

CAB | PAYMENTS

Crown Agents
Bank

2024
results presentation

Moving money where it's needed

Agenda

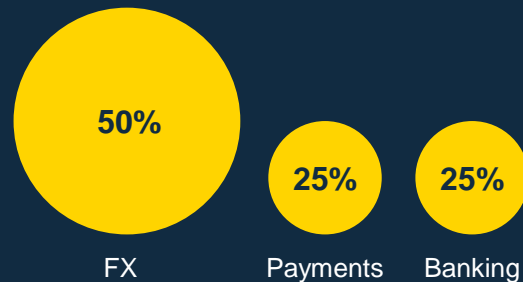
- 1 Introduction and highlights Neeraj Kapur, Group CEO
- 2 Financial Performance Neeraj Kapur
- 3 Strategic update Neeraj Kapur, David Bee (Chief Commercial Officer), Claire Gates (Global Head of Payments)
- 4 Q&A

We are an FX & Payments led business...

...but growth needs to come by way of a more sustainable business model

Previously

2023 Income distribution



Transactional-led business model – benefitting from market dislocations

Moving towards....

Stability in income

- More clients, geographies, products

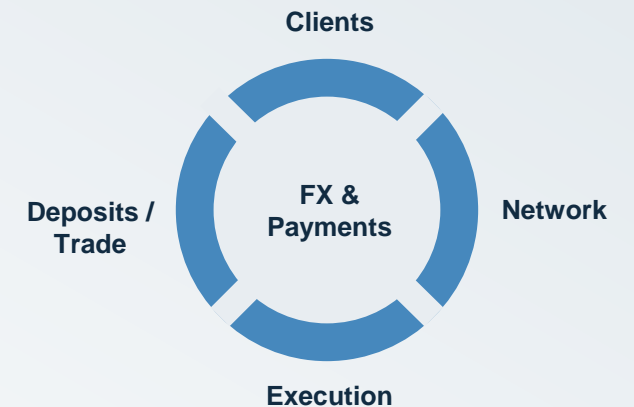
Sustainable growth

- Building a moat – the banking business, driving client loyalty
- Scale up related products e.g. trade finance
- New client offerings e.g. corporate solutions



FX & Payments volumes growth

A more integrated model...



- Relationship led
- Geographically diverse
- Technology-driven

Highlights

We are executing on our strategy

- Good growth in volumes, market share increasing
- **53** new active clients onboarded with **546** total active clients
- Client lending up **3.2x** – trade finance & working capital
- Re-shaping our business and cost structure to reflect strategic intent
- Strategic initiatives starting to deliver

Going forward:

Business continues to transform, new building blocks of growth to drive meaningful change

Building on a robust business model

£37.2bn

Volumes

+7% vs 2023

546

Active clients

+7% vs 2023

390

Network counterparties

+18% vs 2023

£105m

Gross Income

29%

Adjusted EBITDA Margin

£16.0m

Adjusted PAT

19.2%

CET1 Ratio

2023: 25.5%

Strong balance sheet

£1.6bn

Deposit Base

2023: £1.5bn

Note:

Refer to the alternative performance measures within the FY24 accounts for definition and calculation of the above metrics

Financial Performance



Income statement

Performance reflects prior year macro headwinds

£m	2023	2024	%
Wholesale FX	68.5	41.2	(40%)
Payments	34.2	27.3	(20%)
Payments FX	19.9	12.6	(37%)
Other payments	14.3	14.7	3%
Banking	34.3	37.0	8%
Net Interest Income from cash management	31.7	30.9	(3%)
Trade finance & other	2.6	6.1	135%
Total Gross income	137.1	105.5	(23%)
Adjusted operating costs	(72.1)	(76.1)	(6%)
Impairment and IFRS 16 interest expense add back	(0.3)	1.3	
Adjusted EBITDA	64.6	30.8	(52%)
Depreciation & Amortisation	(5.8)	(8.5)	(47%)
deduct: IFRS16 interest expense	(0.1)	(0.9)	
Adjusted Profit before Tax	58.7	21.3	(64%)
Adjusted Profit after Tax	44.9	16.0	(64%)
Adjusted EPS	17.7	6.3	

Wholesale FX & Payments FX

- Challenging macro conditions in Emerging Markets
- Good growth in Developed Markets but low margins

FX driven

Other Payments

- Good consistent growth: G10 payments by EMFIs

Fee driven

Banking

- Higher yielding HQLA and trade finance activity, mitigating a falling rate environment

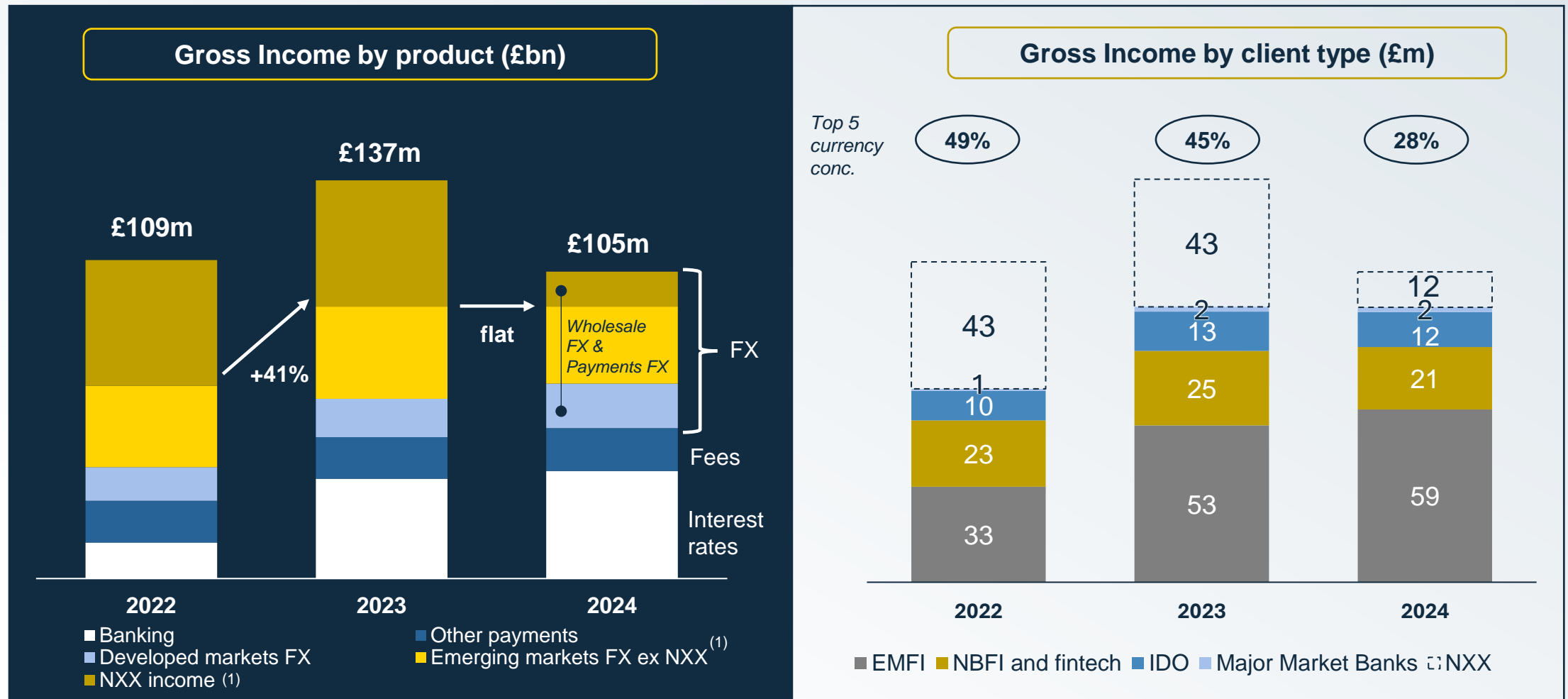
Interest rate driven

Costs

- Costs increased from prior year annualisation
- Cost alignment action underway to reflect business model

