

MOVING MONEY WHERE IT'S NEEDED

Crown Agents
Bank



Crown Agents Bank Limited

Annual Report and Financial Statements

For the year ended 31st December 2021



Table of Contents

Chairman’s Report for the year ended 31 December 2021	3
Chief Executive Officer’s Report for the year ended 31 December 2021	4
Directors For The Year Ended 31 December 2021	15
Directors’ Report for the year ended 31 December 2021.....	19
Independent Auditors’ Report to the members of Crown Agents Bank Limited	25
Profit and Loss Account for the year ended 31 December 2021	34
Balance Sheet as at 31 December 2021.....	35
Statement of Changes in Equity for the year ended 31 December 2021	37
Cash Flow Statement for the year ended 31 December 2021.....	38
Notes to the Financial Statements for the year ended 31 December 2021.....	39

Chairman's Report for the year ended 31 December 2021

It is with pleasure that I can report on the continued success of Crown Agents Bank limited ("CAB") in calendar year 2021. We saw the fruition of several longer-term investments and a successful first year under the leadership of our new CEO, Bhairav Trivedi. CAB has continued to deliver on its mission to help communities to thrive by delivering payments and foreign exchange. Our work with top aid organisations, notably the United Nations exemplifies this mission. Financially, we continue to grow. Better still in 2021, we were increasingly profitable, and have been able to invest that profit back into our balance sheet, making the bank safer and more stable. Finally, we have strengthened our team, both at the executive and board level.

Since I have been chairman, CAB has had a clear strategy, investing in our payments and foreign exchange capabilities, focusing on the world's most challenging and underserved markets. In 2021, two of these investments came to fruition. Project Accelerate, the integration of the Segovia technology platform was completed. This means we now have world class payments technology servicing over 50 markets. The major investment in automation, Project Nimbus, which I referenced in last year's report has also completed, making our back office scalable while reducing unit costs.

CAB's core values of integrity, collaboration, impact and client focus inform the work we do. We continue to work with the world's most respected remittance businesses and development organisations. The integrity of being a UK regulated bank and our deep client collaboration allow these critical flows to arrive in destination markets more quickly and cheaply. This in turn drives the impact on local communities. Our commitment to ESG manifests itself in our application to become a B Corp.

Financially, our revenues grew by over 60%, driven by continued payments and FX growth. In part thanks to the impact of Nimbus, this translated into £10.6M of profit before tax. This has been redeployed in our growth businesses and further improves our capital ratios. This, combined with our large and increasingly diversified deposit base means the business is stronger than it has ever been.

Not content to rest on our laurels, we have continued to strengthen our team. We added three new members to the executive team to strengthen our commercial, product and technology capabilities.

After five years as CEO, Albert Maasland has stepped from the board and his role as CEO. He stays on as a member of the boards of both CABIM Limited, the holding company, and Crown Agents Investment Management Limited, CAB's sister company, so we look forward to continuing to work together. I thank Albert for his crucial role in the successful repositioning of the business.

We also welcome Karen Jordan to the board. Karen joins us after a distinguished career in international banking regulation, notably senior roles in Barclays and State Street Bank.

I recognise this report occurs at a time of strife in the world, and specifically in many of the markets where we work. We remain ever diligent in light of ongoing tumult in the world markets. I am pleased to say CAB begins 2022 in an excellent position to continue our journey to becoming the preeminent payments and foreign exchange provider to the world's frontier markets.



Jeremy Parrish

Chairman

1 April 2022

Chief Executive Officer's Report for the year ended 31 December 2021

2021 in summary

2021 was an inflection point in the history of the CAB. We have continued our mission to help local communities to thrive, supporting remittance and aid flows into some of the world's most challenging geographies. This impact has been in the context of significant revenue growth, particularly in our core payment and FX products. This has translated for the first time in recent history to significant EBTIDA, which has allowed us to strengthen our balance sheet. From a product and technology perspective we finished two transformative projects. Our payment gateway, allowing automated payments to over 50 currencies, is now fully integrated into our core systems. Our investment in operational automation means that our business is now fully scalable. CAB is now one of the world's best frontier market payments and foreign exchange provider.

Mission

CAB's mission is to help communities to thrive by delivering payments and foreign exchange. In 2021 CAB continued to be the FX payments provider of choice to the world's most impactful humanitarian and development organisations. With clients including leading Governmental Donors, some of the largest multilateral; organisations and international NGOs, we help bring aid flows as well as operational budgets to challenging markets. We worked closely with a number of global supranational entities to ensure critical charitable flows were able to be transferred to Afghanistan to help mitigate the humanitarian crisis and all within the US Office Of Foreign Assets Control humanitarian licenses. We also work with remittance players including top 'unicorns' and historical remittance giants to facilitate remittance flows, increasing speed and transparency of homeward remittance.

Values

CAB has four values which we hold paramount:



2021 has shown examples of all four of these at work. Our risk team has continued to ensure CAB's financial integrity, ensuring our strong capital positioning. Our Collaboration with Citibank and the State Departments to bring humanitarian aid to Afghanistan. The Impact of our work was felt in Nigeria, where we were able to bridge a fourth quarter in which many development organisations struggled to bring money into the country. Our Client Focus shows every day – working with clients to expand to new markets to support their needs.

Chief Executive Officer's Report for the year ended 31 December 2021 (continued) Values (continued)

We are committed to acting ethically, working to the highest professional standards, and complying with all applicable laws and regulations. We take a zero-tolerance approach to slavery and human trafficking and any other illegal or unethical conduct and expect the same of all our vendors and suppliers. Accordingly, CAB adopted a Modern Slavery and Human Trafficking Statement for the financial year ending 31st December 2021, made in compliance with section 54(1) of the UK Modern Slavery Act 2015.

Strategy and objectives

CAB's vision is to connect frontier and emerging markets to the rest of the world using finance and technology. To this end, our 2021 business development focused on the institutions that drive most of the flows into these markets: emerging market banks (EMFI), non-bank financial institutions (NBFi or fin techs), and international development organisations (IDOs). Our product suite, risk, and operations have been purpose-built for these services and markets. In 2021 we refreshed our strategy and ratified our strategic direction. CAB is now investing in accelerating our growth and expanding our geographic footprint.

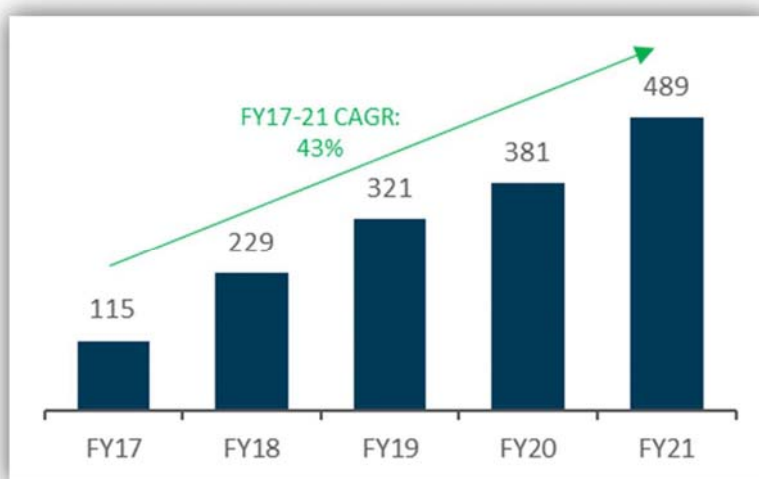
Business Development

CAB began the process of scaling up its business development force in 2021. With the arrival of industry stalwart Joe Hurley from Discover in the role of Chief Commercial Officer, we started a new chapter in strategic sales. In addition to Joe, we hired 7 new business development people, bringing the total to 18. In addition to sales teams focused on IDOs, NBFIs, EMFIs, we have begun to sell to large corporates and western banks. We onboarded 66 new clients, bringing our total number of clients to 425. Bellwether client wins include a top-five global bank and one of the largest global money transfer companies.

Financial performance and KPIs

CAB continued to grow the number of payments it processes growing to nearly half a million bank payments in 2021 (seen in chart below.) In addition, we processed over 900k payments into mobile wallets in 2021.

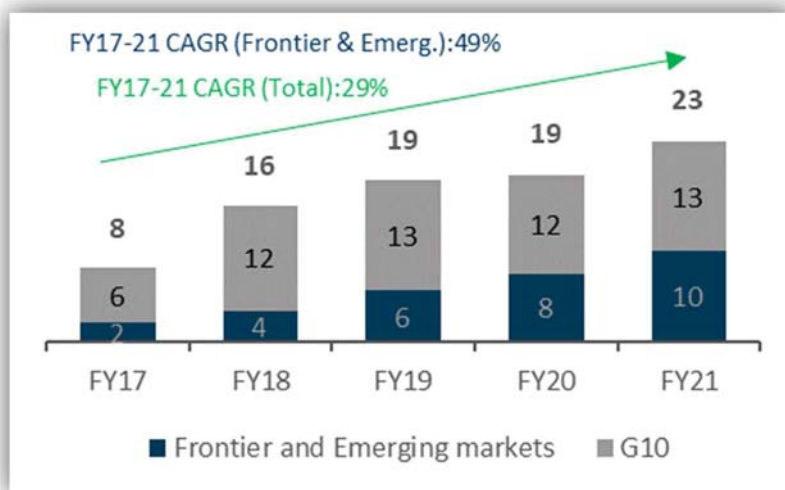
Bank Payments Processed ('000s)



Chief Executive Officer's Report for the year ended 31 December 2021 (continued)
Financial Performance and KPIs(continued)

Our overall foreign exchange volumes grew by 21% to £23bn. More interesting than overall volumes, our volumes to frontier and emerging markets grew by 25% to £10bn

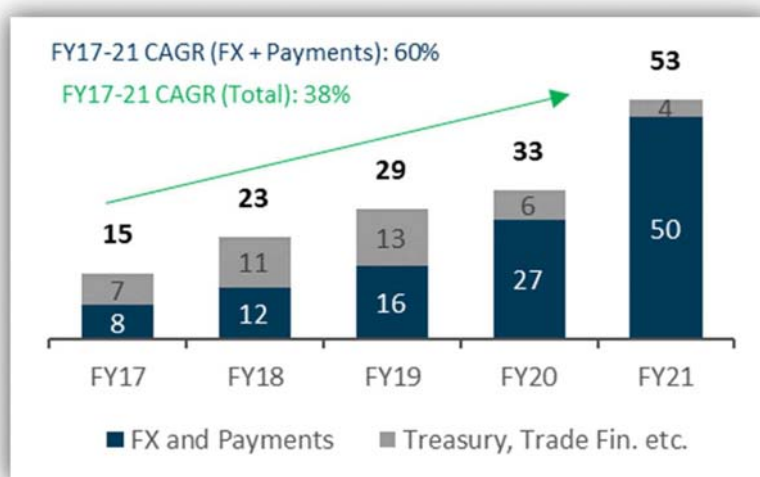
Foreign Exchange Volumes (£bn)



In 2021, CAB generated £53.4m in operating income, an increase of 62% from 2020.

Our strategic products, payments and foreign exchange generated £39m, an increase of 106% from 2020.

