68,728			68,728
Total shareholders' funds	109,928	0		109,928			
Total Equity and Liabilities	**1,482,442**	**0**		**1,482,442**	**0**	**0**	**109,928**
Deductions from regulatory capital -							
Intagible Assets		(17,523)					(17,523)
Free deliveries which can alternatively be risk weighted at 1250%		(2,534)					(2,534)
Total Own Funds							**89,871**

The table shows the reconciliation between the accounting balance sheet prepared in accordance with FRS102 and the regulatory balance sheet.
It provides the allocation of the amounts reported to the different risk categories and the items considered for regulatory own funds.

Crown Agents Bank Limited - 2022 Pillar 3 Disclosures — Appendix 4

Liquidity Coverage Ratio Metrics

	Total Unweighted Value (Average) - £'000				Total Weighted Value (Average) - £'000			
Quarter Ending	Mar-22	Jun-22	Sep-22	Dec-22	Mar-22	Jun-22	Sep-22	Dec-22
High Quality Liquid Assets (HQLAs)								
1 Total HQLAs					1,081,419	1,082,509	1,235,950	1,150,621
Cash - Outflows								
2 Retail deposits and deposits from small business customers, of which:	0	0	0	0	0	0	0	0
3 Stable deposits	0	0	0	0	0	0	0	0
4 Less stable deposits	0	0	0	0	0	0	0	0
5 Unsecured wholesale funding	1,061,814	1,106,942	1,072,482	1,082,980	863,019	908,508	872,265	831,104
6 Operational deposits (all counterparties) and deposits in networks of cooperative banks	97,878	102,154	123,253	139,775	24,470	25,539	30,813	34,944
7 Non-operational deposits (all counterparties)	963,936	1,004,788	949,229	943,205	838,550	882,969	841,452	796,160
8 Unsecured debt	0	0	0	0	0	0	0	0
9 Secured wholesale funding	0	0	0	0	0	0	0	0
10 Additional requirements	15,900	28,893	29,607	31,437	15,900	28,893	29,607	31,437
11 Outflows related to derivative exposures and other collateral requirements	15,900	28,893	29,607	31,437	15,900	28,893	29,607	31,437
12 Outflows related to loss of funding on debt products	0	0	0	0	0	0	0	0
13 Credit and liquidity facilities	0	0	0	0	0	0	0	0
14 Other contractual funding obligations	0	0	0	0	0	0	0	0
15 Other contingent funding obligations	70,972	79,897	98,987	76,570	3,549	3,995	4,949	3,828
16 TOTAL CASH OUTFLOWS					882,468	941,396	906,822	866,369
Cash - Inflows								
17 Secured lending (e.g. reverse repos)	0	0	0	0	0	0	0	0
18 Inflows from fully performing exposures	88,594	142,971	131,284	130,292	87,933	141,929	128,939	125,309
19 Other cash inflows	9,395	3,499	0	1,793	9,395	3,499	9,778	12,290
EU-19a (Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)								
EU-19b (Excess inflows from a related specialised credit institution)								
20 TOTAL CASH INFLOWS	97,989	146,470	131,284	132,085	97,328	145,428	138,717	137,600
EU-20a Fully exempt inflows								
EU-20b Inflows subject to 90% cap	0	0	0	0	0	0	0	0
EU-20c Inflows subject to 75% cap	97,989	146,470	131,284	132,085	97,328	145,428	138,717	137,600
TOTAL ADJUSTED VALUE								
21 LIQUIDITY BUFFER					1,081,419	1,082,509	1,235,950	1,150,621
22 TOTAL NET CASH OUTFLOWS					785,139	795,968	768,104	728,769
23 LIQUIDITY COVERAGE RATIO (%)					138%	136%	161%	158%

2022 Pillar 3 Disclosures

Appendix 5

Disclosure on Asset Encumbrance (£'000)

		Carrying amount of encumbered assets	Fair value of encumbered assets*	Carrying amount of unencumbered assets		Fair value of unencumbered assets	
					Eligible For HQLA's		Eligible For HQLA's
		010	040	060	080	090	100
010	**Assets of the Reporting Institution (see note 1)**	1,287		1,397,279	1,059,337		
020	Loans on demand	1,287		892,697	772,821		
030	Equity instruments	0	0	348,018	0	0	0
040	Debt securities	0	0	313,247	263,402	307,535	294,077
070	of which: issued by general governments	0	0	83,985	83,985	83,471	83,471
080	of which issued by financial corporations	0	0	213,358	210,606	208,135	179,417
100	Loans and advances other than loans on demand	0		116,072	0		
120	Other assets	0		51,476	0		

Notes:

1. As required by regulation, the disclosures above relate to the median of the quarterly medians (rather than the year end position). As per EBA/RTS/2017/03 2.3.4(a) the figures in row 010 are the medians of the sums which are not necessarily the sums of the medians.

2. The EBA Guideline allows competent authorities to waive the requirement to disclose Template B – Collateral received, and in Supervisory Statement SS6/17 on compliance with the EBA Guidelines on Disclosure, the PRA waived the Template B requirements subject to a firm meeting certain criteria. The Bank meets the criteria and therefore Template B is not disclosed.

