CAB | PAYMENTS

Pillar 3 Disclosures

31 December 2023

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Contents

Acronyms and Abbreviations

The following terms are used throughout these Disclosures:

ALCo	Asset and Liability Committee
BAC	Board Audit Committee
BIA	Basic Indicator Approach
BCBS	Basel Committee on Banking Standards
BRC	Board Risk Committee
C-SREP	Capital Supervisory Review and Evaluation Process
CAB	Crown Agents Bank Ltd
CAB Payments	CAB Payments Holdings Plc consolidated group
CCB	Capital Conservation Buffer
CCF	Credit Conversion Factor
CCR	Counterparty Credit Risk
CCyB	Countercyclical Buffer
CEO	Chief Executive Officer
CET 1	Common Equity Tier 1 Capital
CFO	Chief Financial Officer
CIU	Collective Investment Undertakings
COREP	Common Reporting Framework
CRC	Credit Risk Committee
CRD	Capital Requirements Directive
CRM	Credit Risk Mitigation
CRMP	Credit Risk Management Policy
CRO	Chief Risk Officer
CRR	Capital Requirements Regulation
CSA	Credit Support Annex
CVA	Credit Valuation Adjustment
EBA	European Banking Authority
ECAI	External Credit Assessment Institutions
ERC	Executive Risk Committee
ERMF	Enterprise Risk Management Framework
EXCO	Executive Committee
EWI	Early Warning Indicator
FCA	Financial Conduct Authority
FCRC	Financial Crime Risk Committee
FSCS	Financial Services Compensation Scheme
FX	Foreign Exchange
Group	CAB Payments Holdings Plc consolidated group
HQLA	High Quality Liquid Asset
IAF	Internal Audit Function
ICAAP	Internal Capital Adequacy Assessment Process
ILAAP	Internal Liquidity Adequacy Assessment Process
INED	Independent Non-Executive Director
IRRBB	Interest Rate Risk in the Banking Book
LREQ	Firm subject to the minimum Leverage requirements
L-SREP	Liquidity Supervisory Review and Evaluation Process
LCP	Liquidity Contingency Plan

LCR	Liquidity Coverage Ratio
LTIP	Long Term Incentive Plan
MLRO	Money Laundering Reporting Officer
MRT	Material Risk Takers
NED	Non-Executive Director
NMDs	Non Maturing Deposits
NSFR	Net Stable Funding Ratio
OCR	Overall Capital Requirement
ORC	Operational Risk Committee
PRA	Prudential Regulation Authority
RAS	Risk Appetite Statement and Tolerance Limits
RCSA	Risk and Control Self-Assessments
Remco	Renumeration Committee
RP	Recovery Plan
RWAs	Risk Weighted Assets
SA	Standardised Approach
SFTs	Securities Financing Transactions
SREP	Supervisory Review and Evaluation Process
TCR	Total Capital Requirement

1. Introduction

This document sets out CAB Payments Holdings Plc's consolidated (the "Group" or "CAB Payments") Pillar 3 disclosures at 31 December 2023 in accordance with the requirements of the UK Capital Requirements Regulation ("CRR").

The Group regulated by the PRA and is the parent company for CAB Tech Holdco Limited, which is the holding company for Crown Agents Bank Ltd ("CAB"). The PRA sets requirements for the Group relating to capital adequacy and large exposures. Similarly, the PRA sets requirements for CAB relating to capital and liquidity adequacy and large exposures.

Disclosure Framework

The Group is regulated for prudential purposes under the Basel 3 regime, the international regime governing capital and liquidity in banks, which is supervised by the Basel Committee on Banking Supervision ("BCBS"). The Pillar 3 disclosures made by CAB Payments are designed to comply with Part VIII of the UK Capital Requirements Regulation ("CRR") and associated on shored binding Technical Standards and guidelines from the European Banking Authority ("EBA") which were incorporated into the disclosure (CRR) part of the PRA Rulebook from 1 January 2022.

It should be noted that CAB Payments is not regulated for liquidity; however, its main trading entity, CAB, is regulated for liquidity on a solo basis by the PRA. All references to liquidity metrics in these disclosures are a reference to those of CAB.

The framework consists of three ‘pillars’, as summarised below:

Pillar 1

Minimum capital and liquidity requirements

Defines the rules for the calculation of credit, market, operational and liquidity risk to ensure that banks hold adequate resources against the risks they assume within their current business.

Pillar 2

Supervisory review process

Sets out the key principles for the supervisory review of a bank’s risk management framework and its capital and liquidity adequacy. It sets out specific oversight responsibilities for both the Board and senior management, thereby reinforcing the principles of internal control and other corporate governance practices.