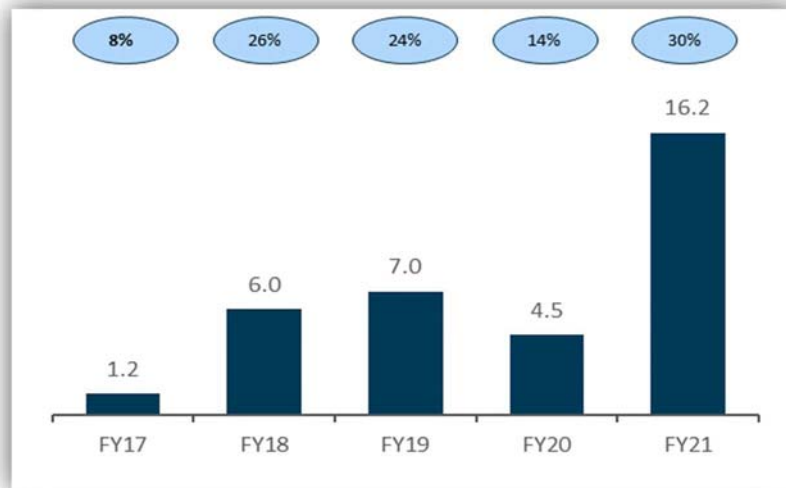
Operating Income (£bn)



Chief Executive Officer’s Report for the year ended 31 December 2021 (continued)
Financial Performance and KPIs (continued)

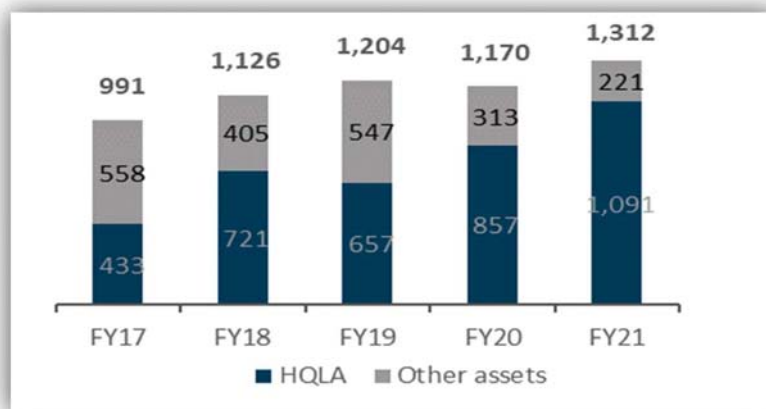
As payments and FX are both high contribution products, this resulted in EBITDA of £16.2m and EBITDA margin of 30%.

EBITDA (£m) and margin %



This profitability has allowed us to strengthen our balance sheet, and we now carry £57m of regulatory capital (2020 £47m) alongside an end-of-year balance sheet of £1.3bn, most of which is high quality liquid assets (HQLA).

Total Assets and HQLA (£m)



Chief Executive Officer's Report for the year ended 31 December 2021 (continued)

Product and technology

2021 represents a watershed year for CAB. We completed two transformation projects in mid-2021. Project Accelerate represents the integration of Segovia's payment gateway onto our core systems, allowing us for the first time to provide clients our full suite of products via API, GUI, or SWIFT. Project Nimbus represented the automation of operational processes unique to frontier market payments. This project resulted in the reduction of unit costs, reduction of errors, and significantly increased scalability. Together they mean that we can offer a fully technology driven product set and can now provide frontier payments and FX to the world's largest and most exciting clients.

People

I joined in January 2021. Other high-profile hires include Joe Hurley (CCO), David Mountain (Chief Product Officer), and Richo Strydom (CTO). Overall, we hired 56 new team members, finishing 2021 with 175 staff. Our employees have an engagement score of 86%, well ahead of benchmark competitors and 7% higher than 2020.

CAB has worked continuously over the global pandemic to support our staff physically and emotionally. Through the hard work, flexibility, and dedication of our staff, we have ensured that our operations have not suffered consequently. As the year ended, we implemented a 'hybrid' model of working, allowing us the benefits of collaboration while protecting the safety and productivity of our team. We will periodically evaluate the effectiveness of our 'hybrid' model and make changes as required.

Environmental, Social, and Governance (ESG)

ESG is at the heart of our mission of helping communities to thrive by delivering payments and foreign exchange, particularly to emerging markets countries. We formally embarked on our ESG journey in 2021, investing in a dedicated resource with full executive sponsorship. This investment has enabled us to build a comprehensive ESG strategy aligned with the UN Sustainable Development Goals (SDGs). We formally submitted an application to become a B-Corp in November 2021, and we are currently in the evaluation phase. Delivery against our ESG plans will remain a priority in 2022

Future

While this report focuses on 2021, the future holds much promise. Continued investment in the sales team and sales support capabilities underpin exciting growth. A stellar pipeline of strategic clients augurs well for the possibility of breakout growth. We are targeting our tech and product efforts on continuing to improve our world-class payments and FX capability and are piloting new products including Liquidity-as-a-Service and Forwards which will use our balance sheet to support payments and FX. We continue to work with our clients to fulfil our mission of helping communities to thrive.

The shift in focus in the CAB to less capital-intensive payments and spot FX product specialising in cross border flows with rapidly developing Frontier and Emerging markets is expected to result in continued meaningful growth over the investment cycle.

Chief Executive Officer's Report for the year ended 31 December 2021 (continued)
Future (continued)

S172 Companies Act 2006

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

- Long term consequences: CAB produces a three-year forecast on an annual basis and presents this to the Board. The effect of any decision on that forecast, and hence the long-term consequences, will be considered as part of the decision making process.
- Interests of employees: as mentioned in the Directors' Report below, in recent years CAB has developed a robust Employee Engagement Survey process which is conducted at least annually. The last survey was conducted in January 2022. The results, which are considered by the Board, are borne in mind as subsequent Board decisions are made. Key findings included the need for greater cross departmental collaboration, improved change management processes and further support for flexible working.
- Relationships with customers and suppliers: CAB is regulated by both the PRA and FCA in the UK and as a result is governed by Conduct Rules requiring it at all times to treat its customers and suppliers fairly. The effect on such relationships is therefore embedded within the Board's decision making processes.
- Effect on community/environment: given the type of business with which CAB is involved, the Board is confident that its decisions will have no detrimental effect on either the community or the environment.
- Company's reputation for maintaining high business standards: the regulators' Conduct Rules include the requirement for banks to maintain the highest business standards at all times, the need for which is therefore embedded within the Board's decision making process. The various Board Committees and structure ensure these matters are not compromised.
- The need to act fairly as between CAB's shareholders: CAB has one shareholder. The majority of the directors of the shareholder are directors of CAB and therefore are closely involved with the decision making processes.

Principal risks and uncertainties

CAB has an embedded Enterprise Risk Management Framework (ERMF) which is approved annually by the Board and sets out how risk is managed.

The Board is responsible for determining the long-term strategy of the business, the markets in which it will operate and the level of risk acceptable to CAB, as defined by Risk Appetite Statements and related Risk Appetite Thresholds and limits.

The Board Risk Committee (BRC) provided oversight of risk and escalates risk matters to the Board. The Executive have responsibility for day-to-day risk management within the parameters agreed with the Board and provide regular reporting to the Board. Governance arrangements are in place at executive level and operationally to effectively manage risk as outlined in the ERMF.

Chief Executive Officer's Report for the year ended 31 December 2021 (continued)
Principal risks and uncertainties (continued)

Through its normal operations CAB is exposed to a number of risks, which are captured by the firm-wide Risk Taxonomy. The firm's 'level 1' risks are:

- Capital Adequacy
- Liquidity and Funding
- Market (Interest Rate Risk in the Banking Book and Foreign Exchange Risk)
- Credit
- Operational
- Financial Crime
- Compliance
- Conduct
- Strategic and Business

Capital adequacy risk: The risk of having insufficient capital to pay liabilities in the event that unexpected losses were to occur. This may be during the normal course of business or under a stress scenario.

CAB's Capital Adequacy Risk Appetite is to ensure that Core Equity Tier 1 capital ratio always exceeds the total capital requirement (TCR), even during a severe but plausible stress, and also the overall capital requirement (OCR) during non-stressed periods.

Capital adequacy is subject to daily monitoring against internally agreed Board Risk Appetite Threshold Statements and Early Warning Indicator levels, the calibration and selection of which are informed by the outcomes of the annual Internal Capital Adequacy Assessment Process (ICAAP).

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

	2021	2020
	£'000	£'000
Shareholder's funds	75,204	66,288
Less intangible assets	<u>(18,297)</u>	<u>(18,841)</u>
Regulatory capital	<u>56,907</u>	<u>47,447</u>

Liquidity Risk: The risk that CAB cannot meet its obligations in a timely manner as they fall due. This may be during the normal course of business or under a stress scenario.

CAB's Risk Appetite is to ensure that adequate liquidity is held by CAB at all times, by meeting the 30 Day OLAR¹ stress and a holding a level of surplus HQLA 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.

CAB is transaction led and does not borrow to finance lending. A substantial proportion of customer accounts are current accounts that, although repayable on demand, have historically formed a stable deposit base. Liquidity is subject to daily monitoring against internally agreed Board Risk Appetite Threshold Statements and Early Warning Indicator levels, the calibration and selection of which are informed by the outcomes of the annual Internal Liquidity Adequacy Assessment Process (ILAAP).

¹ **The Overall Liquidity Adequacy Rule (OLAR)** stress reports whether CAB has surplus liquidity at 30/45/60 days depending on a firm-based measure of inflows and outflows in a stressed environment.

Chief Executive Officer's Report for the year ended 31 December 2021 (continued)
Principal risks and uncertainties (continued)

Further information concerning Liquidity Risk are provided in Note 20

Funding Risk: The risk that CAB cannot maintain access to a sufficient stable funding base to maintain its liquidity.

CAB's risk appetite is to ensure that CAB's transaction led model is maintained through access to sufficient stable funding sources even under stress. CAB's primary funding source is through client deposits and no reliance is placed on wholesale funding markets.

CAB's business model is transaction led with asset purchase and lending decisions based on the level, currency and type of funding received and expected to be received from customers, alongside CAB's own capital resources. CAB is committed to continuing to provide key services to its target market. Funds received are placed into term matching assets to generate investment income for CAB.

Interest Rate Risk in the Banking Book (IRRBB): The risk to earnings or capital arising from movements in interest rates that affect banking book positions. CAB does not operate a trading book; therefore, all activities are captured under the banking book definition.

CAB's interest rate risk appetite is intrinsically low due to the business model being reliant on transaction-based income rather than net interest income. CAB's risk appetite is 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)

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

CAB'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 Markets business can run. The largest aggregate FX open position to which CAB 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.

FX exposures are reported daily.

Credit Risk: Arises from extending credit in all forms where there is a possibility that counterparties may default on their obligations.

Credit policy and Risk Tolerances, covering limits, by value and duration, minimum credit ratings and concentration criteria, are set out in policy papers approved by CAB's board of directors. Credit risk is managed by the Credit Committee which approves all counterparty limits and is responsible for concentration risk both in terms of individual counterparties and country exposures. The committee's activities are reported and discussed at Board Risk Committee. Exposures are monitored daily against the limits set.

Chief Executive Officer's Report for the year ended 31 December 2021 (continued)
Principal Risks and uncertainties (continued)

Operational Risk: The risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Business units within CAB are responsible for managing operational risk, with oversight and challenge carried out by Risk Management. A series of controls are employed in the management of operational risk, including segregation of duties, reconciliations, exceptions and exposure reporting, authorisation thresholds, and business continuity planning. Controls are developed, monitored, and maintained in line with the identified risk exposure and appetite.

Operational resilience has been defined as the ability of firms and the financial system as a whole to absorb and adapt to shocks, rather than contribute to them, and has formed an increasingly integral part of CAB's overall strategy to continue to deliver services, no matter the cause of the disruption.

Similarly, CAB's response to cyber risk has also been raised over recent years and has employed a variety of mitigants in order to protect CAB and its clients from such attacks. The subject is closely monitored by management and actively discussed at Board level.

Risk Management provides an oversight and assessment of the strength of the operational risk, resilience and cyber frameworks to the Board.