Increasingly diverse income profile

Building a more predictable and sustainable business

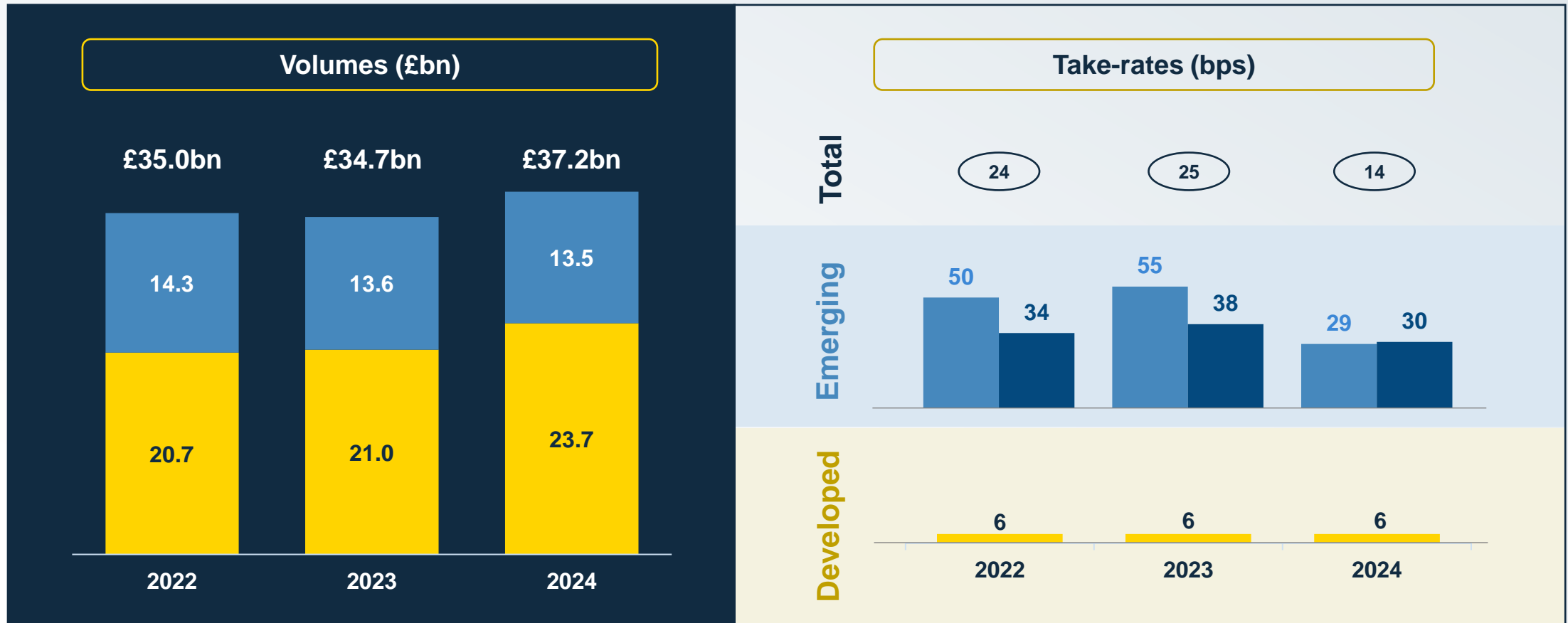


Notes:
 (1) NXX = Nigerian Naira (NGN), Central African Franc (XAF) and West African Franc (XOF)