CAB Payments performs an internal capital adequacy assessment process (“ICAAP”) and an internal liquidity adequacy assessment process (“ILAAP”) on at least an annual basis to assess the risk management processes in place and whether additional regulatory capital and liquidity over and above Pillar 1 should be held. The amount of any proposed additional capital and liquidity requirement is also assessed by the PRA during its capital supervisory review and evaluation process (“C-SREP”) and its liquidity supervisory review and evaluation process (“L-SREP”). This review aims to ensure that institutions have adequate quality and quantity of capital and liquidity as well as suitable arrangements, strategies and processes to ensure sound management and coverage of their risks.

Pillar 3

Market discipline

Pillar 3 complements Pillars 1 and 2 and aims to encourage market discipline by developing a set of disclosure requirements which allow market participants to assess key pieces of information regarding a firm’s capital, liquidity risk exposures, risk management processes, leverage, and remuneration. Pillar 3 sets out the items covered by this report.

Basis and Scope of Disclosures

This document has been prepared and should be read in conjunction with the Group's Annual Report for the year ended 31 December 2023. These disclosures have been subject to internal verification and have been reviewed by the Board Audit Committee ("BAC"). These disclosures have not been externally audited and do not constitute any part of the Group's financial statements; however, some of the information within the disclosures also appears in the Annual Report.

Article 432 of the CRR states that institutions may omit one or more of the Pillar 3 disclosures if the information is not regarded as material. Information shall be regarded as not material if the Group does not expect that its omission or misstatement would change or influence the assessment or decision of a user relying on that information for the purpose of making economic decisions. These disclosures have been compiled on the most appropriate basis for this purpose and following the instructions on calculation and classification given in the PRA Rulebook and therefore may not agree directly with disclosures addressing similar matters presented in the Annual Report.

The Group publishes its Pillar 3 Disclosures on a semi-annual basis since H1 2023. Disclosures comply with the disclosure requirements laid out in the CRR.

The disclosures:

- Are based on the results of the year ended 31 December 2023. They include the impact of the 2023 financial performance and have been updated to reflect the most recent operational risk capital requirements.
- Should be read in conjunction with the Group's Annual Report and Financial Statements.
- Have not been, and are not required to be, subject to independent external audit and do not constitute any part of the Group's Financial Statements.
- Are published on the Group's website once approved by the BAC.

Regulatory Developments

On 27 September 2023, the PRA delayed the UK implementation start date of Basel 3.1 from 1 January 2025 to 1 July 2025.

On 12 December 2023, the PRA published policy statement PS17/23, which covers Credit Valuation Adjustments ("CVA"), Counterparty Credit Risk ("CCR"), market risk and operational risk elements of Basel 3.1. It is expected that the PRA will publish a second policy statement in Q2 2024, which will cover credit risk and reporting and disclosure requirements. The Group has undertaken preliminary assessments of the impact of Basel 3.1 and it is not expected to materially adversely affect any of the Group's key regulatory metrics.

In May 2023 the PRA issued a Supervisory Statement regarding model risk management principles, effective from 17 May 2024. The desired outcome of this Supervisory Statement is that banks take a strategic approach to model risk management as a risk discipline. The Group is not directly in scope of the supervisory statement since it does not have internal model validation, however it continues to review the requirements and to apply them on a best-efforts basis as part of best practice risk mitigation.

Approval of Disclosures

The Group's Pillar 3 disclosures have been reviewed and approved by BAC. The BAC considered the disclosures document in light of (i) the Annual Report; (ii) the ICAAP; (iii) the ILAAP; and (iv) its overall understanding of CAB Payments' risk profile.

The Pillar 3 disclosures have been subject to senior management review and sign off and are attested to by the Group Chief Financial Officer ("CFO") and Chief Risk Officer ("CRO").

2. Key metrics and Overview of risk weighted exposure amounts

UK KM1 – Key Metrics

The table below summarises the main prudential regulatory ratios and measures.