Financial Crime Risk: The risk of losses arising from financial crime events including Money Laundering, Terrorist Financing, Fraud, Market Abuse and Corruption due to failed internal processes, people and systems.

The Anti-Financial Crime (AFC) department sets CAB's policies for the prevention of financial crime and undertakes oversight and supervision of the control environment implemented within the first line of defence in order to ensure policies have been appropriately implemented. AFC develops those policies on the basis of applicable UK financial crime prevention regulation and guidance as well as what it considers to be international best practice established from time to time.

Compliance Risk: the risk arising from non-compliance with laws and regulations governing financial services institutions in the markets it operates in. This could lead to legal or regulatory sanctions, material financial loss and/or reputational damage. CAB seeks to remain compliant at all times with all rules, regulations and laws to which it is exposed through all of its activities.

CAB continues to develop staff competency through appropriate training to ensure its staff are aware of and comply with the regulatory and compliance requirements relevant to their role and responsibilities. Any market expansion and new product introduction should consider the regulatory compliance risks.

However, CAB cannot control the actions of its clients, counterparties and others with whom it may from time to time come into contact. At such times that regulatory and compliance issues are encountered they are dealt with full disclosure to the Regulators.

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

Chief Executive Officer's Report for the year ended 31 December 2021 (continued)
Principal Risks and uncertainties (continued)

CAB seeks to develop and maintain long term relationships with our customers, based on openness, trust and fairness in everything we do. CAB has no appetite for reputational risk arising from the way in which we behave.

Conduct risk can arise through the design of products that do not meet customers' needs, mishandling complaints where CAB has behaved inappropriately towards its customers, inappropriate sale processes and exhibiting behaviour that does not meet market or regulatory standards.

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

Business Risk: is the risk of suffering an acute earnings shortfall (profit before tax) due to lower-than-expected performance in revenues or unexpected costs (e.g. claims and lawsuits) not compensated by management actions.

CAB accepts the potential risk that in the pursuit of generating longer term shareholder value, nearer term revenue growth and profit (profit before tax) targets may not be fully met. However, it has no risk appetite for this to result in breaching other board approved risk appetite limits such as capital adequacy and liquidity risk.

An important Business Risk is Strategic Risk as CAB continues its growth strategy. The strategy of CAB is established through the creation of a rolling three-year plan, agreed by the Board. Each year an Annual Operating Plan and budget, which dovetails with the overarching strategic plan is created and agreed by the Board. The capital and liquidity requirements are considered as part of this process and in more detail as part of the ICAAP and ILAAP.

During the year, execution of business strategy and the financial plan is regularly monitored to assess the performance against the strategic objectives and to seek to ensure we remain on track to achieve targets.

Chief Executive Officer's Report for the year ended 31 December 2021 (continued)

Impact of Russian Conflict

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

CAB carried out a risk assessment on potential exposure which concluded that CAB has no clients located in Russia, Belarus, or Ukraine. CAB does not offer any local currency payments or relevant FX products. The only historical exposure related to providing some inbound and outbound client-instructed payments. Analysis shows that just 17 clients made payments to the region in the last 12 months. Management have concluded that the restriction of this activity will have limited financial and business impact on CAB. Actions have been implemented to mitigate the risks of not adhering to the current and evolving sanctions.



Bhairav Trivedi

Director

1 April 2022

Directors For The Year Ended 31 December 2021

Jeremy Parrish – Chairman and Independent Non-Executive Director

Jeremy Parrish joined CAB's Board in 2017 with over four decades of banking experience. After starting his career with the ANZ Grindlays Group (which included postings to Hong Kong and Switzerland), he joined Standard Chartered Bank in 1994 as Head Of Corporate Banking, Europe. Following further international postings to Singapore and Tokyo, he returned to London as the Regional Head of Wholesale Banking for Europe. In 2005, after five years in the role, he was transferred to Abu Dhabi as CEO and, from 2010, as CEO UAE with overall responsibility for the UAE area. In 2011 he returned to Switzerland as CEO of Standard Chartered Bank, Switzerland. He is currently a non-executive director and Chairman of Julius Baer International Ltd. He is also Chairman of Anglo Gulf Trade Bank in Abu Dhabi, UAE.

Bhairav Trivedi (from 1 March 2021) – Chief Executive Officer

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

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

Albert Maasland – Chief Executive Officer (until 28 February 2021)

Albert Maasland started his career in banking at Chase Manhattan Bank – later JP Morgan – and during his 11 years career was involved in transforming and building a range of highly successful and profitable business units. This included launching the first generation of cross-border electronic transaction banking services and setting up teams in global cash management, institutional and Custody areas before he moved to the Markets division as Head of FX sales for Chase.

Albert later became Global Head of Business Development at HSBC Markets before tackling the transformation of the FX business at Deutsche Bank, helping steer them from 24th to the number one FX provider worldwide. He took on various other roles before joining the Deutsche Bank Wholesale and the Investment Bank's Management Committee.

He founded or co-founded a number of startup businesses before returning to banking and helped establish the global e-commerce business at Standard Chartered before moving to Saxo Bank where he fulfilled numerous roles including CEO of Saxo Bank UK and then Chairman of Saxo Capital Markets UK. He was CEO of Knight Capital Europe and subsequently KCG Europe before becoming Group CEO of Crown Agents Bank Limited and its sister Asset Management Business in February 2017.

Albert retired as Group CEO in 2021 after overseeing the significant transformation of the business. He continues as a Non-Executive Director of the Group holding company CABIM and of Crown Agents Investment Management as well as providing advisory services to a variety of Fintech and other businesses.

Directors for the year ended 31 December 2021 (continued)

Richard Hallett – Chief Financial Officer

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

Chris Green – Chief Risk Officer

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

Susanne Chishti - Independent Non-Executive Director

Susanne joined CAB's Board in June 2018. Susanne brings over 20 years of financial expertise, board-level experience focused on organisational governance, and a strong understanding of the small/medium size enterprise market. Her experience draws on 14 years in banking with senior positions at Morgan Stanley, Lloyd's Banking Group and Deutsche Bank. As CEO of FINTECH Circle she is an award winning entrepreneur, investor and global expert in financial technology, new business models and a bestselling Editor of The FINTECH Book Series published by Wiley.

Susanne is also the Editor in Chief of a book on global payment innovation, called "The PAYTECH Book" and "The AI Book" focused on how financial institutions can implement artificial intelligence driven solutions. She has won many awards including City Innovator - Inspirational Women 2016, top 100 fintech leaders globally in 2020 and among the top 5 ESG Influencers globally by Refinitiv.

After completing her MBA at the University of Business Administration in Vienna, Austria, she worked more than 15 years across Deutsche Bank, Lloyds Banking Group, Morgan Stanley and Accenture in London and Hong Kong. She is also a NED at several financial technology companies and co-producer of the two fintech documentaries about the "Future of Fintech" and "Responsible Fintech" in partnership with ITN Productions.

Jennifer Johnson-Calari - Independent Non-Executive Director

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

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

Directors for the year ended 31 December 2021 (continued)

Jennifer Johnson-Calari (continued)

contributed to bank supervisory policy governing multinational bank's market risk management and international harmonization of bank capital adequacy standards.

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

Karen Jordan – Independent Non-Executive Director

Karen has an auditing background and qualified as a Chartered Certified Accountant in 1992. Specialising in banking and asset management, Karen's executive roles included stints at PwC, Barclays and an international role at State Street, covering Europe and Asia. She has advised on global and cross-border regulatory and law enforcement matters involving a range of complex governance, regulatory and reputational challenges. She also took the lead role in ensuring that projects to provide redress to customers due to mis-selling or wrongdoing were well-managed and produced fair outcomes for those customers.

Karen now holds a small number of roles as an independent non-executive director and Committee Chair. These roles include, in addition to CAB, two financial services companies and the whistleblower protection charity, Protect.

Derek McMenamin – Senior Independent Non-Executive Director

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

Mario Shiliashki – Independent Non-Executive Director

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

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

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

Directors for the year ended 31 December 2021 (continued)

Arnold Ekpe – Non-Executive Director

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

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

Michael Faye – Non-Executive Director

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

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

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

Simon Poole – Non-Executive Director

Simon Poole joined the Board in April 2016 bringing with him broad finance and administration experience across a range of businesses in numerous African countries. Previously, he was a CFO with Intela Global Ltd, Lawson's Corporation and Celtel International (in Burkina Faso, Chad and DRC). Earlier in his career he held finance and accounting roles with Price Waterhouse, Bank of America and BT. Since 2011, he

has been an Operating Partner with Helios Investment Partners. He was previously a director of both Helios Towers Africa Limited and Vivo Energy Limited. He currently serves on the board of directors of Solevo B.V.

He received his BSc in Geography from Exeter University, UK. He qualified as a Chartered Accountant with Price Waterhouse and is a member of the Institute of Chartered Accountants in England and Wales. Simon is fluent in French.

Directors' Report for the year ended 31 December 2021

The Directors submit their report and the audited financial statements of CAB for the year ended 31 December 2021.

Principal Activity

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

Future Developments

Future Developments are discussed in the Chief Executive Officer's Report.

Dividends

No dividend was paid or declared during 2021 or 2020.

Political Donations

No political donations were made in 2021 or 2020.

Employee Matters

(a) Employee Engagement Survey

On an annual basis CAB carries out an Employee Engagement Survey. Through a company-wide questionnaire and a series of focus groups, CAB explores how it measures up to its stated values/ industry benchmark and how well engaged employees are with their roles. The most recent survey, carried out in January 2022, was specifically designed to ask questions about employees' experience that have taken centre stage as a result of the pandemic, and political and social injustice movements. The focus was on how well we have done in supporting our employees through the pandemic and creating an inclusive and fair place to work. This was consistent with industry practice for 2021.

(b) Disabled Persons

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

Directors for the year ended 31 December 2021 (continued) Employee Matters (continued)

(c) Employee Involvement

CAB uses a variety of methods to disseminate relevant information to its employees. All managers hold regular meetings with their staff for this purpose, at which there are also opportunities for employees to contribute their ideas to the development of management policy. There is also Conduct and Culture Forum and a Culture Champion Forum sponsored by an executive manager and led by the employees. The purpose of these forums is to enable us to build an engaging, inclusive and collaborative culture. In addition, further information is given at quarterly townhall meetings hosted by the Chief Executive Officer and the Executive Committee members, through the intranet, notices and via webinars/ training programmes.

(d) Gender diversity

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

Risk Management

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

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

CAB complies with the regulators' minimum capital requirement as at 31st December 2021.

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

Climate Change

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

As the nature of our business model is relatively short-term, we consider that climate change is unlikely to have any significant medium to long term impact on the business. To determine this, we have used the Task Force on Climate-Related Financial Disclosures (TCFD) industry guidance along with publicly available indices to monitor our credit exposures in those countries most vulnerable to climate change. However, we do recognise that these countries are vulnerable to Climate-related events such a cyclones, hurricanes, and flooding.

Directors for the year ended 31 December 2021 (continued)

Climate Change (continued)

As part of our enhanced approach we:

- have allocated overall responsibility for managing the financial risks associated with climate change to the Chief Risk Officer (SMF4) who is responsible for reporting to the Board and relevant committees
- will continue to use the TCFD industry guidance and publicly available indices to assess our exposure against countries that are vulnerable to climate change
- undertook Climate-related scenario analysis of our capital and liquidity risk profile as part of the 2021 Board approved ILAAP and ICAAP documents
- consider the potential impacts of climate change on our prudential risk profile, including capital adequacy and liquidity are viewed as being absorbed within our existing risk appetite threshold statements

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

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

	2021
Energy Usage (Kilowatt Hours)	
Gas	134,420
Electricity	<u>229,708</u>
	<u><u>364,128</u></u>
Carbon Emissions (Tonnes of Carbon Dioxide Equivalent)	
Scope 1 (burning fuel, typically gas)	24
Scope 2 (heating, cooling light, typically electricity)	49
Scope 3 (other including transport)	<u>114</u>
	<u><u>187</u></u>
Emission intensity metrics	
Tonnes of carbon dioxide equivalent per employee*	1.0
Tonnes of carbon dioxide equivalent per £M turnover	3.5

* in comparison, in the UK, the average carbon footprint is approx. 10 tonnes of carbon dioxide equivalent, per person.