Volumes up Take-rates narrowed by market forces

More diversified volume growth reflecting strength and depth of relationships

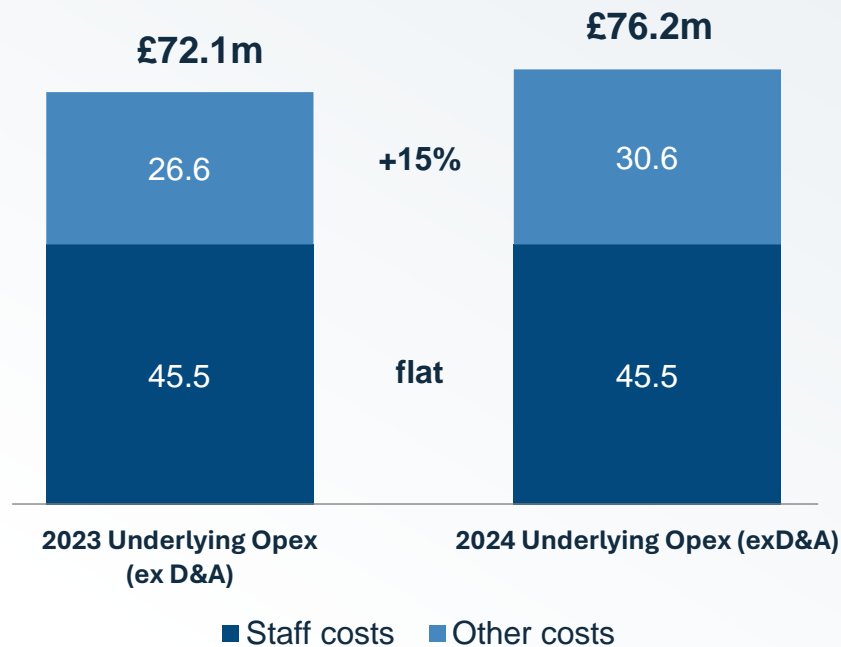
Macro drivers compressed EM take rates



■ Developed markets
 ■ Emerging markets
 ■ Emerging markets ex NXX

Optimising resource to drive strategic growth

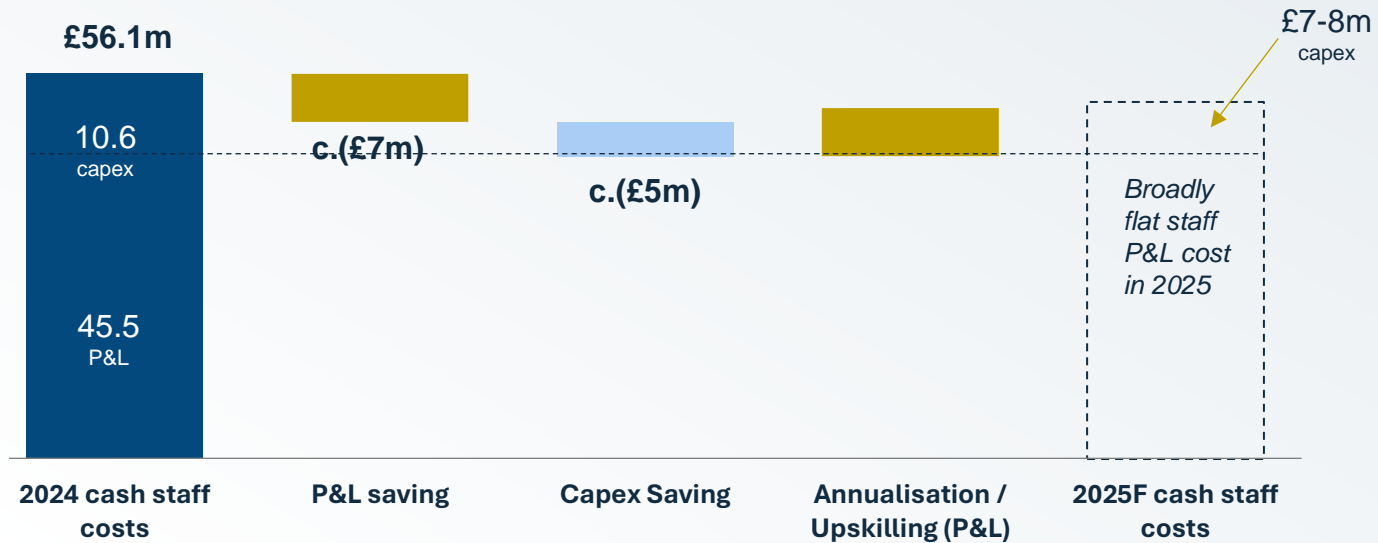
Operating costs up 6%



- Flat staff cost growth
- Other costs driven by
 - Technology to support larger operations
 - Property costs associated with larger global footprint
- Actions take to reshape business
- Fixed cost base allows for positive operating leverage with growth

c.70% operating costs fixed in 2024

We are re-shaping our work force & strategically upskilling



- Expected £12m saving in cash staff costs
- c. £5m capex proportionally reduces anticipated capex in 2025
- Additional staff costs in 2025:
 - Annualisation of c.80 FTE in 2024
 - Upskilling roles in frontline to generate higher sales

Estimated non-recurring restructuring cost of c.£2.5m - £3.0m

The business is cash generative

2024 absorbed higher capex spend and lower margin performance with cash conversion >50%

	2023	2024
Adjusted EBITDA (£m)	64.6	30.8
Operating FCF (£m)	56.8	15.5
Op. FCF Conversion ⁽¹⁾ (%)	88%	50%
Core Capex ⁽²⁾ (£m)	7.0	12.5
Capital intensity ⁽³⁾ (%)	5%	12%

*Catch-up on
2023 underspend*

- Cash conversion >50%
- Higher 2024 Capex reflects underspend in 2023
- Catalysts for higher cash generation in 2025:
 - Lower Capex
 - Positive operating leverage

Notes:

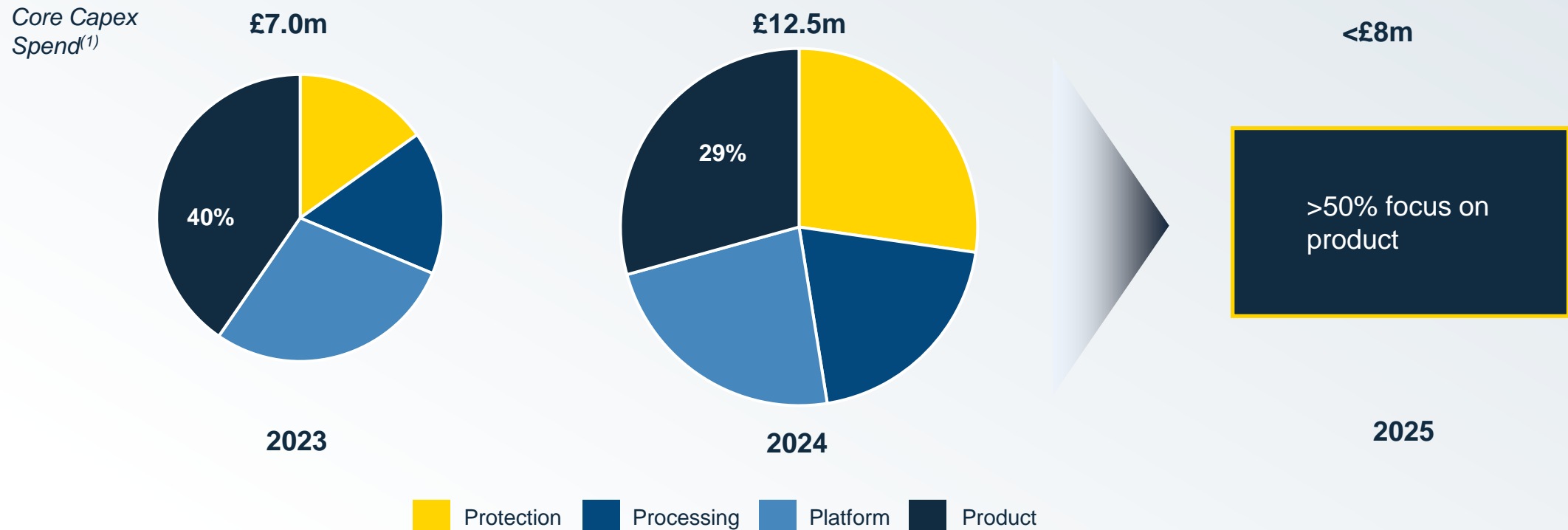
(1) Cash Conversion calculated as OpFCF / adjusted EBITDA.

(2) Core capex: Defined as capital expenditure on intangible assets

(3) Defined as core capex / Gross income

Investing to future-proof our business

Substantial completion of projects in 2024 enables lower project spend going into 2025 and greater focus on product