	£000s	31 Dec 2023	30 Jun 2023	31 Dec 2022
	Available own funds (amounts)			
1	Common Equity Tier 1 (CET1) capital	107,471	92,996	83,780
2	Tier 1 capital	107,471	92,996	83,780
3	Total capital	107,471	92,996	83,780
	Risk-weighted exposure amounts			
4	Total risk-weighted exposure amount	421,071	311,397	267,004
	Capital ratios (as a percentage of risk-weighted exposure amount)			
5	Common Equity Tier 1 ratio (%)	25.5%	29.9%	31.4%
6	Tier 1 ratio (%)	25.5%	29.9%	31.4%
7	Total capital ratio (%)	25.5%	29.9%	31.4%
	Additional own funds requirements based on SREP (as a percentage of risk-weighted exposure amount)			
UK 7a	Additional CET1 SREP requirements (%)	4.3%	4.3%	4.3%
UK 7d	Total SREP own funds requirements (%)	12.3%	12.3%	12.3%
	Combined buffer requirement (as a percentage of risk-weighted exposure amount)			
8	Capital conservation buffer (%)	2.5%	2.5%	2.5%
9	Institution specific countercyclical capital buffer (%)	0.2%	0.2%	0.2%
11	Combined buffer requirement (%)	2.7%	2.7%	2.7%
UK 11a	Overall capital requirements (%)	15.0%	14.9%	14.9%
12	CET1 available after meeting the total SREP own funds requirements (%)	18.6%	23.0%	23.0%
	Leverage ratio (see note 1)			
13	Total exposure measure excluding claims on central banks	1,563,395	1,266,346	1,298,776
14	Leverage ratio excluding claims on central banks (%)	6.9%	7.3%	6.5%
	Liquidity Coverage Ratio (see notes 2 and 4)			
15	Total high-quality liquid assets (HQLA) (Weighted value - average)	1,114,654	1,118,214	1,065,155
UK 16a	Cash outflows - Total weighted value	877,292	855,025	863,205
UK 16b	Cash inflows - Total weighted value	132,613	124,727	119,636
16	Total net cash outflows (adjusted value)	744,678	730,298	743,569
17	Liquidity coverage ratio (%)	149.7%	153.1%	143.2%
	Net Stable Funding Ratio (see notes 3 and 4)			
18	Total available stable funding	214,380	194,451	191,001
19	Total required stable funding	134,472	96,527	92,449
20	NSFR ratio (%)	159.4%	201.4%	206.6%

(1) Rows 14a-14e have been removed as only LREQ firms are required to disclose this information.

(2) Figures presented are for a 12 month average as at the period end

(3) Figures presented are for a 4 quarter average as at the period end.

(4) NSFR and LCR metrics are produced at a bank level only. As a result the metrics in this table are included for Crown Agents Bank (CAB)

Regulatory Capital and RWAs

The Group's CET1 capital ratio has decreased by 5.9 percentage points to 25.5% between FY 2022 and FY 2023. The capital ratio reduction is a result of the larger increase in Risk Weighted Assets ("RWAs") relative to the increase in the capital base. The increase in RWAs is due to greater operational risk requirements following the recognition of 2023 revenue as well as increased credit risk exposures. The increase in RWAs was in part offset by a £23.7m increase in regulatory capital, following the recognition of the 2023 P&L, which is net of the dividend that was paid during the year. For more information on the CET1 capital, RWAs and capital ratios, see template UK OV1.

Note that the H2 2023 profit has not been included in December 2023 COREP returns that were submitted to the regulator as these profits were not audited at that juncture. The external audit has since been concluded and therefore the H2 profit for 2023 has been included in the COREP metrics disclosed in this document.

Leverage

The leverage ratio has increased by 0.4 percentage points in 2023. This was due to an increase in regulatory capital following the recognition of 2023 profit. This was partly offset by an increase in leverage exposure driven by higher deposit volumes year on year following a large deposit placed with the Group over year end.

Liquidity and funding

The Group is not required to report NSFR and LCR metrics and has therefore presented the metrics for Crown Agents Bank, which is the material entity within the Group. The 12-month average LCR increased to 149.7% from 143.2%, primarily due to an increase in High Quality Liquid Assets ("HQLA") in the form of Collective Investment Undertakings ("CIUs"), which grew at a higher rate than the Bank's net outflows, which increased by £1m. Gross outflows grew by £14m, due to increased deposits. This was partially offset by an increase in inflows, which was primarily a result of increased interbank lending in the 30 day LCR window.

The average NSFR decreased to 159.4% from 206.6%. This decrease was primarily due to increased allocations into CIUs that do not qualify as HQLA, in addition to greater lending exposures, which increased Required Stable Funding ("RSF"). This RSF increase was partially offset by the recognition of 2023 P&L as Available Stable Funding ("ASF").

3. Risk Management Policies and Objectives

UK OVA – Risk Management Approach

Protecting and leveraging CAB Payments' business model is a key strategic objective with effective risk management being central to every facet of decision making. Effective risk management is recognised as an integral component of good management and governance, to minimise losses and maximise business opportunities for all key stakeholders, including shareholders customers, colleagues, and regulators.

The Group manages its risks through a consistent approach based on a set of overarching principles, namely:

- Adhering to our established and proven business model, as outlined on pages 16-18 of CAB Payments Annual Report.
- Implementing an integrated risk management approach based on the concept of three lines of defence.
- Setting and operating within clearly defined risk appetites, monitored with defined metrics and limits.

Enterprise Risk Management Framework

The Group employs an Enterprise Risk Management Framework ("ERMF") to provide the Board and senior management with a single, group wide, view of the material risks to which it is exposed. It aligns the overall strategic and commercial objectives approved by the Board whilst supporting the effective management of risks. The ERMF sets out how the Group manages these risks in a consistent way to minimise losses and maximise positive outcomes for all key stakeholders and ensure that legal and regulatory requirements, in each jurisdiction, are met.