3. Templates C and D are nil returns/ not applicable.

Appendix 6.1

Crown Agents Bank Limited - 2022 Pillar 3 - Countercyclical Buffer (CCYB) Disclosures (£'000)

Table 1 - Geographical distribution of credit exposures relevant for the calculation of the countercyclical capital cuffer

Row	Country	Standardised Approach		Own Funds Requirement Weights	CCyB Rate
		Risk Exposure Value	Own Funds Requirement		
		C010	C070	C110	C0120
010	United kingdom	8,188	655	8.9%	1.00%
	United States	28	2	0.0%	
	Afghanistan	6	1	0.0%	
	Angola	1	0	0.0%	
	Bangladesh	43	3	0.0%	
	Benin	4,525	362	4.9%	
	Botswana	15	1	0.0%	
	Burkina Faso	3,993	319	4.3%	
	Cameroon	4,960	397	5.4%	
	CÔTE D'IVOIRE	541	43	0.6%	
	Egypt	736	59	0.8%	
	Ethiopia	54	4	0.1%	
	Gabon	59	5	0.1%	
	Gambia	19	2	0.0%	
	Ghana	1,904	152	2.1%	
	Haiti	7	1	0.0%	
	Indonesia	86	7	0.1%	
	Iraq	2	0	0.0%	
	Ireland	21	2	0.0%	
	Israel	3	0	0.0%	
	Jersey	2,266	181	2.5%	
	Jordan	404	32	0.4%	
	Kenya	6,956	557	7.6%	
	Kuwait	14	1	0.0%	
	Lesotho	51	4	0.1%	
	Liberia	24	2	0.0%	
	Luxembourg	12,510	1,001	13.6%	0.50%
	Madagascar	683	55	0.7%	
	Malawi	7,063	565	7.7%	
	Mali	290	23	0.3%	

Appendix 6.2

Crown Agents Bank Limited - 2022 Pillar 3 - Countercyclical Buffer Disclosures (£'000)

Table 1 - Geographical distribution of credit exposures relevant for the calculation of the countercyclical capital cuffer

Row	Country	Standardised Approach		Own Funds Requirement Weights	CCyB Rate
		Risk Exposure Value	Own Funds Requirement		
	Mauritius	143	11	0.2%	
	Mongolia	6	0	0.0%	
	Morocco	460	37	0.5%	
	Mozambique	5,488	439	6.0%	
	Myanmar	2	0	0.0%	
	Namibia	35	3	0.0%	
	Nepal	19	2	0.0%	
	Nigeria	18,823	1,506	20.5%	
	Pakistan	36	3	0.0%	
	Papua New Guinea	0	0	0.0%	
	Qatar	14	1	0.0%	
	Rwanda	203	16	0.2%	
	Saint Lucia	0	0	0.0%	
	Senegal	7	1	0.0%	
	Sierra Leone	18	1	0.0%	
	South Sudan	0	0	0.0%	
	Sri Lanka	32	3	0.0%	
	Sudan	8	1	0.0%	
	Suriname	2,844	228	3.1%	
	Swaziland	35	3	0.0%	
	TANZANIA, UNITED REPUBLIC OF	1,139	91	1.2%	
	Thailand	752	60	0.8%	
	Togo	958	77	1.0%	
	Tunisia	63	5	0.1%	
	Uganda	267	21	0.3%	
	Ukraine	2	0	0.0%	
	United Arab Emirates	4,713	377	5.1%	
	Vanuatu	0	0	0.0%	
	Zambia	414	33	0.5%	
	Zimbabwe	2	0	0.0%	
020		91,937	7,355	1	

Appendix 6.3

Crown Agents Bank Limited - 2022 Pillar 3 - Countercyclical Buffer (CCYB) Disclosures (£'000)

Table 2 - Institution Specific Countercyclical Capital Buffer Rate

		010
010	Total risk exposure amount (£'000)	269,258
020	Institution specific countercyclical buffer rate	0.16%
030	Institution specific countercyclical buffer requirement (£'000)	12

Quarterly Information

Appendix 7

Quarterly NSFR Disclosures

	Q1	Q2	Q3	Q4	Average
NSFR Ratio	197%	166%	297%	213%	218%
Available Stable Funding (£000s)	152,647	201,904	214,099	229,553	199,551
Required Stable Funding (000s)	77,382	121,419	72,069	107,657	94,632

Quarterly Capital Disclosures

	Q1	Q2	Q3	Q4
CET1 Capital (£000s)	49,080	55,763	57,370	89,871
Risk-Weighted Assets (£000s)	210,103	251,667	233,205	269,258
CET1 Ratio	23%	22%	25%	33%
Leverage Ratio	4.2%	4.2%	4.2%	6.9%

Moving money where it's needed

www.crownagentsbank.com | info@crownagentsbank.com | +44 (0) 203 903 3000 | Quadrant House, Sutton, SM2 5AS