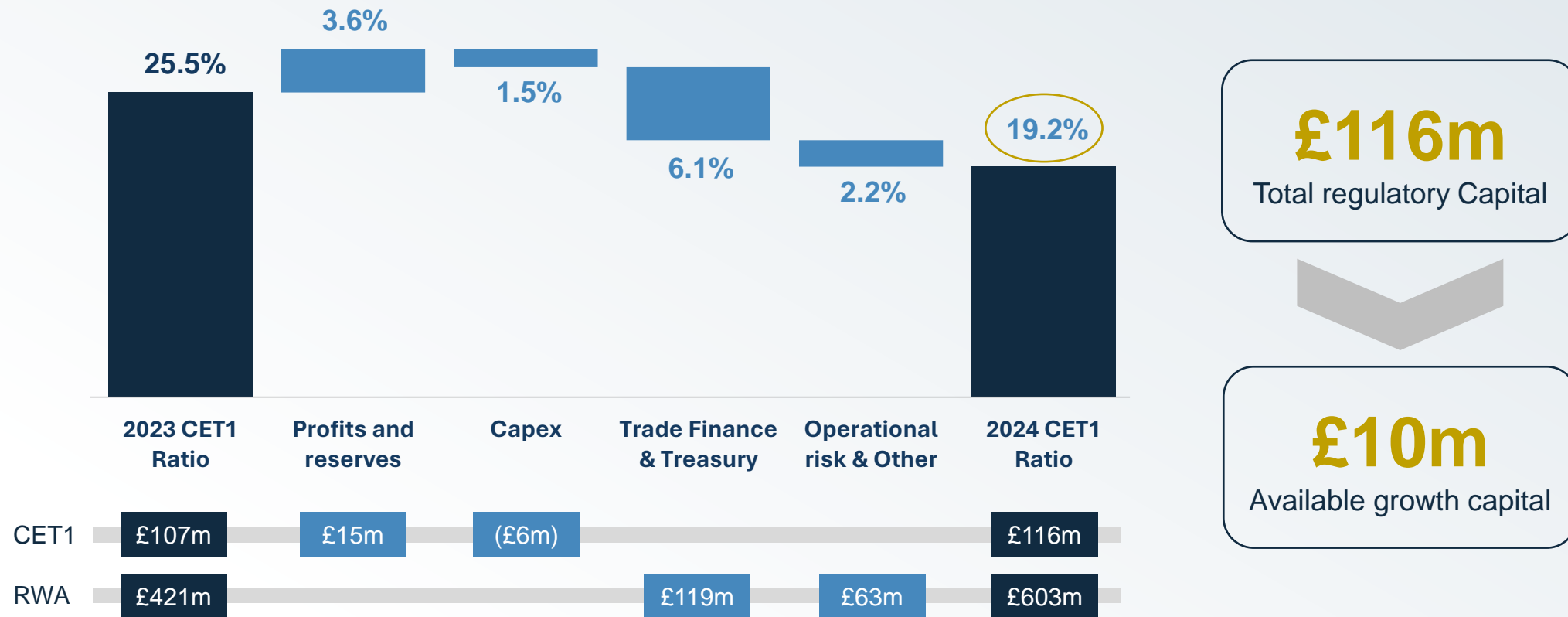


2024 focus on platform scalability. 2025 focus on product enhancement

Notes:
 (1) Core capex reflects spend purely on intangible assets

Well capitalised to support growth

Strong capital base with further capital allocated to drive increased FX payments through trade finance



Key takeaways

Financial strength

- Remain profitable and cash generative
- Strong liquidity with 19.2% CET1 ratio and over £1.6bn in deposits

Investment

- Large scale operational resilience delivered
- Now focused on delivering product and growth
- Expect lower Capex going forward

Income

- Challenging 2024, however solid underlying foundations
- Positive actions underway to deliver diversified income growth

Costs

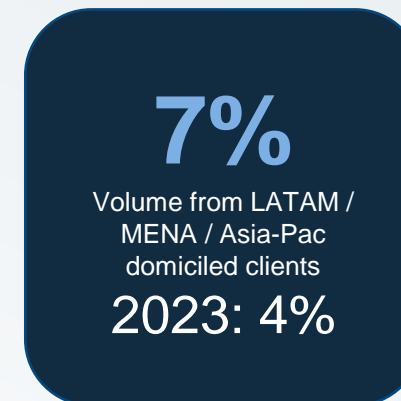
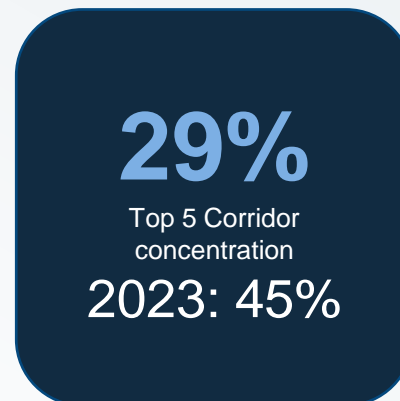
- Cost base c.70% fixed, expect positive operating leverage with income growth
- Cost actions underway and delivering



Strategic Update

Good strategic progress

- New leadership in place and executing
- Business model is strong
- Relationships with clients stronger than ever
- Strategic KPIs improving
- Confidence in the future



We are part way through our journey

	2024 strategy focus areas	Where we are now	Status
Leadership	Identify and fill key leadership roles and skills gaps	Key hires made: CFO, COO, Experienced Global Head of Sales, Head of Payments, Head of Banking	
Network	Reduce Africa concentration, improve utilisation	Increasing proportion of network built outside of Africa, now targeting new areas MENA / LATAM	
Clients	Reduce revenue reliance on top clients, monetise tail	Diversification of client base underway including Central banks and corporates	
Platform	Build an inter-dependent model utilising all product lines	More holistic and integrated offering – e.g. trade finance, guaranteed deposits, FX derivatives	
Innovation	Identify investment gaps and complete core operational investment	Operational resilience work largely complete, work continuing on process automation and AI	

Long term structural opportunities

- Increasing presence in markets with fast growing economies – Africa, Latin America, Middle East-North Africa
- Driving new and improved Central Banks relationships to gain superior access to local liquidity
- Partnering with IDOs to deliver flows into hard-to-reach areas
- Supporting flow of growth capital from Middle East into Africa

>4%

GDP Growth

30

Transactional CB relationships

£6bn

IDO volumes serviced

£110bn

Committed by the UAE into SSA

A 12 - 18 month transformation program

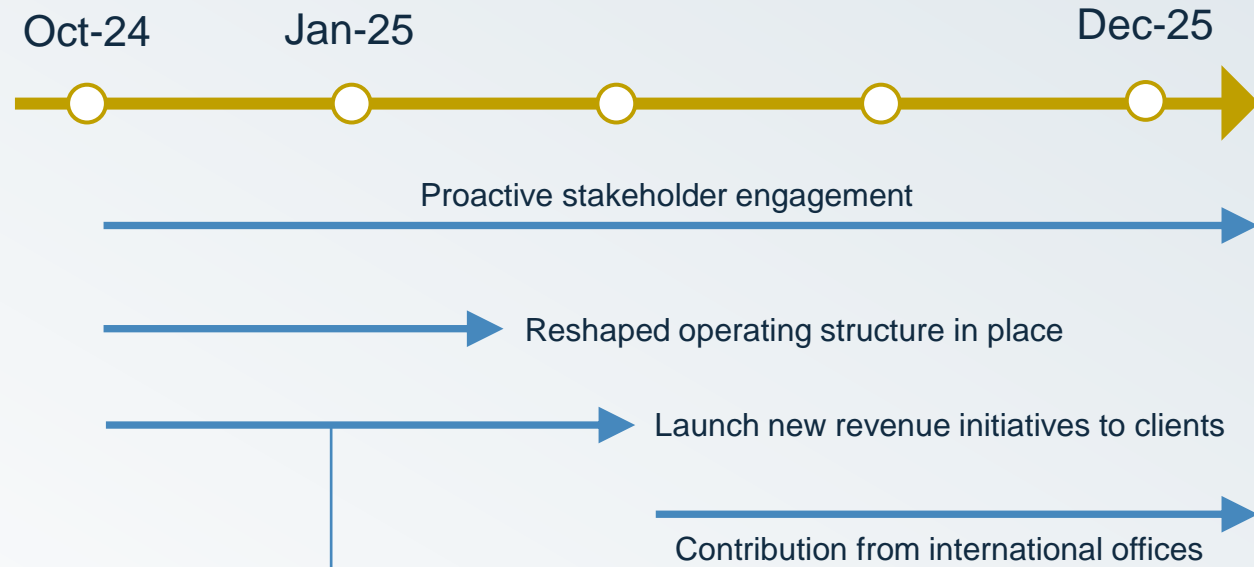
Good early strategic progress after discovery, test and learn phase in 2024

Objective

- Steady growth business based on sound market fundamentals
- Diversified by geography and client type
- Re-shaped operational structure demonstrating increasing operational leverage