Comparatives have not been provided as 2021 was the first year that CAB was required to disclose climate change information.

Directors for the year ended 31 December 2021 (continued)

Climate Change (continued)

Calculation methodology

The carbon footprint appraisal is derived from a combination of data collection and data computation by external analysts.

The analysts have calculated CAB'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 CAB's greenhouse gasses 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

Measures Taken To Improve Energy Efficiency In 2021

CAB has invested and continues to invest in a comprehensive process of independent assessments of environmental, social and governance risks and opportunities adhering to its business principles and the standards it has set.

Directors

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

		Committees			
		Gender	Remuneration	Audit	Risk
J Parrish* (Chairman)	M		x		
S Chishti*	F				
J Johnson-Calari*	F			x	x
K Jordan* (appointed 29.6.21)	F			x	x
D McMenamin*	M			x	x
M Shiliashki*	M		x		
A Ekpe**	M		x		
M Faye**	M				
S Poole**	M		x		
B Trivedi (appointed 1.3.21)	M				
A Maasland (resigned 1.10.21)	M				
R Hallett	M				
C Green	M				

* independent non-executive director

** non-executive director

Lesley Martin is the company secretary.

Directors for the year ended 31 December 2021 (continued)

Statement of Directors' Responsibilities in respect of the Financial Statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law).

Under company law, directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of CAB and of the profit or loss of CAB for that period. In preparing the financial statements, the directors are required to:

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

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

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

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

Directors' confirmations

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

- so far as the director is aware, there is no relevant audit information of which CAB's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that CAB's auditors are aware of that information.

Directors for the year ended 31 December 2021 (continued)

Directors' Indemnities

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

Shareholders Matters

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

Independent auditors

CAB will be reappointing Mazars LLP as auditors for the year ended 31 December 2022. By order of the Board,



Bhairav Trivedi

Director

1st April 2022

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

Opinion

We have audited the financial statements of Crown Agents Bank Limited (the 'company') for the year ended 31 December 2021 which comprise the Profit and Loss Account, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement, and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

- Undertaking an initial assessment at the planning stage of the audit to identify events or conditions that may cast significant doubt on the company's ability to continue as a going concern;
- Making enquiries of the directors to understand the period of assessment considered by them, the assumptions they considered and the implication of those when assessing the company's future financial performance;
- Reviewing the directors' going concern assessment including Covid-19 considerations and assessing the sufficiency of the company's capital and liquidity taking into consideration the most recent Internal Capital Adequacy Assessment Process and Internal Liquidity Assessment Process,

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

Challenging the appropriateness of the key assumptions used in management's forecasts including back testing to evaluate the historical accuracy of management's forecasting and budgeting;

- o Considering the consistency of the directors' forecasts with other areas of the financial statements and our audit;
- o Reading regulatory correspondence and committee and board meeting minutes to identify events or conditions that may impact the company's ability to continue as a going concern;
- o Evaluating the appropriateness of the directors' disclosures in the financial statements on going concern; and
- o Considering whether there were events subsequent to the balance sheet date which could have a bearing on the going concern conclusion.

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

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

Key audit matters

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

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

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

Key Audit Matter	How our scope addressed this matter
<p>Risk of inappropriate capitalisation and unrecognised impairment on intangible assets (£18.3 million)</p> <p>Refer to significant accounting policies (notes 1(l), 1(n), 1(r)) and note 4 of the financial statements.</p>	<p>Our audit procedures included, but were not limited to:</p> <p>Evaluating the design and implementation of key controls over the capitalisation and over the impairment assessment of intangible assets.</p>

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

<p>The Company has material intangible assets in the form of software and brand name, amounting to £18.3 million as at 31 December 2021.</p> <p>The company has made significant investments in IT systems during the years ended 31 December 2021 and 2020, capitalising software as intangible assets for £4.3 million and £11.0 million, respectively.</p> <p>Judgement is required when capitalising software expenditure, specifically for management to determine whether it is probable that expected future economic benefits are attributable to the asset.</p> <p>Judgement is also required to determine the recoverable amount of the intangible assets for impairment assessment purposes. The recoverable amount of the intangible assets is based on the cash generating unit ('CGU'), which is considered to be the company as a whole. It was determined using the value in use model where judgement is required in estimating future cashflows and the discount rate applied in the assessment. No impairment was recognised by management as a result of their assessment.</p> <p>As a result of the above, there is a significant risk of inappropriate capitalisation and of unrecognised impairment of intangible assets.</p>	<p>Performing the following substantive procedures over the capitalisation of intangible assets added during the year:</p> <ul style="list-style-type: none"> ○ Critically assessed if costs were capitalised in line with the requirements of FRS 102 by: ○ Agreeing a sample of newly capitalised expenditure to supporting documents; and ○ Evaluating the reasonableness of management's assessment of the future economic benefits expected from the intangible assets. <p>Performing the following substantive procedures on the impairment assessment of intangible assets:</p> <ul style="list-style-type: none"> ○ Evaluating the appropriateness of the methodology used in the impairment assessment with reference to the requirements of FRS 102, including management's determination of the CGU; ○ Challenging the reasonableness of management's assumptions used in determining the cash flow forecasts for the CGU; ○ Assessing the accuracy of the forecasts through review, on a sample basis, of the data inputs; ○ With the support of our in-house valuation experts, challenging the appropriateness of the discount rate applied by management in the cashflow forecast; ○ Evaluating the reasonableness of management's impairment assessment, including verifying for a sample of IT projects the existence of any impairment indicators and their expected future economic benefits.
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Independent Auditors' Report to the members of Crown Agents Bank Limited (continued)
Key audit matters (continued)

	<p>Our Observations</p> <p>We found the capitalisation of intangible assets recorded during the year to be reasonable and materially compliant with the requirements of FRS 102.</p> <p>We found the assumptions used by management in the impairment assessment of intangible assets to be reasonable and the assessment performed to be materially consistent with the requirements of FRS 102.</p>
<p>Risk of fraud in revenue recognition relating to foreign exchange transactions</p> <p>Refer to significant accounting policies (notes 1(g) and 1(h)(ii)) of the financial statements.</p> <p>Foreign exchange transaction income (£39.1 million) constitutes approximately 70% of the company's revenue and has significantly increased during the current year, largely due to wider spreads on the frontier currencies.</p> <p>Unrealised income recognised as part of this income stream amounts to £5.2 million. Management includes foreign exchange rate manual adjustments on unsettled positions for frontier market currencies which are deemed to be illiquid. This increases the risk of error and fraud in the recognition of foreign exchange transaction revenue.</p>	<p>Our audit procedures included, but were not limited to:</p> <ul style="list-style-type: none"> ○ Testing IT general controls including user access, change management, and segregation of duties within the core banking system; ○ Evaluating the design and implementation of the key control over foreign exchange transaction revenue, and testing its operating effectiveness; ○ Testing the accuracy of foreign exchange rates applied in the system; ○ Vouching frontier market currency trades ○ on a sample basis to supporting documents such as SWIFT statements and deal tickets; ○ Testing manual foreign exchange rate adjustments for frontier market currencies; and ○ Performing a recalculation of the foreign exchange gains or losses on a sample basis, based on supporting documentation. <p>Our observations</p> <p>We found the foreign exchange transaction revenue recognised by the company during the year to be materially correct.</p>

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

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

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

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

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

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

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

Other information

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

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the course of audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

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

Responsibilities of Directors

As explained more fully in the Statement of Directors' Responsibilities in respect of the Financial Statements set out on page 23, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

Based on our understanding of the company and its industry, we considered that non-compliance with the following laws and regulations might have a material effect on the financial statements: financial crime regulations and regulatory and supervisory requirements of the Prudential Regulation Authority ('PRA') and of the Financial Conduct Authority ('FCA').

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

- Gaining an understanding of the legal and regulatory framework applicable to the company and the industry in which it operates, and considering the risk of acts by the company which were contrary to the applicable laws and regulations, including fraud;
- Inquiring of the directors, management and, where appropriate, those charged with governance, as to whether the company is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- Inspecting correspondence with the PRA and FCA;

Independent Auditors' Report to the members of Crown Agents Bank Limited (continued)
Auditor's responsibilities for the audit of the financial statements (continued)

- Reviewing minutes of directors' meetings in the year; and
- Discussing amongst the engagement team the laws and regulations listed above and remaining alert to any indications of non-compliance.

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

In addition, we evaluated the directors' and management's incentives and opportunities for fraudulent manipulation of the financial statements, including the risk of management override of controls, and determined that the principal risks related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, in particular in relation to capitalisation and impairment assessment of intangible assets, and revenue recognition (which we related to the occurrence and accuracy assertions).

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

- Making enquiries of the directors and management on whether they had knowledge of any actual, suspected, or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud;
- Addressing the risks of fraud through management override of controls by performing journal entry testing; and
- Reviewing the accounting estimate in relation to valuation of intangible assets for evidence of management bias and performing procedures to respond to the fraud risk in revenue recognition, as described in our key audit matters.

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

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

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

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

Other matters which we are required to address

Following the recommendation of the audit committee, we were appointed by the Board of Directors on 28 June 2021 to audit the financial statements for the year ending 31 December 2021 and subsequent financial periods. The period of total uninterrupted engagement is 1 year, covering the year ended 31 December 2021.

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

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

Use of the audit report

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



Maximiliano Bark (Senior Statutory Auditor)
for and on behalf of Mazars LLP
Chartered Accountants and Statutory Auditor
Tower Bridge House
St. Katharine's Way
London, E1W 1DD

1 April 2022

Profit and Loss Account for the year ended 31 December 2021

	Note	2021 £'000	Restated 2020 £'000
Interest income			
- interest receivable from debt securities		539	2,274
- other interest receivable and similar income		3,045	7,003
Interest payable		(1,376)	(5,125)
Net interest income		2,208	4,152
Fees and commissions receivable	2	11,755	9,656
Foreign exchange transaction income		39,133	18,974
Write-off of doubtful debts		(38)	(108)
Other operating income		347	239
Operating income		53,405	32,913
Administrative expenses	3	(37,122)	(28,636)
Amortisation	4	(4,775)	(2,539)
Depreciation	5	(836)	(698)
		(5,611)	(3,237)
Profit before taxation	28	10,672	1,040
Tax charge on profit	6,28	(2,014)	(321)
Profit for the financial year		8,658	719

Further information about the restatement can be found in Note 28.

There were no other items of Comprehensive Income (2020: £nil).

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

The notes on pages 40 to 77 form part of these financial statements

Balance Sheet as at 31 December 2021

	Note	2021 £'000	Restated 2020 £'000
Assets			
Cash and balances at central banks		676,492	677,864
Loans and advances to banks			
- on demand		105,592	72,808
- other		74,030	151,859
	7	179,622	224,667
Debt securities	8	73,249	162,370
Money market funds	9	336,737	52,740
Equity shares	10	341	126
Intangible assets	4	18,297	18,841
Tangible fixed assets	5	2,043	2,500
Other assets			
- Derivative financial instruments	11	1,641	2,305
- Other	13, 28	19,902	25,530
		21,543	27,835
Prepayments and accrued income		3,646	3,022
Total Assets		1,311,970	1,169,965

Further information about the restatement can be found in Note 28.