The framework is founded on a three lines of defence model and details the core risk management components and structures used across the firm, and defines a consistent and measurable approach to identifying, assessing, controlling, mitigating, monitoring, and reporting risk. The framework is purposely designed to allow the capture of business opportunities whilst maintaining an appropriate balance of risk and reward within the Group's agreed risk appetite.

Risk appetite forms a key component of CAB Payments' risk management framework and refers to the sources and levels of risk the Group is willing to assume to achieve its strategic objectives and business plan. The risk appetite is managed through an established framework that facilitates ongoing communication between the Board and management regarding the Group's evolving risk profile. Risk appetite is set on a top-down basis by the Board with consideration to business requests and executive recommendation. Appetite measures, both qualitative and quantitative, are applied to inform decision-making, monitoring and reporting processes. Supplementary early-warning triggers are also employed to drive required corrective action before overall tolerance levels are reached. The Group conducts a formal review of its risk appetites annually, as part of the strategy-setting process. This aligns risk-taking with the achievement of strategic objectives. Adherence is monitored through the Group's risk committees on an ongoing basis with interim updates to individual risk appetites considered as appropriate through the year.

The ERMF is approved by the Board on the recommendation of the Board Risk Committee ("BRC") and the Executive Risk Committee ("ERC") and subsequently adopted by the Group.

Throughout the year, the Board, assisted by BRC and the BAC, monitor CAB Payments' risk management and internal control systems and review their respective effectiveness. This process covers all material controls, including financial, operational and compliance controls. Monitoring and effectiveness reviews occur through: regular risk management information and commentary, reviews of bank-wide risk and control self-assessments and associated mitigation activities and review of audit reports which focus upon risk management capabilities and the control framework.

The Board also reviews the effectiveness of the BAC and BRC on an annual basis. The Board has reviewed CAB Payments' risk management and internal control framework and the committees' effectiveness and considers that, overall, the Group has in place adequate systems and controls. As described in more detail in the Governance section of CAB Payments' Annual Report, an evaluation of the effectiveness of the Board and its committees was undertaken during the year in line with the requirements of the UK Corporate Governance Code; the results confirm that the BRC is operating effectively. The BRC considers that during the year it continued to have access to sufficient resources to enable it to carry out its duties and has continued to perform effectively.

A comprehensive overview of the Group's risk management objectives, policies and governance arrangements is set out in the Governance section of the Annual Report. Replication of this disclosure has not been included in this document. CAB Payments' Annual Report is published on the Group's corporate website.

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

Financial Risk Types
- Capital Adequacy Risk
- Liquidity and Funding Risk
- Market Risk
- Credit Risk

Non-Financial Risk Types
- Business Risk
- Operational Risk
- Financial Crime Risk
- Regulatory and Compliance Risk
- Conduct Risk

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

Risk Governance

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

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

Three Lines of Defence

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

First line of defence

Risk and control management

The business and senior managers, both across the Group and at local entity level, are responsible and accountable for the identification, assessment and management of individual risks, as well as associated controls within their respective areas of responsibilities.

Second line of defence

Risk and control oversight

Risk and Compliance provides independent oversight and challenge with respect to the first line's management of their risks and controls. They provide assurance that the Group's and local entity level's regulated activities are undertaken in accordance with regulatory requirements.