Building a diversified and sustainable business model

Business transformation

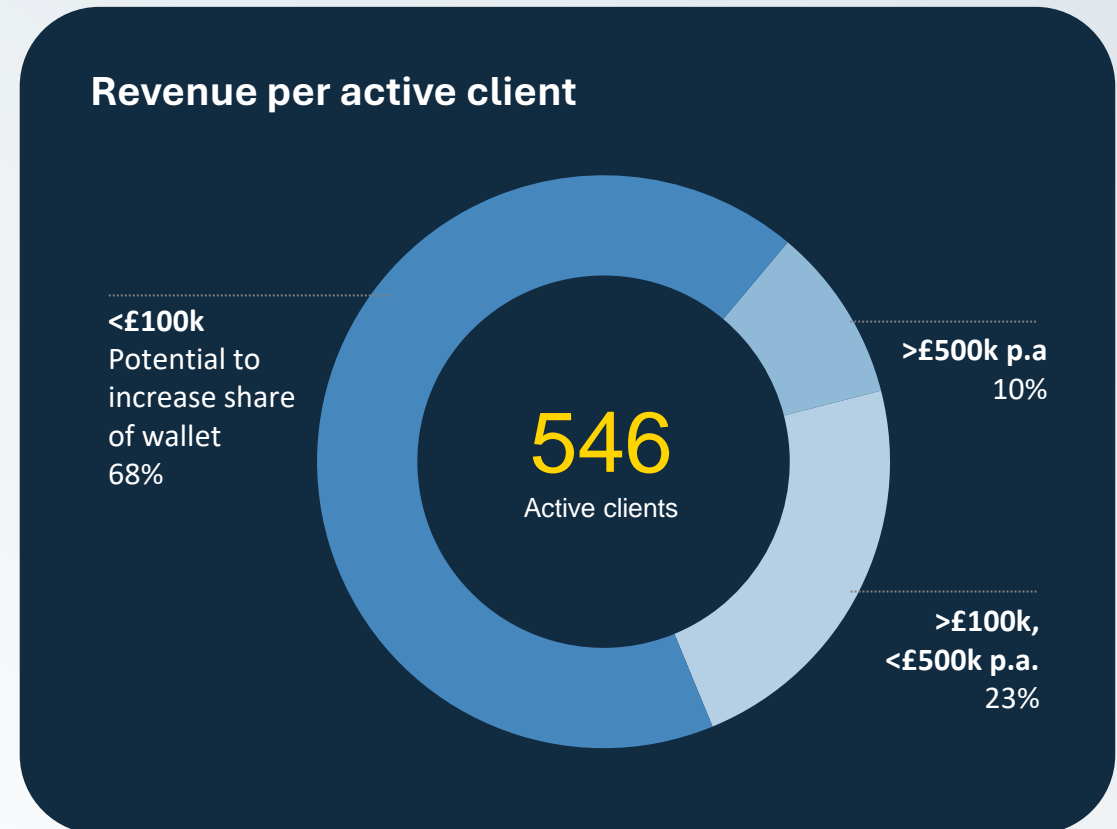


- Deposit guarantee
- Trade finance – expansion / syndication
- Structured solutions
- Derivatives
- Additional payments functionality

Our customers come to us because we are a strong partner

- Specialist in hard-to-reach markets
- Strong client loyalty – 30+ year relationships
- Differentiated offerings
- Integrated within local financial infrastructure
- Service driven

However...
there is further opportunity to monetise our client book



New income initiatives in 2025 driving sustainable growth

Offering more to our FX & Payments clients



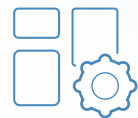
Enhanced payments functionality

- Helping our clients money go further
- 'Last mile' capability through VISA



FX Derivatives

- Helping clients to hedge longer term fluctuations in FX rates
- Wider product suite



Structured solutions

- Unlocking trapped liquidity
- Trade finance solutions (see next slide)



Guaranteed deposits

- Expected to drive flows from large multi-national organisations that only transact with at least "A" rated institutions



Driving core FX & Payments business growth

Trade Finance drives client loyalty and strong economics...

...and generates better FX pricing

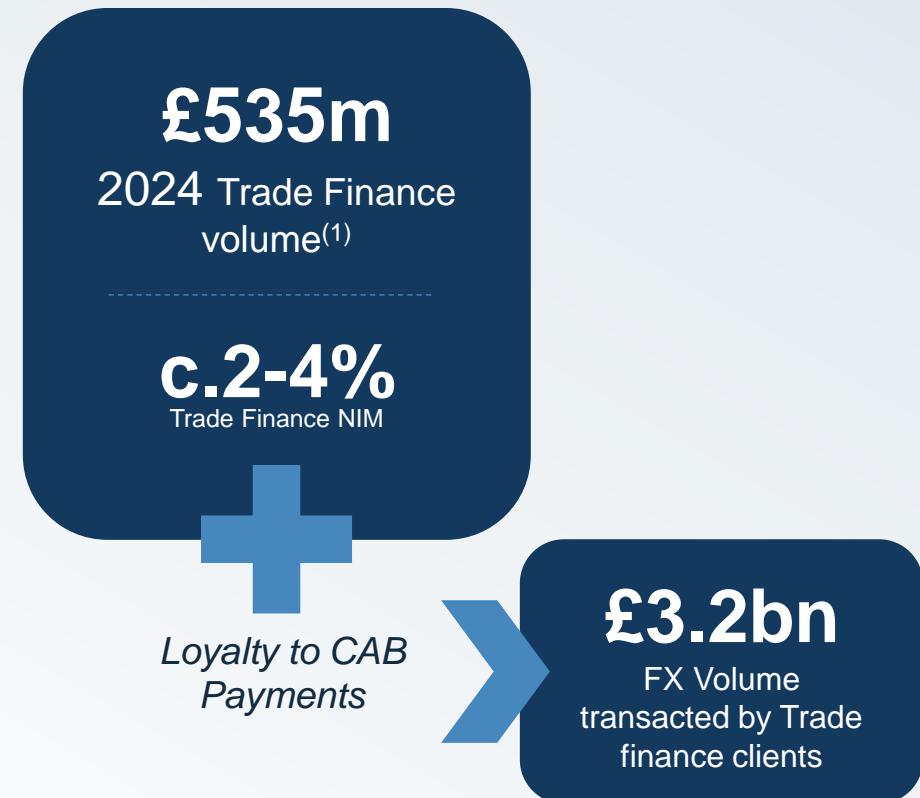
Strong use cases:

- *Unlocks friction of trading with emerging markets*
- *Quicker and larger trade transactions*

Well positioned to win:

- *Integrated FX, Payments & Banking provider*
- *Local currency repayment options – an industry first*
- *Strong relationship with central banks to support economic policies*