Company registration number 2334687

Balance Sheet as at 31 December 2021

	Note	2021 £'000	Restated 2020 £'000
Liabilities			
Customer accounts	14	1,194,682	1,077,110
Other liabilities			
- Derivative financial instruments	11	7,669	13,511
- Other	15, 28	26,193	7,684
		33,862	21,195
Accruals and deferred income		8,222	5,372
Capital and reserves			
Called up share capital	16	41,200	41,200
Retained earnings		34,004	25,088
Total shareholders' funds		75,204	66,288
Total Equity and Liabilities		1,311,970	1,169,965

Further information about the restatement can be found in Note 28.

The notes on pages 40 to 77 form part of these financial statements.

The Board of Directors approved the financial statements on 1 April 2022



B Trivedi
Director



R Hallett
Director

Company registration number 2334687

Statement of Changes in Equity for the year ended 31 December 2021

	Called up share capital	Profit & loss account	Total shareholders funds
	£'000	£'000	£'000
Balance as at 1 January 2020	41,200	24,363	65,563
Profit for the financial year (related)	-	719	719
Share based payment expense	-	6	6
Balance as at 31 December 2020 (restated)	41,200	25,088	66,288
Balance as at 1 January 2021	41,200	25,088	66,288
Profit for the financial year	-	8,658	8,658
Share based payment expense	-	258	258
Balance as at 31 December 2021	41,200	34,004	75,204

The directors have not declared an interim (2020: £nil) or a final dividend (2020: £nil).

Cash Flow Statement for the year ended 31 December 2021

	Note	2021 £'000	2020 £'000
Net Cash Inflow from Operating Activities	27	321,062	16,550
Tax paid		<u>(2,112)</u>	<u>(218)</u>
Net Cash Generated from Operating Activities		<u>318,950</u>	<u>16,332</u>
Cash flow from Investing Activities			
Sale/ (purchase) of equity shares/ exchange traded funds	10	(228)	1,987
Purchase of tangible fixed assets	5	(302)	(698)
Capitalised expenditure	4	(4,313)	(10,959)
Net cash used in Investing Activities		<u>(4,843)</u>	<u>(9,670)</u>
Cash Flow from Financing Activities			
Reduction in overdraft		-	(70)
Net Cash Outflow from Financing Activities		<u>-</u>	<u>(70)</u>
Net increase in cash and cash equivalents		314,107	6,592
Cash and cash equivalents at the beginning of the year		803,412	800,977
Exchange losses on cash and cash equivalents		1,302	(4,157)
Cash and cash equivalents at the end of the year		<u>1,118,821</u>	<u>803,412</u>
Cash and cash equivalents consist of:			
Cash and balances at central banks		676,492	677,864
Loans and advances to banks repayable on demand		105,592	72,808
Money market funds (OEICs)		336,737	52,740
		<u>1,118,821</u>	<u>803,412</u>

Notes to the Financial Statements for the year ended 31 December 2021

Note	Page No
1. Statement of accounting policies	40
2. Fees and commissions receivable	48
3. Administrative expenses	48
4. Intangible assets	52
5. Tangible fixed assets	53
6. Tax charge on profit	54
7. Loans and advances to banks	55
8. Debt securities	57
9. Money market funds	58
10. Equity shares	59
11. Fair value of financial instruments	59
12. Deferred tax	62
13. Other assets	63
14. Customer accounts	63
15. Other liabilities	64
16. Called up share capital	64
17. Contingent liabilities	64
18. Commitments	65
19. Financial instruments	66
20. Financial risk/ Liquidity	68
21. Holding company	70
22. Related party transactions	71
23. Interest rate sensitivity	72
24. Currency risk	74
25. Credit exposure	75
26. Capital management	75
27. Notes to the cash flow statement	76
28. Prior year adjustments	77

Notes to the Financial Statements for the year ended 31 December 2021 (continued)

1. STATEMENT OF ACCOUNTING POLICIES

(a) General Information

CAB is a private company limited by shares and is incorporated and domiciled in England. The address of its registered office is Quadrant House, The Quadrant, Sutton, Surrey, SM2 5AS.

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

(b) Statement Of Compliance

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

(c) Basis Of Preparation

The financial statements have been prepared under the historical cost convention in accordance with the Companies Act 2006 and Applicable Accounting Standards in the United Kingdom, apart from derivatives and money market funds which have been accounted for at fair value.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying CAB's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 1(q).

(d) Going Concern

The directors have considered the financial position of CAB, including the net current asset position, regulatory capital requirements and estimated future cash flows and have concluded that there is reasonable expectation that CAB has adequate resources to continue in operational existence for the foreseeable future including a period of at least 12 months from when these financial statements are authorised for issue and that CAB will be able to meet its obligations as they fall due. Accordingly, the financial statements have been prepared on the going concern basis. In making this conclusion the directors have considered key risks and uncertainties in the environment, including the impact of Covid-19.

(e) Interest Income And Expense

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

Dividends in relation to money market fund exposures (via Open Ended Investment Companies) are reported within Interest Income and accrued on a daily basis

Notes to the Financial Statements for the year ended 31 December 2021 (continued)

1. Statement of Accounting Policies (continued)

(f) Recognition of fee and commission income

The income from key fee and commission income streams is recognised as follows:

- o Account management and payments: fees recognised on the day of payment.
- o Pension payment fees: recognised on the day of payment.
- o Trade finance:
- o Guarantee fees received in advance and accrued over life of guarantee.
- o Arrangement fees recognised when the arrangement is put in place.
- o Risk assessment fees: accrued on a monthly basis.
- o Platform revenue: accrued daily or monthly.

(g) Foreign Exchange Transactions

Such profits arise and are recognised at the end of the day in question based on spot currency rates. The category also includes the profits and losses resulting from the revaluation of non £ assets and liabilities and the revaluation of forward FX derivative at fair values.

(h) Foreign currency

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

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

(i) Administrative expenses

Long term Software As A Service type contracts (effectively the rental of software) are expensed to profit and loss over the period of the contract in line with the benefits received.

(j) Provisions for doubtful debts

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

(k) Taxation

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

Current or deferred tax assets or liabilities are not discounted.

Notes to the Financial Statements for the year ended 31 December 2021 (continued)

1. Statement of Accounting Policies (continued)

(k) Taxation (continued)

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

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

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

(l) Intangible assets and amortisation

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

Core accounting software – 10 years (or over the remainder of the initial 10 year period, if less)

Other software/ licenses – 5 years (or over the life of the license if less)

Brand/name – 50 years

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

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

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

Notes to the Financial Statements for the year ended 31 December 2021 (continued)

1. Statement of Accounting Policies (continued)

(m) Tangible fixed assets and depreciation

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

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

(n) Impairment of non-financial assets

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

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

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

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

(o) Cash and cash equivalents

Cash and cash equivalents includes cash in hand and deposits held at call with commercial or central banks and exposures to money market funds (transacted via Open Ended Investment Companies).

Notes to the Financial Statements for the year ended 31 December 2021 (continued)

1. Statement of Accounting Policies (continued)

(p) Financial instruments

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

(i) Financial assets

Basic Financial Instruments

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

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

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

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

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

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

Complex Financial Instruments

Money market funds are not Basic Financial Instruments and, as a result, valued at fair value based on the price a willing buyer would pay for the asset. Any gain or loss is taken through the profit and loss account.

The money market funds include contractual terms such that they are traded at par until the total market value of the underlying instruments deviates from that par value by a certain amount (typically 20bps). The funds have each traded at par at all times since the initial investment by CAB.

Notes to the Financial Statements for the year ended 31 December 2021 (continued)

1. Statement of Accounting Policies (continued)

(p) Financial instruments (continued)

(ii) Financial liabilities

Basic financial liabilities, including customer deposits and trade creditors, are classified as debt and are initially recognised at transaction price.

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

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

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

(iii) Derivative financial instruments

CAB's derivative financial instruments policy only permits dealing in forward foreign exchange contracts, and deposit linked swaps to economically hedge or provide services to customers. Derivative financial instruments are not basic financial instruments.

Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivative financial instruments are recognised in the profit and loss account in Foreign Exchange Transactions. Hedge accounting is not applied.

(iv) Offsetting

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

Notes to the Financial Statements for the year ended 31 December 2021 (continued)

1. Statement of Accounting Policies (continued)

(q) Employee benefits

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

Short-term benefits

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

Pension Contributions

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

Long term Incentive Plan/ Share Based Payment

- (i) CAB provides share-based payment arrangements to certain employees.
- (ii) Equity-settled arrangements are measured at fair value at the date of the grant. The fair value is expensed on a straight-line basis over the vesting period. The amount recognised as an expense is adjusted to reflect the actual number of shares that will vest.
- (iii) Where equity-settled arrangements are modified, and are of benefit to the employee, the incremental fair value is recognised over the period from the date of modification to date of vesting. Where a modification is not beneficial to the employee there is no change to the charge for the share-based payment. Settlement and cancellations are treated as an acceleration of vesting and the unvested amount is recognised immediately in the profit and loss account.
- (iv) CAB has no cash-settled arrangements.

Notes to the Financial Statements for the year ended 31 December 2021 (continued)

1. Statement of Accounting Policies (continued)

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

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

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

Capitalisation Of Intangible Assets

CAB is conscious of the need to ensure a clear delineation between research costs, which can not be capitalised, and development costs. Particularly with respect to internal costs, the control of the process is maintained by the completion and authorisation of time sheets.

Intangible Asset Impairment Review

The carrying value of the intangible assets have been reviewed against the higher of the fair value and the value in use of the appropriate cash generating unit. The cash generating unit is deemed to be CAB. Impairments are applied as appropriate.

No impairments were deemed necessary in 2021 (2020 – none).

In addition, the useful economic life of each category of the intangible assets has been reviewed to ensure that the period of amortisation as set out in the accounting policy remains appropriate.

Notes to the Financial Statements for the year ended 31 December 2021 (continued)

2. FEES AND COMMISSIONS RECEIVABLE

	2021	2020
	£'000	£'000
Account management and payments	8,781	6,500
Pension payment fees	1,156	1,085
Trade finance	768	1,012
Risk assessment services	583	990
Platform revenue	467	69
Total fees and commission receivable	11,755	9,656

3. ADMINISTRATIVE EXPENSES

	2021	Restated 2020
	£'000	£'000
Staff costs and directors' emoluments (before exceptional item)		
Salaries, bonuses and benefits	19,145	14,632
Share based payment	258	7
Social security costs	2,364	1,686
Pension costs	1,070	899
	22,837	17,224
Fees payable to the auditor		
Audit – current year	175	290
Audit – prior year	30	75
Non audit services	-	-
Other administrative expenses	14,080	11,047
	37,122	28,636

Notes to the Financial Statements for the year ended 31 December 2021 (continued)
Administrative Expenses (continued)

Remuneration Of Directors/ Key Managers

The aggregate emoluments of the directors were as follows:

	2021	2020
	£'000	£'000
Salaries, fees, benefits and bonuses	2,359	1,877
Pension contributions	42	48
Compensation for loss of office	-	200
	2,401	2,125

No retirement benefits accrued for any director (2020: none) under a defined benefits pension scheme. The aggregate emoluments and pension contributions of the highest paid director were £698,933 (2020:

£604,583) and £3,921 (2020: £nil) per annum respectively. In addition, in 2020, the highest paid director was due to receive £200,000 compensation re loss of office.

The aggregate emoluments (including pension contributions and exit compensation) of key management personnel (excluding directors) were £2,944,473 (2020: £1,701,054).