Third line of defence

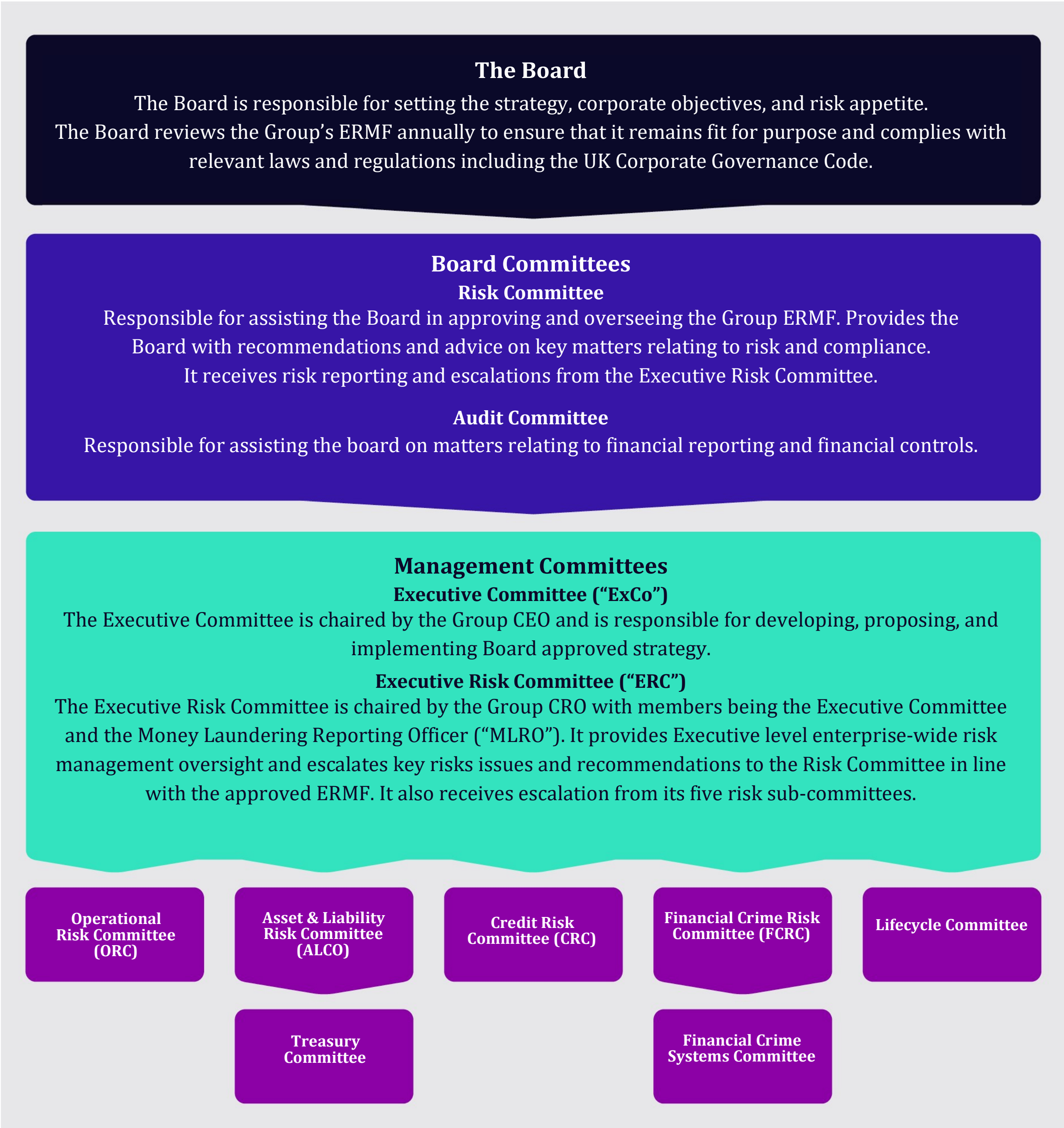
Internal Audit

Internal audit is an independent provider of assurance over

the effectiveness of the Group's, and local entity level's, processes and governance, with regards to risk and internal controls.

Risk Governance structure

The Group's risk governance structure is outlined below:



Board Level Governance

Group Board

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

From a Risk Management perspective, the CAB Payments Board is responsible at a Group level for:

- Approving the strategy, 3-year financial plan and annual budgets, considering the impact on risk appetite, wider risk management profile and risk related activities.
- The establishment, approval, and periodic review (at least once per calendar year) of the ERMF (including the enterprise risk taxonomy).
- The establishment, approval, and periodic review (at least once per calendar year) of the RAS & TL, which sets out the levels of risk which CAB Payments is willing to accept.
- Periodic review and approval of the ICAAP, ILAAP, Funding Plan and Recovery Plan ("RP") and Money Laundering Reporting Officer's ("MLRO") report at least once per calendar year.
- Setting the tone and culture for risk management.

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

Board Remuneration Committee ("Remco")

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

- Determining and agreeing with the Board the framework or broad policy for the remuneration of the company's Chair and Executive (including the CRO).
- Reviewing the ongoing appropriateness and relevance of the remuneration policy.
- Determining, within the terms of the agreed policy, the total individual remuneration package of personnel designated as Code Staff, or Material Risk Takers ("MRTs") within the Group.
- Approving the design of, and determining targets for, any performance related pay schemes operated by the Group and approve the total annual payments made under such schemes.

Board Risk Committee ("BRC")

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

- Advising the Boards on the overall risk appetite, tolerance and strategy, and the principal and emerging risks the Group is willing to take in order to achieve its long-term strategic objectives.
- Review the adequacy and effectiveness of the ERMF. Consider and recommend any changes to the Board.
- Consider and recommend for approval the RAS & TL.
- Oversee management implementations of the ERMF and the embedding of risk appetite including risk culture and conduct.
- Review and approval of the Level 1 Risk Policies, as delegated by the Board.
- Review of key risk related assessments including (but not limited to) the ICAAP, ILAAP, Funding Plan, Recovery Plan and Annual MLRO report.

The BRC met 6 times throughout 2023.