FX, Payments & Banking revenues

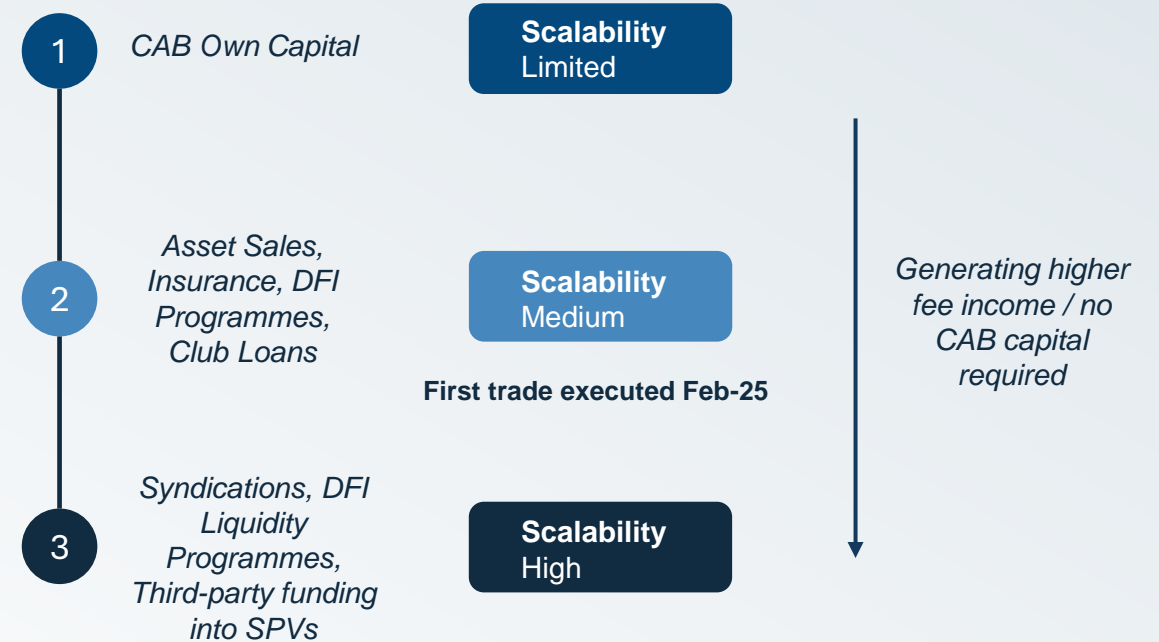


Note:
 (1) Reflects gross amounts drawn on trade finance facilities excluding repayments

...and we have a capital light scaling strategy

- Scale origination through existing relationships
- Market leading execution capability through highly experienced team
- Guarantee and Development Bank appetite for large scale EM commodity trades
- Fee income driven by origination and trade execution services
- Drives strong loyalty with FX liquidity providers

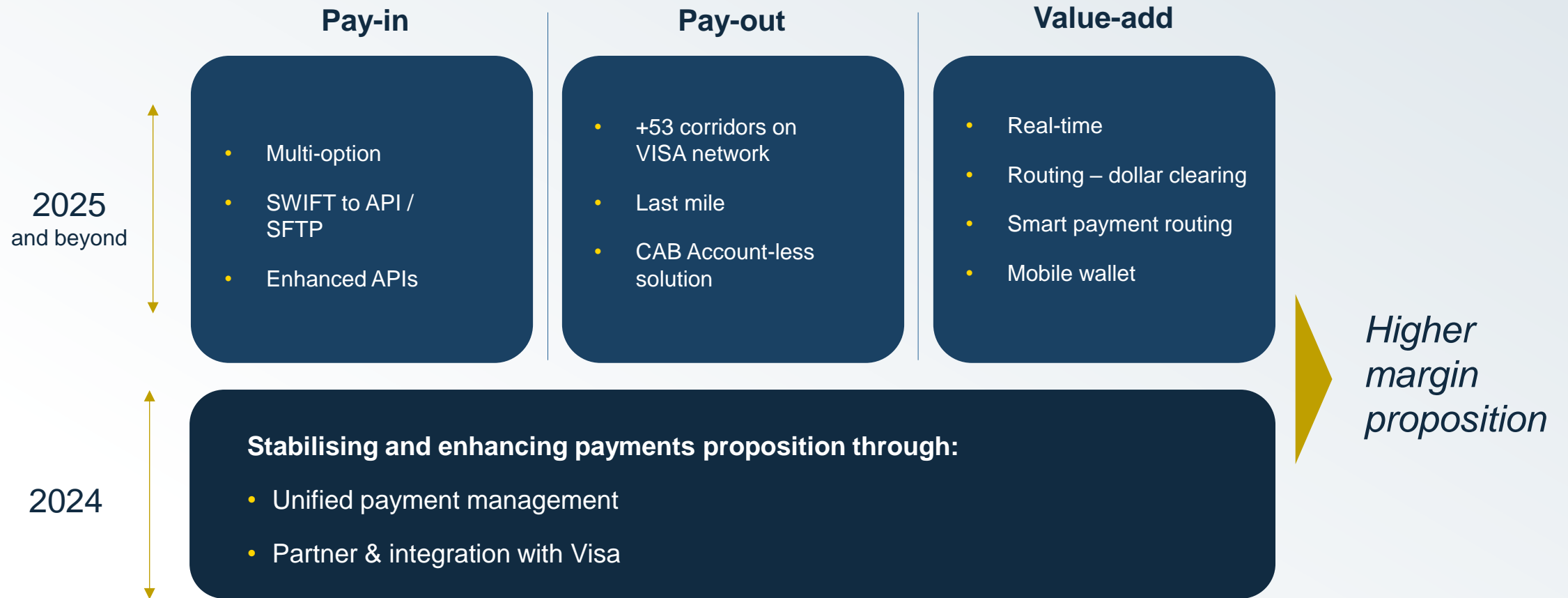
A journey to achieve true scale



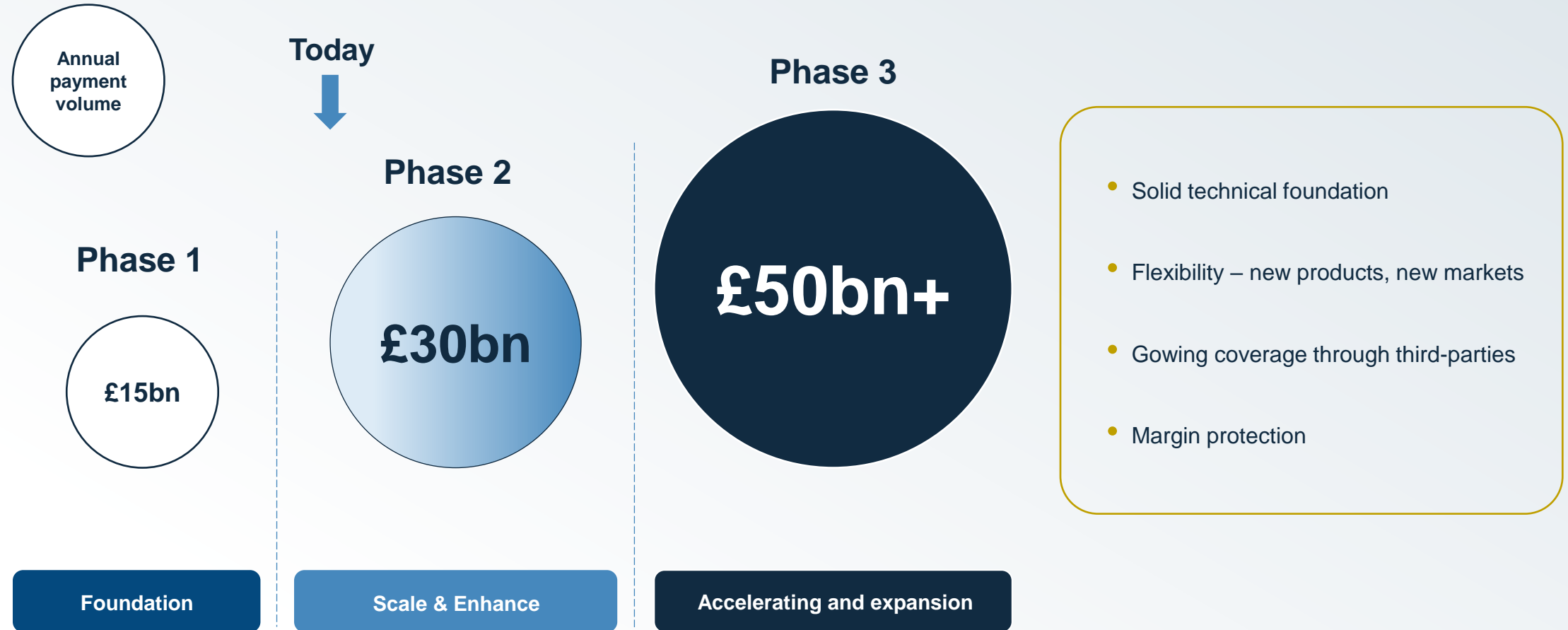
Note:
Source: African Development Bank

We are enhancing our payments capabilities

B2B Payments is evolving, clients want payments to reach more people across multiple channels with speed and transparency