CAB had loans outstanding at the year end to directors and key management as follows:

	2021		2020	
	No.	£'000	No.	£'000
Directors				
As at 1 Jan	3	22	3	22
Loans repaid	(1)	(5)	-	-
New loans	1	142	-	-
As at 31 Dec	3	159	3	22
Key Management				
As at 1 Jan	5	11	5	11
Loans repaid	-	-	-	-
New loans	3	241	-	-
As at 31 Dec	8	252	5	11

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

The monthly average number of full time equivalent staff, including executive directors, was 192 (2020: 176).

Notes to the Financial Statements for the year ended 31 December 2021 (continued)

Administrative Expenses (continued)

Share Based Payment Scheme

In 2017 an equity settled share based payment scheme was put in place to incentivise senior management. During the year key personnel purchased the equitable interest in £1 Ordinary (Class B) shares in CAB's senior UK based parent, CABIM Limited, at a cost of £1.00 per share, as follows:

Group (number of people)	2021	2020
Directors (1, 2020 – nil)	500	0
Key Managers (6; 2020 – nil)	1,300	0
	<u>1,800</u>	<u>0</u>

The fair value of the underlying shares relating to the equitable interests granted was based on a report by external consultants. The valuation is a Level 3 valuation. The resulting value is expensed to the profit and loss in line with the vesting of the interests concerned.

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

	2021 Number	2020 Number
As at 1 January	8,220	8,450
Granted (tranche 3 – paid £1.00)	1,800	-
Cancelled (tranche 1)	-	-
Cancelled (tranche 2)	(20)	(230)
As at 31 December	<u>10,000</u>	<u>8,220</u>

The class of shares will be entitled to receive a proportion of the return to CABIM Limited's parent on its underlying investment.

Notes to the Financial Statements for the year ended 31 December 2021 (continued)

Administrative Expenses (continued)

Share Based Payment Scheme (continued)

The equitable interest in the shares vest at various times, depending on the continued employment of the person concerned, as follows:

Vesting Month	Year Of Issue / Tranche Number					
	2018/1	2018/2	2021/1	2021/2	2021/3	2021/4
March 2018	40%	-	-	-	-	-
March 2019	20%	-	-	-	-	-
March 2020	20%	40%	-	-	-	-
March 2021	20%	20%	-	-	-	-
December 2021	-	-	40%	-	-	-
March 2022	-	20%	-	40%	-	-
December 2022	-	-	20%	-	-	-
March 2023	-	20%	-	20%	40%	-
October 2023	-	-	-	-	-	40%
December 2023	-	-	20%	-	-	-
March 2024	-	-	-	20%	20%	-
October 2024	-	-	-	-	-	20%
December 2024	-	-	20%	-	-	-
March 2025	-	-	-	-	20%	-
April 2025	-	-	-	20%	-	-
October 2025	-	-	-	-	-	20%
March 2026	-	-	-	-	20%	-
October 2026	-	-	-	-	-	20%
	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>
Number of shares Re which equitable interest is granted	<u>8,500</u>	<u>1,750</u>	<u>600</u>	<u>500</u>	<u>300</u>	<u>400</u>

The cumulative equitable interest in shares cancelled totalled 2,050 (2020: 2,030).

Notes to the Financial Statements for the year ended 31 December 2021 (continued)

4. INTANGIBLE ASSETS

	Brand/ Other £'000	Core Accounting Software £'000	Other Software £'000	Total £'000
Cost				
At 1 January 2021	1,367	4,776	19,301	25,444
Additions	44	418	3,850	4,312
Reclassification *	-	-	(163)	(163)
At 31 December 2021	1,411	5,194	22,988	29,593
Accumulated Amortisation				
At 1 January 2021	49	2,690	3,864	6,603
Charged in Year	36	624	4,115	4,775
Reclassification *	-	-	(82)	(82)
At 31 December 2021	85	3,314	7,897	11,296
Net Book Value at 31 December 2020	1,318	2,086	15,437	18,841
Net Book Value at 31 December 2021	1,326	1,880	15,091	18,297

* This is a reclassification of prior year Intangible Assets to Tangible Fixed Assets. The amortisation adjustment is the prior year amortisation

An impairment review was performed on the intangible assets based on CAB being the appropriate cash generating unit.

No impairment was required.

Notes to the Financial Statements for the year ended 31 December 2021 (continued)

5. TANGIBLE FIXED ASSETS

	Leasehold Property £'000	Computer equipment* £'000	Fixtures and fittings** £'000	Total £'000
Cost				
At 1 January 2021	122	1,814	2,142	4,078
Additions	-	262	40	302
Reclassification*	-	163	-	163
Disposals	-	(3)	(5)	(8)
At 31 December 2021	122	2,236	2,177	4,535
Accumulated Depreciation				
At 1 January 2021	45	751	782	1,578
Charge for year	23	424	389	836
Reclassification***	-	82	-	82
Disposals	-	(2)	(2)	(4)
At 31 December 2021	68	1,255	1,169	2,492
Net Book Value				
At 31 December 2020	77	1,063	1,360	2,500
At 31 December 2021	54	981	1,008	2,043

* Includes mobile phones

** includes artwork

*** This is a reclassification of prior year Intangible Assets to Tangible Fixed Assets. The depreciation adjustment is the prior year depreciation.

Notes to the Financial Statements for the year ended 31 December 2021 (continued)

6. TAX CHARGE ON PROFIT

A. Analysis of Tax Charge for the Year	2021	Restated
	£'000	2020
		£'000
Current Tax		
Corporation tax based on the taxable profit for the year	2,169	(26)
Prior year adjustment	271	(22)
	2,440	(48)
Deferred Tax		
Prior year	(357)	12
Effect of change of tax rate	25	53
Originating and reversal of timing differences	(94)	304
	(426)	369
Total tax charge for the year	2,014	321

B. Factors affecting Tax Charge for the Year

The tax assessed for the year is lower (2020: lower) than the standard rate of Corporation Tax in the UK

	2021	Restated
	£'000	2020
		£'000
Profit before taxation	10,672	1,041
Standard rate corporation tax of 19.00% (2020: 19.00%) on Profit before taxation	2,028	198
Effect of		
Expenses not deductible for tax	332	80
Capital items deductible as an expense	(308)	-
Adjustments to tax charge re prior year	(63)	(10)
Change of tax rates	25	53
Total tax charge for the year	2,014	321

In the Spring Budget 2021, the Government announced that from 1 April 2023 the corporation tax rate will increase from 19% to 25%. The figures above incorporate the increased tax rate in respect of timing differences expected to reverse after that date.

Notes to the Financial Statements for the year ended 31 December 2021 (continued)

7. LOANS AND ADVANCES TO BANKS

A By External Long-Term Credit Rating*:	2021		2020	
	No.	£'000	No.	£'000
AA	13	7,113	3	19,405
AA-	6	6,293	6	3,442
A+	18	33,211	9	56,903
A	8	31,183	9	67,424
A-	3	24,980	4	18,152
BBB+	8	1,587	7	14,304
BBB	2	77	2	38
BBB-	1	3	1	6
BB-	2	841	2	544
B+	3	16	2	16
B	4	1,080	-	-
B-**	7	11,393	8	3,285
Unrated**/**	89	61,845	52	41,148
	164	179,622	105	224,667

* based on a basket of credit rating agencies, all approved by the Financial Conduct Authority.

** cash collateral is held against these exposures totalling £14,185,000 (2020: £15,445,000).

*** the unrated exposures largely relate to nostro balances and trade finance exposures.

Notes to the Financial Statements for the year ended 31 December 2021 (continued)
Loans and advances to Banks (continued)

B By Maturity

	2021	2020
	£'000	£'000
Repayable on demand	105,592	72,808
Other loans and advances by residual maturity		
- 3 months or less excluding amounts repayable on demand	54,914	83,734
- 1 year or less but over 3 months	19,116	68,125
	179,622	224,667

C By Country – location of counterparty risk

	2021	2020
	£'000	£'000
UK	15,847	35,304
Europe	13,436	25,447
Japan	20,135	3,143
China	611	51,729
US	24,533	34,374
Middle East	23,654	18,534
Far East	535	7,774
Africa	68,230	44,773
Other	12,641	3,589
	179,622	224,667

There are no (2020: no) amounts included in Loans And Advances To Banks that are overdue.

Loans And Advances To Banks include £5,353,592 of encumbered assets (2020 – £12,301,317) in relation to derivative contracts with other financial institutions.

Notes to the Financial Statements for the year ended 31 December 2021 (continued)

8. DEBT SECURITIES

CAB's debt securities consist of fixed rate bonds issued (or guaranteed) by central and private banks. The fair value of these securities was as follows:

	2021		2020	
	Book Value £'000	Market Value £'000	Book Value £'000	Market Value £'000
Fixed rate bonds				
- Principal (US Treasury Bills)	7,533	7,527	84,924	85,384
- Principal (other fixed rate bonds)	65,374	65,324	76,645	76,986
- Accrued interest	342	342	801	801
At 31 December	73,249	73,193	162,370	163,171

A By External Long-Term Credit Rating*:

	2021		2020	
	No.	£'000	No.	£'000
AAA	9	66,001	4	141,678
AA	1	7,248	2	11,099
A+	-	-	3	9,593
	10	73,249	9	162,370

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

Notes to the Financial Statements for the year ended 31 December 2021 (continued)
Debt Securities (continued)

B By Country – location of counterparty:

	2021	2020
	£'000	£'000
UK	7,248	9,641
Europe	29,527	18,484
Middle East	-	3,682
USA	16,093	116,875
Other	20,381	13,688
	<hr/>	<hr/>
At 31 December	<u>73,249</u>	<u>162,370</u>

C By Maturity:

The maturity profile of Debt Securities is provided in Note 20.

9. MONEY MARKET FUNDS

	2021	2020
	£'000	£'000
Open Ended Investment Companies		
Goldman Sachs USD Treasury Liquid Reserves Fund	336,735	32,962
Black Rock ICS USD Liquidity Fund	1	8,790
JP Morgan USD Liquidity LVNAV Fund	1	10,987
Accrued interest	-	1
	<hr/>	<hr/>
	<u>336,737</u>	<u>52,740</u>

The funds are all rated AAA based on a basket of credit rating agencies, all approved by the Financial Conduct Authority

Notes to the Financial Statements for the year ended 31 December 2021 (continued)

10. EQUITY SHARES

	2021	2020
	£'000	£'000
Shares in SWIFT SCRL	341	126
	341	126

CAB generally does not invest in equities. However, in order to undertake its business, CAB utilises the Swift payment system, the conditions of which oblige participants to invest in the shares of Swift, in proportion to participants' financial contributions to Swift in the previous year (2020).

Due to the nature of the investment, the shares are valued at cost less impairment

11. FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial Derivatives

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

Positive fair values arise where gross positive fair values exceed gross negative fair values on a contract by contract basis. This equates to replacement cost. The total positive fair values equates to net replacement cost, which is regarded as the maximum credit exposure. No credit value/ debit value adjustments were made to arrive at the fair value of derivative financial instruments.

CAB's derivative financial instruments are forward foreign exchange contracts used to hedge foreign exchange in order to reduce risk and are matched against the underlying asset/ liability. As at 31 December the positive and negative fair values of the derivative financial instruments were as set out below:

	Notional Principal £'000	Positive Fair Value £'000	Negative Fair Value £'000
Forward Foreign Exchange			
2021	755,843	1,641	7,669
2020	765,209	2,305	13,511

The forward foreign exchange contracts have been transacted to economically hedge assets and liabilities in foreign currencies. The net unrealised loss (2020 – loss) at the balance sheet date is £6,027,914 (2020: £11,206,155). These derivative financial instruments and the underlying transactions they hedge will mature during 2022 (2020 – 2021).

Notes to the Financial Statements for the year ended 31 December 2021 (continued)
Fair value of financial instruments (continued)

Fair value methodology

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

Fair value hierarchy:

Level 1 - Quoted price for an identical asset in an active market

Inputs to level 1 fair value are quoted prices (unadjusted) in active markets for identical assets. An active market is one in which transactions for the asset occurs with sufficient frequency and volume to provide pricing information on an on-going basis.