Board Audit Committee ("BAC")

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

- The integrity of the financial statements and Pillar 3 disclosures.
- The effectiveness of the Internal Audit Function ("IAF") and the external auditor.
- The effectiveness of internal controls and risk management systems regarding the financial reporting within the Group.

UK OVB – Governance Arrangements

The number of external directorships held by members of the management body are detailed in the table below:

Name	Position	Directorships
Ann Cairns	Independent Non-Executive Chair	3
Bhairav Trivedi	Chief Executive	0
Richard Hallett	Chief Finance Officer	0
Simon Poole	Non-Executive Director	4
Noel Harwerth	Senior Independent Director	3
Caroline Brown	Independent Non-Executive Director	3
Karen Jordan	Independent Non-Executive Director	3
Susanne Chishti	Independent Non-Executive Director	2
Jennifer Johnson-Calari	Independent Non-Executive Director	3
Mario Shiliashki	Independent Non-Executive Director	2

Board Diversity

The Nomination Committee, the Board of Directors, and the Group as a whole continue to pay full regard to the benefits of diversity, including gender and ethnic diversity, when searching for candidates for the Board, the executive management team and all other appointments. We believe that better business decisions can be made by having representation from different genders and cultural backgrounds with differing skill sets, experience and knowledge which reflect our client base and the wider population.

Diversity of Board members is important to provide the necessary range of background experience, values and diversity of thinking and perspectives to optimise the decision-making process. Gender and ethnicity are important aspects of diversity which the Chair and the Nomination Committee will consider when deciding upon the most appropriate composition of the Board and its Committees.

This policy and its effectiveness will be reviewed annually by the Nomination Committee with any changes recommended to the Board for its approval. If necessary, this policy will be reviewed on an ad-hoc basis in consideration of any regulatory or governance developments in relation to Board diversity. For further information on diversity of the board, please see the CAB Payments Annual Report.

Recruitment policy

The recruitment policy for the selection of members of the management body and their actual knowledge, skills and expertise can be found on pages 86 to 89 of the CAB Payments Annual Report.

4. Differences Between Carrying and Regulatory Values

LI1 – Differences between accounting and regulatory consolidation and mapping of financial statement categories with regulatory categories.

The tables outlines the differences in the basis of consolidation for accounting and regulatory purposes.

				Carrying values of items			
	£000s	**Carrying values as reported in published financial statements**	**Carrying values under scope of regulatory consolidation**	**Subject to the credit risk framework**	**Subject to the CCR framework**	**Subject to the market risk framework [1]**	**Not subject to own funds requirements or deduction from own funds**
	Breakdown by asset class according to the balance sheet in the published financial statements						
1	Cash and balances at central banks	528,396	528,396	528,396			
2	Money market funds	518,764	518,764	518,764			
3	Loans and advances on demand to banks	135,178	135,178	135,161			
4	Investments in debt securities	353,028	353,028	353,042			
5	Other loans and advances to banks	137,570	137,570	137,443			
6	Other loans and advances to non-banks	8,216	8,216	8,712			
7	Unsettled transactions	8,417	8,417	8,417			
8	Derivative financial assets	3,829	3,829		3,829		
9	Investments in equity securities	495	495	495			
10	Other assets	11,200	11,200	11,200			
11	Accrued income	1,215	1,215	1,215			
12	Property, plant and equipment	1,191	1,191	1,191			
13	Right of use assets	689	689	689			
14	Intangible assets	24,294	24,294				24,058
	Total assets	**1,732,482**	**1,732,482**	**1,704,725**	**3,829**		**24,058**

	£000s	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Subject to the credit risk framework	Subject to the CCR framework	Subject to the market risk framework[1]	Not subject to own funds requirements or deduction from own funds
	Breakdown by liability classes according to the balance sheet in the published financial statements						
1	Customer accounts	1,542,889	1,542,889				1,542,889
2	Derivative financial liabilities	9,679	9,679		9,679		9,679
3	Unsettled transactions	20,081	20,081				20,081
4	Other liabilities	8,121	8,121				8,121
5	Accruals	18,367	18,367				18,367
6	Lease liabilities	884	884				884
7	Deferred tax liability	695	695				695
8	Provisions	236	236				236
	Total liabilities	**1,600,952**	**1,600,952**		**9,679**		**1,600,952**

(1) Note that all accounting assets and liabilities are used to calculate the market risk requirement.

LI2 – Main sources of differences between regulatory exposure amounts and carrying values in financial statements

The below table provides a reconciliation between assets' carrying values under the regulatory scope of consolidation and the exposures used for regulatory purposes.