We are on a journey to be the leading B2B Payment Solution Provider in emerging markets



We are reshaping the business to deliver growth

An enhanced business model driving significant growth

- 1 Relationship led
- 2 Technology driven
- 3 Geographically diverse

Underpinned by our four-pillar strategy



Network



Clients



Platform



**Invest and
innovate**



Appendix

The CAB Payments investment case



Serving large growth markets



Differentiated service proposition



Diverse and growing B2B client base



Leading emerging markets FX infrastructure



Strong opportunity for growth and operational leverage



Driving social change in emerging markets

P&L - management basis

£m	H1 2024	H2 2024	2024	H1 2023	H2 2023	2023
Wholesale FX	22.9	18.3	41.2	37.8	30.7	68.5
Payments	14.1	13.2	27.3	16.8	17.4	34.2
Payments FX	7.0	5.6	12.6	10.4	9.5	19.9
Other payments	7.1	7.6	14.7	6.4	7.9	14.3
Banking	18.7	18.3	37.0	17.2	17.1	34.3
Net Interest Income from cash management	16.2	14.7	30.9	15.8	15.9	31.7
Trade finance & other	2.5	3.7	6.2	1.4	1.2	2.6
Total Gross income	55.7	49.8	105.5	71.8	65.2	137.1
Adjusted operating costs	(37.6)	(38.5)	(76.2)	(32.2)	(39.9)	(72.1)
Impairment and IFRS16 Interest expense add back	0.6	0.7	1.3	0.4	(0.7)	(0.3)
Adjusted EBITDA	18.7	12.1	30.8	40.0	24.6	64.6
Depreciation & Amortisation	(3.8)	(4.7)	(8.5)	(3.0)	(2.8)	(5.8)
deduct: IFRS16 Interest expense	(0.2)	(0.7)	(0.9)	-	(0.1)	(0.1)
Adjusted Profit before Tax	14.7	6.6	21.3	36.9	21.7	58.7
Adjusted Profit after Tax	11.0	5.0	16.0	28.2	16.6	44.9


Other Key KPIs

£m	2024	2023	%
Capital & investment			
Core Capex (£m)	12.5	7.0	79%
Capital intensity (% of total income)	14%	5%	
Operating Free Cash Flow (£m)	15.5	56.8	(73%)
Cash conversion (%)	50%	88%	(43%)
Total Capital (£m)	116.0	107.5	8%
Capital available for growth (£m)	9.7	33.9	(72%)
CET1 Ratio (%)	19.2%	25.5%	(27%)
Income			
Wholesale FX & Payments FX (£m)	53.8	88.4	(39%)
Wholesale FX & Payments FX ex NXX (£m)	41.8	45.0	(7%)

£m	2024	2023	%
Income by client type			
EMFI (£m)	59.4	59.6	-
IDO (£m)	15.0	28.9	(48%)
Major Market Banks (£m)	2.4	5.8	(59%)
NBFI and Fintech (£m)	28.7	42.8	(33%)


Four pillar strategy to diversify with sustainable growth

- 1




Network

Strengthen breadth and depth of network
- 2




Clients

Deepen existing relationships, expand the client base
- 3



Platform

Leverage the banking license to accelerate FX and payments volume growth
- 4



Invest and innovate

Disciplined capital management to drive growth

- Improved diversification
- Sustainable growth
- Increased operational leverage

Corridor performance

Volumes improved in H2 however margins declined due to supply / demand factors

Volume and take rate by corridor

Currency Type	Volume (£bn)		Take Rate (%)		Volume (£bn)		Take Rate (%)	
	H1'24	H2'24	H1'24	H2'24	FY'23	FY'24	FY'23	FY'24
Total	17.6	19.6	0.17%	0.12%	34.7	37.2	0.26%	0.14%
Of which:								
<i>Major Markets</i>	10.8	12.9	0.07%	0.06%	21.0	23.7	0.06%	0.06%
<i>Emerging Markets</i>	6.8	6.7	0.33%	0.24%	13.6	13.5	0.55%	0.29%
<i>Memo:</i>								
<i>Emerging Markets (ex. NGN, XAF, XOF)</i>	4.4	4.5	0.34%	0.27%	8.4	8.9	0.38%	0.30%

Take Rate Mix Shift

- Overall Take rate reduced from 26bps at FY23 to 14bps at FY24 as a result of mix shift towards G10
- Take rates in emerging markets ⁽²⁾ has reduced by 7bps in H2'24 v H1'24 as a result of localised supply / demand drivers across a number of key corridors putting

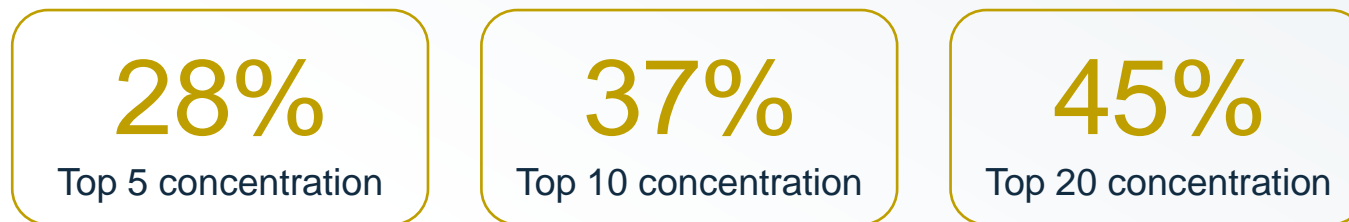
Volumes

- Total Volumes up 7%, with Major's growing by 13% and Emerging markets ⁽²⁾ up 6%