Level 2 – Price of a recent transaction for an identical asset

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivative financial instruments) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Note: the money market funds include contractual terms such that they are traded at par until the total market value of the underlying instruments deviates from that par value by a certain amount (typically 20bps). The funds have each traded at par at all times since the initial investment by CAB.

Level 3 – Valuation technique ie Internal models with significant unobservable market parameters

Inputs to level 3 fair values are based on unobservable inputs for the assets at the last measurement date. If all significant inputs required to fair value an instrument are observable then the instrument is included in level 2, if not it is included in level 3. CAB did not have any such instruments.

Notes to the Financial Statements for the year ended 31 December 2021 (continued)

Fair Values of Financial Instruments (continued)

Fair Value hierarchy (continued)

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

Asset / Liability Type - 2021	Level 1 £'000	Level 2 £'000	Level 3 £'000
Financial Assets at Fair Value			
- Financial derivatives	-	1,641	-
- Money market funds	-	336,737	-
Financial Liabilities at Fair Value			
- Financial derivatives	-	(7,669)	-
	<u>-</u>	<u>329,068</u>	<u>-</u>

Asset / Liability Type - 2020	Level 1 £'000	Level 2 £'000	Level 3 £'000
Financial Assets at Fair Value			
- Financial derivatives	-	2,305	-
- Money market funds	-	52,740	-
Financial Liabilities at Fair Value			
- Financial derivatives	-	(13,511)	-
	<u>-</u>	<u>41,534</u>	<u>-</u>

Notes to the Financial Statements for the year ended 31 December 2021 (continued)

12. DEFERRED TAX LIABILITY

	2021	2020
	£'000	£'000
At 1 January (at 19%: 2020: 19%)	818	449
(Credit) / charge to profit and loss	(426)	369
At 31 December (at 19%/23.5%; 2020:19%)	392	818

The deferred tax liability can be further analysed as follows:

	2021	2020
	£'000	£'000
Liability reversing at 19%	37	818
Liability reversing at 23.5%	355	-
At 31 December (at 19%/23.5%; 2020:19%)	392	818

	2021	2020
	£'000	£'000
Tangible fixed assets	233	487
Intangible assets	159	331
	392	818

Notes to the Financial Statements for the year ended 31 December 2021 (continued)

13. OTHER ASSETS

	2021	Restated
	£'000	2020
		£'000
Trade debtors	119	21
Amounts due from group companies (note 22D)	4,633	6,832
Unsettled transactions*	10,451	18,273
Transactions debited in error/advance**	1,645	60
Late receipts	317	-
Mobile network operators	1,315	64
Corporation tax	38	67
VAT	592	179
Staff loans	535	28
Other assets	257	6
	19,902	25,530

* these amounts were settled early the following year.

**these amounts were debited from the nostro account by the correspondent bank in advance, or in error and credited back early the following year.

14. CUSTOMER ACCOUNTS

	2021	2020
	£'000	£'000
Repayable on demand	666,706	428,779
Other customers' accounts with agreed maturity dates or periods of Notice by residual maturity repayable		
3 months or less	465,680	548,544
1 year or less but over 3 months	48,331	99,196
2 years or less but over 1 year	13,965	591
	1,194,682	1,077,110

Notes to the Financial Statements for the year ended 31 December 2021 (continued)

15. OTHER LIABILITIES

	2021 £'000	Restated 2020 £'000
Trade creditors	368	91
Deferred tax (Note 12)	392	818
Unsettled transactions*	18,338	2,094
Funds received in error	195	423
Funds received in advance	4,265	2,211
Amounts due to group companies (note 22D)	816	1,214
HM Revenue & Customs	1,046	344
Other liabilities	773	489
	26,193	7,684

* These amounts were settled early the following year.

16. CALLED UP SHARE CAPITAL

	2021 £'000	2020 £'000
Allotted, issued and fully paid (£1 Ordinary Shares)		
As at 1 Jan/31 December	41,200	41,200

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

17. CONTINGENT LIABILITIES

	2021 £'000	2020 £'000
Guarantees	2,194	2,225
Letter of credit confirmations/ bill acceptances	47,597	69,920
	49,791	72,145

The uncertainties relating to the amount or timing of any outflow are those inherent within the products concerned, notably that the relevant counterparty will not carry out its obligations. Cash collateral of £45,572,723 (2020: £56,772,655) was held in respect of the assets underlying the contingent liabilities noted above.

Notes to the Financial Statements for the year ended 31 December 2021 (continued)

18.COMMITMENTS

Operating Lease commitments

CAB had the following minimum lease payments (net of VAT) under non-cancellable operating leases:

Payment Due	2021 £'000	2020 £'000
No later than one year	578	578
Later than one year and not later than five years	836	1,414
	1,414	1,992

The lease payments charged as an expense for the year totalled £529,386 (2020: £529,386).

Other Commitments

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

Payment Due	2021 £'000	2020 £'000
No later than one year	1,800	500
Later than one year and not later than five years	6,353	8,120
	8,153	8,620

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

Notes to the Financial Statements for the year ended 31 December 2021 (continued)

19. FINANCIAL INSTRUMENTS

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

	2021	Restated 2020
	£'000	£'000
Financial Assets		
Measured at fair value through profit and loss		
Money market funds	336,737	52,740
Derivative financial assets – foreign exchange related contracts	1,241	2,305
	338,378	55,045
Measured at amortised cost		
Cash and balances at central banks	676,492	677,864
Loans and advances to banks	179,622	224,667
Debt securities	73,249	162,370
Other assets	19,902	25,530
Accrued income	1,345	1,035
	950,610	1,091,466
Measured at cost less accumulated impairment		
Equity shares	341	126

	2021	Restated 2020
	£'000	£'000
Financial Liabilities		
Measured at fair value through profit and loss		
Derivatives financial liabilities – foreign exchange related contracts	7,669	13,511
Measured at amortised cost		
Customer accounts	1,194,682	1,077,110
Creditors	368	672
Accruals	8,215	4,932
	1,203,265	1,082,714

Further information about the restatement can be found in Note 28.

Notes to the Financial Statements for the year ended 31 December 2021 (continued)
Financial Instruments (continued)

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

Forward foreign exchange contracts and currency swaps have been transacted to economically hedge assets and liabilities in foreign currencies with movements recognised at fair value through profit or loss. The fair values of such amounts are based on spot FX rates and forward points quoted by Reuters.

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

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

b) Amounts recognised in profit or loss

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

	2021 £'000	2020 £'000
Revaluation of money market funds	-	-
Income/ (Expense) from forward foreign exchange contracts*	<u>5,167</u>	<u>(7,125)</u>
	<u>5,167</u>	<u>(7,125)</u>

* The loss/gain on the FX contracts typically offsets the gain/loss of a similar magnitude following the revaluation of non £ denominated assets/liabilities on the balance sheet.

c) Risk exposure and fair value measurements

Information about the methods and assumptions used in determining fair value is provided in note 11 above.

d) Fair values of financial assets measured at amortised cost

Apart from the fixed rate bonds, the carrying amounts of financial assets and liabilities measured at amortised cost are approximately the same as their fair values due to their short-term nature. The fair values of the fixed rate bonds are detailed in Note 8.

e) Impairment and risk exposure

There were no impaired debtors. Information about the impairment of trade and other debtors, their credit quality and CAB's exposure to credit risk can be found in the accounting policy note for financial instruments and Notes 7 and 8 above.

f) Financial liabilities measured at amortised cost

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

Notes to the Financial Statements for the year ended 31 December 2021 (continued)

20. FINANCIAL RISK / LIQUIDITY

Information on the policy for managing credit, liquidity and market risk is in the Chief Executive Officer's Report.

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

Assets 2021

	More than Less than	0 months 3 months £'000	3 months 1 year £'000	1 year 2 years £'000	2 years 5 years £'000	Total £'000
Cash and balances at central banks		676,492	-	-	-	676,492
Loans and advances to banks		160,673	19,321	-	-	179,994
Debt securities		30,267	42,860	-	-	73,127
Money market funds		336,737	-	-	-	336,737
Equity shares		-	-	-	341	341
Derivatives – assets		1,628	13	-	-	1,641
Other assets		19,368	187	347	-	19,902
Prepayments/accrued income		1,921	1,272	380	73	3,646
		<u>1,227,086</u>	<u>63,653</u>	<u>727</u>	<u>414</u>	<u>1,291,880</u>

Liabilities 2021

	More than Less than	0 months 3 months £'000	3 months 1 year £'000	1 year 2 years £'000	2 years 5 years £'000	Total £'000
Customer accounts		1,132,349	62,461	-	-	1,194,810
Derivatives – liabilities		7,519	150	-	-	7,669
Other liabilities		25,801	37	355	-	26,193
Accruals and deferred income		7,667	556	-	-	8,223
		<u>1,173,336</u>	<u>63,204</u>	<u>355</u>	<u>-</u>	<u>1,236,895</u>

Note: since the interest bearing financial instruments detailed above include interest due on maturity, they do not equate to the balance sheet exposure

Notes to the Financial Statements for the year ended 31 December 2021 (continued)

20. Financial Risk/Liquidity (continued)

Assets 2020 (restated)

	More than Less than	0 months 3 months £'000	3 months 1 year £'000	1 year 2 years £'000	2 years 5 years £'000	Total £'000
Cash and balances at central banks		677,864	-	-	-	677,864
Loans and advances to banks		156,664	68,569	-	-	225,233
Debt securities		41,597	121,449	-	-	163,046
Money market funds		52,740	-	-	-	52,740
Equity shares		-	-	-	126	126
Derivatives – assets		2,274	31	-	-	2,305
Other assets/ deferred tax		25,499	-	3	28	25,530
Prepayments/accrued income		1,203	1,006	693	120	3,022
		<u>957,841</u>	<u>191,055</u>	<u>696</u>	<u>274</u>	<u>1,149,866</u>

Liabilities 2020 (restated)

	More than Less than	0 months 3 months £'000	3 months 1 year £'000	1 year 2 years £'000	2 years 5 years £'000	Total £'000
Customer accounts		977,239	99,626	601	-	1,077,466
Derivatives – liabilities		12,494	1,017	-	-	13,511
Other liabilities		6,865	-	819	-	7,684
Accruals and deferred income		4,565	807	-	-	5,372
		<u>1,001,163</u>	<u>101,450</u>	<u>1,420</u>	<u>-</u>	<u>1,104,033</u>

Notes to the Financial Statements for the year ended 31 December 2021 (continued)

21. HOLDING COMPANY

The immediate parent is CAB Tech Holdco Limited whose parent, CABIM Limited, is the smallest and largest group to consolidate these financial statements as at 31 December 2021. The ultimate parent undertaking and controlling party is Helios Investors III LP, acting through its general partner Helios Investors Genpar III LP. Helios Investors Genpar III LP is registered in the Cayman Islands with its registered office at PO Box 309GT, Uglund House, South Church Street, Grand Cayman, Cayman Islands KY1-1104.

Copies of the financial statements of CABIM Limited may be obtained from Quadrant House, The Quadrant, Sutton, Surrey SM2 5AS.