	£000s	Total	Items subject to		
			Credit risk framework	CCR framework	Market risk framework[1]
1	**Assets carrying value amount under the scope of regulatory consolidation (as per template LI1)**	**1,708,554**	**1,704,725**	**3,829**	
2	**Liabilities carrying value amount under the regulatory scope of consolidation (as per template LI1)**	**(9,679)**		**(9,679)**	
3	**Total net amount under the regulatory scope of consolidation**	**1,698,875**	**1,704,725**	**(5,850)**	
4	**Off-balance-sheet amounts**	**44,572**	**44,572**		
5	*Differences in valuations*				
6	*Differences due to different netting rules, other than those already included in row 2*				
7	*Differences due to consideration of provisions*				
8	*Differences due to the use of credit risk mitigation techniques (CRMs)*	(33,974)	(33,974)		
9	*Differences due to credit conversion factors*	(7,158)	(7,158)		
10	*Differences due to Securitisation with risk transfer*				
11	*Other differences*	5,789	5,789		
12	**Exposure amounts considered for regulatory purposes**	**1,708,103**	**1,713,953**	**(5,850)**	

(1) Note that all accounting assets and liabilities are used to calculate the market risk requirement.

LI3 – Outline of the differences in the scopes of consolidation (entity by entity)

There are no differences in the methods of accounting and regulatory consolidation as all entities within the Group are fully consolidated. A complete list of the Group's entities can be found in note 33 of the group's Annual Report and Accounts.

5. Capital Adequacy

Capital Adequacy Risk

Capital adequacy risk is defined as the risk of the Group having insufficient quality or quantity of capital to meet its regulatory capital requirements and internal thresholds to cover risk exposures and withstand a severe stress as identified as part of the ICAAP.

The Group's Capital adequacy risk appetite is to ensure that it will maintain sufficient capital both in quantity and quality to meet regulatory requirements and hold a management buffer as agreed with the Board.

Capital adequacy is measured and monitored daily against internally agreed Board RAS & TL and Early Warning Indicator ("EWI") levels. Capital adequacy is reviewed monthly as a standing item at ALCo, with ERC and BRC maintaining additional oversight. Any capital issues are escalated as required to ALCo, and then onwards to ERC and BRC.

Capital Requirement

The minimum regulatory capital requirement is 8% of RWAs - the Pillar 1 requirement. Banks are also required to hold additional capital to cover risks not adequately captured in Pillar 1, which are known as Pillar 2A requirements. Jointly Pillar 1 + Pillar 2A sets the Total Capital Requirement ("TCR") and is the minimum amount of capital that a bank needs to always hold.

The TCR is set by the PRA on a periodic basis, following completion of the ICAAP and C-SREP.

The Group's Overall Capital Requirement ("OCR") is based on the total of the TCR + CRD buffers. The CRD buffers are the Capital Countercyclical Buffer ("CCyB") and Capital Conservation Buffer ("CCB"). The Group has complied with the capital requirements set by the PRA at all times throughout 2023.

CC1 - Composition of regulatory own funds

The table below summarises the composition of regulatory capital.

	£000s	Amounts	CC2 Reference
	Common Equity Tier 1 (CET1) capital: instruments and reserves		
1	Capital instruments and the related share premium accounts	85	(a)
	of which: Called Up Share Capital	85	(a)
2	Retained earnings	131,444	(b)
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**131,529**	
	Common Equity Tier 1 (CET1) capital: regulatory adjustments		
8	Intangible assets (net of related tax liability) (negative amount)	(24,058)	(c)
UK-20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative	0	
UK-20b	of which: qualifying holdings outside the financial sector (negative amount)		
UK-20c	of which: securitisation positions (negative amount)		
UK-20d	of which: free deliveries (negative amount)	0	
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	**(24,058)**	
29	**Common Equity Tier 1 (CET1) capital**	**107,471**	
59	**Total capital (TC = T1 + T2)**	**107,471**	
60	**Total Risk exposure amount**	**421,071**	
	Capital ratios and buffers		
61	Common Equity Tier 1 (as a percentage of total risk exposure amount)	25.5%	
62	Tier 1 (as a percentage of total risk exposure amount)	25.5%	
63	Total capital (as a percentage of total risk exposure amount)	25.5%	
64	Institution CET1 overall capital requirement (CET1 requirement in accordance with Article 92 (1) CRR, plus additional CET1 requirement which the institution is required to hold in accordance with point (a) of Article 104(1) CRD, plus combined buffer requirement in accordance with Article 128(6) CRD) expressed as a percentage of risk exposure amount)	9.6%	
65	of which: capital conservation buffer requirement	2.5%	
66	of which: countercyclical buffer requirement	0.2%	
68	**Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)**	**18.6%**	

CC2 - Reconciliation of regulatory own funds to balance sheet in the audited financial statements