Concentration

- Reduced significantly from prior year as business diversifies

Corridor concentration as % of revenue



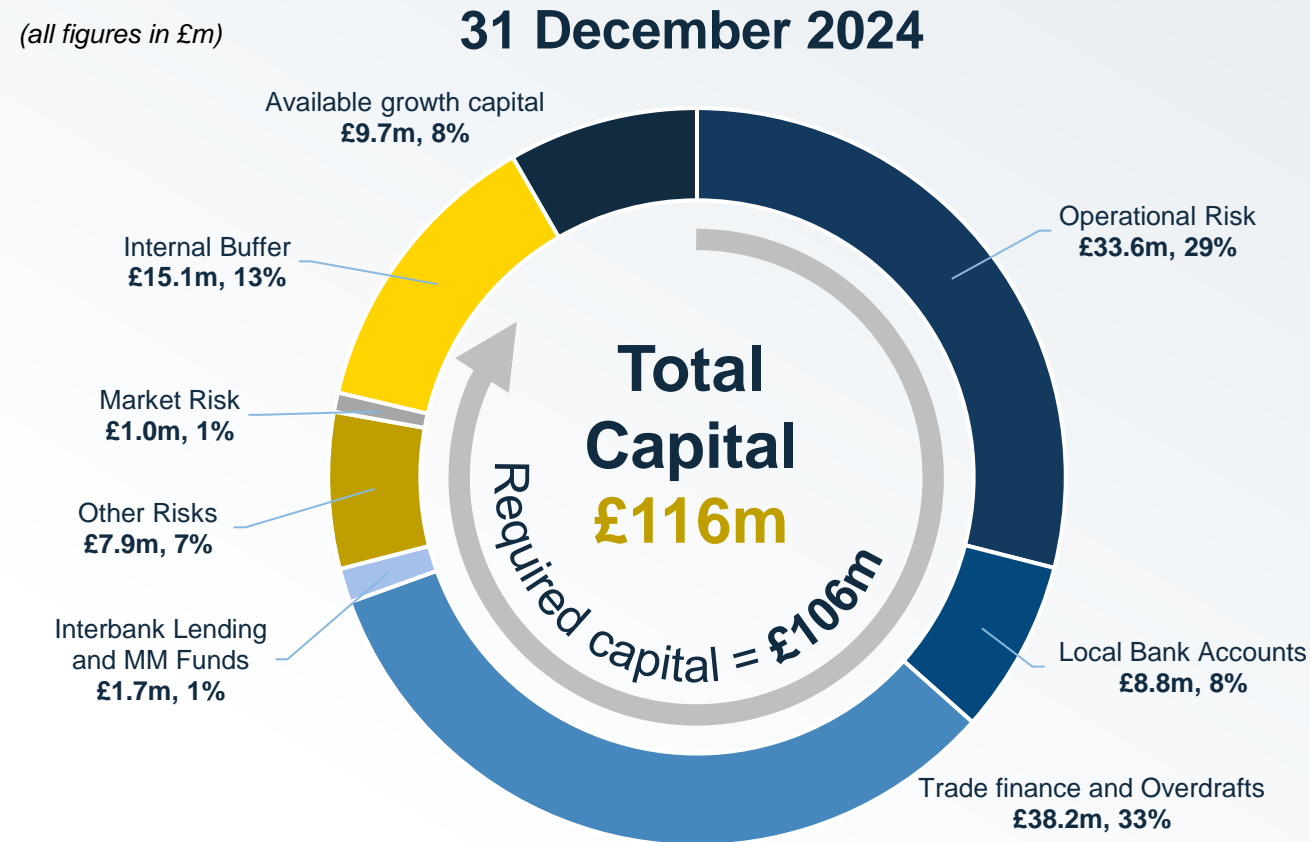
Note:

(1) Based on company analysis of swift data, it has been observed that cross border payments have reduced by 10% globally, and emerging market volumes have contracted by 5%

(2) Excluding NGN, XAF and XOF

Bank remains well capitalised

Strong capital base however utilisation driven by increased trade finance balances vs FY23



- Capital base increased to £116m (2023: £107m)
- Reduced free capital available of £9.7m (2023: £33.9m)
 - Larger Capex spend in year
 - Increased balance sheet capacity for trade finance (2024: £180m, 2023: £59m) and working capital (2024: £32 million, 2023: £8 million)

Note: See appendix for description of categories

Capital

The group’s overall and available capital has significantly increased over the past 3 years whilst seeing increased capital allocation to operational risk and credit exposures

Operational risk	Standardised calculation for risk as per Basel 3, based on prior 3 years revenue
Local bank accounts	Counterparty risk associated with CABP’s proprietary network (funds on account)
Trade finance & overdrafts	Counterparty risk for credit exposures on trade and overdrafts
Interbank lending	Risk associated with treasury related activities
Other risks	Capital associated with items such as fixed assets / debtors
Market risk	Risk associated with FX positions as party of trading activity
Available capital	Capital available for future investment

Alternative performance measures (1/2)

Alternative Performance Measure	How the metric is used	Calculation Definition
Gross Income or Income	As noted in previous years, as a growing organisation, the Group’s focus is on driving income growth through controlled investment, whether as capital expenditure or through operating costs.	Total income, net of interest expense.
EBITDA	The key measure of profitability used internally at Executive Committees and Board and with externally with investors.	<p>Calculated as Profit before Tax and IFRS16 lease liability interest, depreciation and amortisation.</p> <p>Although it is typical to calculate EBITDA before interest, our net interest income is generated from operational client deposits and subsequent re-investment to generate returns for the shareholder and therefore remains included within EBITDA.</p>
Adjusted EBITDA	The Group believes that Adjusted EBITDA is a useful measure for investors because it is closely tracked by management to evaluate Group’s performance for making financial, strategic and operating decisions, as well as aiding investors to understand and evaluate the underlying trends in the Group’s performance period on period, in a comparable manner.	EBITDA before non-recurring operating expenses or exceptional items which have been identified by management.
Adjusted EBITDA Margin	A measure of profitability, by understanding how much of the income is converted to profit.	Adjusted EBITDA as a percentage of Gross Income
Adjusted Profit After Tax (“PAT”)	A measure of profitability based on adjusting the statutory profit after tax by removing identified exceptional items. Although these items may not be classified as non-recurring expenses under IFRS, management believes their inclusion distorts the future expected run rate of costs.	Profit before Tax before non-recurring operating expenses or exceptional items identified by management, after deducting tax figure based on applicable standard HMRC tax rates for the period.

Alternative performance measures (2/2)

Alternative Performance Measure	How the metric is used	Calculation Definition
Adjusted Earnings Per Share (“AEPS”)	The Group consider the Adjusted EPS to better reflect the base line of shareholder value on a go forward basis, when adjusting for one off or exceptional costs and discontinued items.	Adjusted Profit After Tax for the period divided by the total number of called up shares at the period end. Measured in pence.
Operating Free Cash Flow	Measure of cash flow generated by the business. It is a non-statutory measure used by the Board and the senior management team to measure the ability of the Group to support future business expansion, distributions or financing.	Adjusted EBITDA before the cost of purchasing property, plant and equipment, the cost of intangible asset additions and the cost of lease payments.
Operating Free Cash Flow Conversion	A measure used by the Group to understand how much of the Group’s profitability (measured as adjusted EBITDA), is converted to available capital for future business growth.	Free cash flow as a percentage of Adjusted EBITDA
Wholesale FX and Payment FX income	<p>Wholesale FX and Payment FX Income is measured collectively by Group as the underlying economic drivers are the same. The income, volume and margins are all measured and monitored, along with the underlying currencies, to help the Group understand broader income performance.</p> <p>The reported figures represents the accumulative income from all trades undertaken during the year, where the income of a single transaction has been generated from the bid / ask spread and any associated payment fees if the Foreign Exchange is then forward to a 3rd party beneficiary.</p>	Net foreign exchange gain

Blue chip clients

CAB Payment segments include many of the most important players in emerging market payments

IDOs

- Includes UN organisations, development banks and western governments along with charities
- Tend to be FX clients send aid flows and budgets into market where they work

Major Market Banks

- Banks headquartered in developed (typically G20) markets; includes top global banks
- Buy payments and FX, see CAB Payments as a low risk counterparty who ‘removes headaches’

EMFIs

- Emerging market banks and central banks; typically, among the largest in their markets
- Buy banking to get themselves and their clients access to global financial markets

NBFIs

- Fintechs, typically focused on the remittance and FX brokerage sectors
- Buy FX or payments depending on their structure



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