22. RELATED PARTY TRANSACTIONS

CAB entered into the following related party transactions:

- A. As at 31 December 2021, CAB had one (2020 – one) intercompany balance with Helios Investors Genpar III LP (a company which had control or significant influence over CAB) of £12,500 (2020 -£12,500). The amount relates to the outstanding balance of a director's fees incurred during the year totalling £25,000 (2020 - £25,000).
- B. CAB provided administration services (HR, finance etc) and/or office space to two companies within the CABIM Limited group, Crown Agents Investment Management Limited (total charge £458,978 (2020 - £458,978)) and Segovia Technology Company (no charge levied).
- C. CAB provided banking services to connected parties, all of which were at arm's length. The income generated from those services was as follows:

	2021	2020
	£'000	£'000
Givedirectly Inc		
Traded FX	83	76
Payments FX	6	-
Platform Revenue	434	245
Correspondent banking	3	-
	526	321
	2021	2020
	£'000	£'000
Tap Tap Send UK Ltd		
Traded FX	1,326	2,314
Payments FX	15	4
Platform Revenue	6	-
Correspondent banking	78	277
	1,425	2,595

Both entities are controlled by a director of the Company

Notes to the Financial Statements for the year ended 31 December 2021 (continued)
Related Party Transactions (continued)

D. As at the year end, CAB had intercompany balances with a number of companies within the group of its indirect parent, CABIM Limited, as follows:

	2021 £'000	2020 £'000
CABIM Limited	752	295
Crown Agents Investment Management Limited	(195)	114
CAB Tech HoldCo Limited	88	53
Segovia Technology Co (US)	2,840	6,340
Segovia Technology International Limited (Caymans)	(136)	(183)
Segovia Technology Bangladesh Limited	0	(17)
Segovia Technology Congo SARL	237	(21)
Segovia Technology Cote d'Ivoire	5	(5)
Segovia Technology (Kenya) Co	63	(58)
Segovia Technology Liberia Corp	20	4
Segovia Technology 454 Ltd (Malawi)	441	(58)
Segovia Technology Nigeria Ltd	(8)	(23)
Segovia Pakistan Ltd	2	-
Segovia Technology Rwanda Corp Ltd	181	(133)
Segovia Technology Senegal	3	(17)
Segovia Technology (Tanzania) Co	(305)	(699)
Segovia Technology (Uganda) Co.Ltd	(172)	26
	3,816	5,618
Total receivable	4,632	6,832
Total payable	(816)	(1,214)
	3,816	5,618

E. CAB provided FX deals to group companies, all of which were at arm's length, as follows:

Counterparty	2021			2020		
	No.	Nominal £'000	Profit £'000	No.	Nominal £'000	Profit £'000
Helios Investors Genpar III LP	85	47,057	8	37	10,941	2
Helios Investment Partners LLP	1	375	-	4	5,387	1
	86	47,432	8	41	16,328	3

F. CAB provided loans to staff/directors (see Note 13). Further details of the loans to directors and key management are provided in Note 3.

Notes to the Financial Statements for the year ended 31 December 2021 (continued)

23. INTEREST RATE SENSITIVITY

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

Interest rate re-pricing	<i>Not more than three months</i>	<i>More than three months but not more than six months</i>	<i>More than six months but not more than one year</i>	<i>More than one year but not more than five years</i>	<i>Non-Interest bearing</i>	<i>Total</i>
	£'000	£'000	£'000	£'000	£'000	£'000
2021						
Assets						
Cash and balances at central banks	676,492	-	-	-	-	676,492
Loans and advances to banks	160,506	19,116	-	-	-	179,622
Debt securities	30,263	42,986	-	-	-	73,249
Money market funds	336,737	-	-	-	-	336,737
Equity shares	-	-	-	-	341	341
Other assets*	-	-	-	-	45,529	45,529
	<u>1,203,998</u>	<u>62,102</u>	<u>-</u>	<u>-</u>	<u>45,870</u>	<u>1,311,970</u>
Equity and Liabilities						
Customer accounts	1,132,386	48,331	13,965	-	-	1,194,682
Other liabilities**	-	-	-	-	42,084	42,084
Shareholders' funds	-	-	-	-	75,204	75,204
Total equity and liabilities	<u>1,132,386</u>	<u>48,331</u>	<u>13,965</u>	<u>-</u>	<u>117,288</u>	<u>1,311,970</u>
Interest rate sensitivity gap	<u>71,612</u>	<u>13,771</u>	<u>(13,965)</u>	<u>-</u>	<u>(71,418)</u>	
Cumulative gap	<u>71,612</u>	<u>85,383</u>	<u>71,418</u>	<u>71,418</u>	<u>-</u>	

*Includes fixed assets, derivative financial instruments, prepayments, and accrued income.

** includes derivative financial instruments, accruals, and deferred income

Notes to the Financial Statements for the year ended 31 December 2021 (continued)
Interest Rate Sensitivity (continued)

Interest rate re-pricing	<i>Not more than three months</i>	<i>More than three months but not more than six months</i>	<i>More than six months but not more than one year</i>	<i>More than one year but not more than five years</i>	<i>Non-Interest bearing</i>	<i>Total</i>
<u>2020 (Restated)</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Assets						
Cash and balances at central banks	677,864	-	-	-	-	677,864
Loans and advances to banks	156,541	49,364	18,762	-	-	224,667
Debt securities	41,069	53,187	68,114	-	-	162,370
Money market funds	52,740	-	-	-	-	52,740
Equity shares	-	-	-	-	126	126
Other assets*	-	-	-	-	52,198	52,198
	<u>928,214</u>	<u>102,551</u>	<u>86,876</u>	<u>-</u>	<u>52,324</u>	<u>1,169,965</u>
Equity and Liabilities						
Customer accounts	977,323	66,345	32,851	591	-	1,077,110
Other liabilities**	-	-	-	-	26,567	26,567
Shareholders' funds	-	-	-	-	66,288	66,288
Total equity and liabilities	<u>977,323</u>	<u>66,345</u>	<u>32,851</u>	<u>591</u>	<u>92,855</u>	<u>1,169,965</u>
Interest rate sensitivity gap	<u>(49,109)</u>	<u>36,206</u>	<u>54,025</u>	<u>(591)</u>	<u>(40,531)</u>	<u>-</u>
Cumulative gap	<u>(49,109)</u>	<u>(12,903)</u>	<u>41,122</u>	<u>40,531</u>	<u>-</u>	<u>-</u>

* Includes fixed assets, derivative financial instruments, prepayments, and accrued income.

** includes derivative financial instruments, accruals, and deferred income.

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

Parallel Shift	2021 £'000	2020 £'000
+ 200bp	<u>(1,369)</u>	<u>215</u>
-200bp	<u>1,404</u>	<u>221</u>

Notes to the Financial Statements for the year ended 31 December 2021 (continued)

24. CURRENCY RISK

CAB does not engage in currency speculation. The table below shows CAB's transactional currency exposures in its book; that is those non-structural exposures that give rise to the net currency gains and losses recognised in the profit and loss account. Such exposures comprise the monetary assets and monetary liabilities of CAB that are not denominated in sterling.

As at 31 December, these exposures were as follows:

2021 - Currency (£'000 equivalent)	US\$	Euro	KES	UGX	Other	Total
(Liabilities)/ Assets Net forward	(457,115)	(25,018)	667	582	27,250	(453,634)
purchases/(sales)	454,664	24,264	(1)	(2)	(25,282)	453,643
	(2,451)	(754)	666	580	1,968	9

2020 - Currency (£'000 equivalent)	US\$	Euro	Yen	AUD	Other	Total
(Liabilities)/ Assets Net forward	(477,673)	(23,952)	(4,656)	(6,768)	569	(512,480)
purchases/(sales)	475,776	21,871	4,593	6,759	2,027	511,026
	(1,897)	(2,081)	(63)	(9)	2,596	1,454

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

	2021 £'000	Restated 2020 £'000
Assets		
Denominated in sterling	731,212	707,470
Denominated in other currencies	580,758	462,495
	1,311,970	1,169,965
Liabilities and Equity		
Denominated in sterling	277,580	194,990
Denominated in other currencies	1,034,392	974,975
	1,311,970	1,169,965

A 10% depreciation in the value of £ against all other currencies would increase CAB's net asset value by £5,648 (2020: £5,553).

Notes to the Financial Statements for the year ended 31 December 2021 (continued)

25. CREDIT EXPOSURE

At 31 December the replacement costs by residual maturity and net replacement costs by counterparty of CAB's over-the-counter derivative financial instruments, all of which were non-trading, were:

Potential Credit Exposure	2021		2020	
	Up to 1 year £000	Total £000	Up to 1 year £000	Total £000
Forward foreign exchange contracts	755,843	755,843	765,209	765,209
Total notional principal amount	755,843	755,843	765,209	765,209
Replacement cost by counterparty				
Other banks	1,641	1,641	2,305	2,305
Total replacement cost	1,641	1,641	2,305	2,305

Such contracts are all covered by collateral deposits.
Other credit exposures (all falling due within one year) were as follows:

	2021 £'000	2020 £'000
Central banks	676,492	677,864
Loans and advances to banks	179,622	212,366
Debt securities	73,249	162,370
Money market funds	336,737	52,740
Other exposures		
- Staff loans	535	28
- Balances with mobile network operators	1,315	64
	1,267,950	1,105,432

26. CAPITAL MANAGEMENT

CAB is subject to regulatory requirements imposed by the PRA and the FCA. Such regulations include the requirement, at all times, to carry sufficient regulatory capital to meet the underlying capital requirements. In order to do so, CAB calculates those capital requirements on a daily basis, and, using a traffic light warning system based on an internal buffer, reports to ALCO, or should the need arise, the Board.

All of the above remained unchanged from 2020.

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

As noted earlier, full details of CAB's capital adequacy requirements are provided in its Pillar 3 Disclosures which can be found on CAB's website (www.crownagentsbank.com). The disclosures are not audited.

Notes to the Financial Statements for the year ended 31 December 2021 (continued)

27. NOTES TO THE CASH FLOW STATEMENT

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

	2021	Restated
	£'000	£'000
Profit before taxation	10,672	1,040
Increase in prepayments and accrued income	(623)	(702)
Increase in accruals, provisions, and deferred income	2,851	1,870
Decrease in provision for doubtful debts	-	(75)
Effect of currency exchange rate changes	(9,395)	(4,651)
Effect of mark to market valuations	-	-
Amortisation	4,775	2,539
Depreciation	836	698
Net cash inflow from trading activities	9,116	719
Net decrease in items in course of transmission	-	(339)
Net decrease/ (increase) in loans and advances to banks	76,797	59,616
Net decrease in loans and advances to related parties	-	2,146
Net increase/ (decrease) in customers' accounts	123,684	(22,270)
Net decrease/ (increase) in debt securities	86,968	(11,653)
Net (decrease)/ increase in other assets	5,629	(11,781)
Net increase in other liabilities	18,607	102
Share based payment charge	258	6
Loss on disposal of fixed assets/impairments	3	4
Net cash inflow from operating activities	321,062	16,550

Notes to the Financial Statements for the year ended 31 December 2021 (continued)

28. PRIOR YEAR ADJUSTMENTS

Following a review during the year, CAB uncovered two errors relating to amounts due to/from HMRC dating back to 2016. The two items (together with the adjustments to the associated professional fees) have been treated as prior year adjustments, the effect of which is summarised below:

Reconciliation of pre-tax profit for the year	2020 £'000
Pre tax profit for the year as reported previously	1,278
Reduction in net income	<u>(238)</u>
Revised pre tax profit for the year	<u><u>1,040</u></u>

Reconciliation of tax charge for the year	2020 £'000
Tax charge for the year as reported previously	366
Reduction in tax charge	<u>(45)</u>
Revised tax charge for the year	<u><u>321</u></u>

Reconciliation of Other Assets	2020 £'000
Other Assets as reported previously	25,587
Reduction	<u>(57)</u>
Revised Other Assets	<u><u>25,530</u></u>

Reconciliation of Other Liabilities	2020 £'000
Other Liabilities as reported previously	7,548
Increase	<u>136</u>
Revised Other Liabilities	<u><u>7,684</u></u>

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