	£000s	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference to CC1
		As at period end	As at period end	
	Assets - Breakdown by asset class according to the balance sheet in the published financial statements			
1	Cash and balances at central banks	528,396	528,396	
2	Money market funds	518,764	518,764	
3	Loans and advances on demand to banks	135,178	135,178	
4	Investments in debt securities	353,028	353,028	
5	Other loans and advances to banks	137,570	137,570	
6	Other loans and advances to non-banks	8,216	8,216	
7	Unsettled transactions	8,417	8,417	
8	Derivative financial assets	3,829	3,829	
9	Investments in equity securities	495	495	
10	Other assets	11,200	11,200	
11	Accrued income	1,215	1,215	
12	Property, plant and equipment	1,191	1,191	
13	Right of use assets	689	689	
14	Intangible assets	24,294	24,764	(c)
	Total assets	**1,732,482**	**1,732,952**	

	£000s	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference to CC1
		As at period end	As at period end	
	Liabilities - Breakdown by liability class according to the balance sheet in the published financial statements			
1	Customer accounts	1,542,889	1,542,889	
2	Derivative financial liabilities	9,679	9,679	
3	Unsettled transactions	20,081	20,081	
4	Other liabilities	8,121	8,121	
5	Accruals	18,367	18,367	
6	Lease liabilities	884	884	
7	Deferred tax liability	695	695	
8	Provisions	236	236	
	Total liabilities	**1,600,952**	**1,600,952**	
	Shareholders' Equity			
1	Called up share capital	85	85	(a)
2	Retained earnings	131,478	131,478	(b)
3	Investment revaluation reserve	111	111	(b)
4	Foreign currency translation reserve	(144)	(144)	(b)
	Total shareholders' equity	**131,530**	**131,530**	

Main features of regulatory own funds instruments and eligible liabilities instruments

1	Issuer	CAB Payments Holdings Limited
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	GB00BMCYKB41
2a	Public or private placement	Public
3	Governing law(s) of the instrument	English
3a	Contractual recognition of write down and conversion powers of resolution authorities	n/a
	Regulatory treatment	
4	Current treatment taking into account, where applicable, transitional CRR rules	Common Equity Tier 1
5	Post-transitional CRR rules	Common Equity Tier 1
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Consolidated
7	Instrument type (types to be specified by each jurisdiction)	Ordinary Shares
8	Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	£0.0847m
9	Nominal amount of instrument	£0.0847m
UK-9a	Issue price	0.00333p
UK-9b	Redemption price	n/a
10	Accounting classification	Equity
11	Original date of issuance	10-Apr-23
12	Perpetual or dated	Perpetual
13	Original maturity date	n/a
14	Issuer call subject to prior supervisory approval	n/a
15	Optional call date, contingent call dates and redemption amount	n/a
16	Subsequent call dates, if applicable	n/a
	Coupons / dividends	
17	Fixed or floating dividend/coupon	n/a
18	Coupon rate and any related index	n/a
19	Existence of a dividend stopper	n/a
UK-20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully Discretionary
UK-20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully Discretionary
21	Existence of step up or other incentive to redeem	n/a
22	Noncumulative or cumulative	Non-Cumulative
23	Convertible or non-convertible	n/a
24	If convertible, conversion trigger(s)	n/a
25	If convertible, fully or partially	n/a
26	If convertible, conversion rate	n/a
27	If convertible, mandatory or optional conversion	n/a
28	If convertible, specify instrument type convertible into	n/a
29	If convertible, specify issuer of instrument it converts into	n/a
30	Write-down features	n/a
31	If write-down, write-down trigger(s)	n/a
32	If write-down, full or partial	n/a
33	If write-down, permanent or temporary	n/a
34	If temporary write-down, description of write-up mechanism	n/a
34a	Type of subordination (only for eligible liabilities)	n/a
UK-34b	Ranking of the instrument in normal insolvency proceedings	n/a
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	n/a
36	Non-compliant transitioned features	n/a
37	If yes, specify non-compliant features	n/a
37a	Link to the full term and conditions of the instrument (signposting)	https://cabpayments.com/investors-home/documents/

UK OV1 – Overview of risk weighted exposure amounts

The table below shows risk weighted assets and own funds requirements, which are calculated as 8% of RWAs.

£000s		Risk weighted exposure amounts (RWEAs)		Total own funds requirements
		31 Dec 2023	31 Dec 2022	31 Dec 2023
1	Credit risk (excluding CCR)	214,390	128,223	17,151
2	Of which the standardised approach	214,390	128,223	17,151
3	Of which the foundation IRB (FIRB) approach			
4	Of which slotting approach			
UK 4a	Of which equities under the simple risk weighted approach			
5	Of which the advanced IRB (AIRB) approach			
6	Counterparty credit risk - CCR	8,971	5,176	718
7	Of which the standardised approach	8,971	5,176	718
8	Of which internal model method (IMM)			
UK 8a	Of which exposures to a CCP			
UK 8b	Of which credit valuation adjustment - CVA	1,194	969	95
9	Of which other CCR			
20	Position, foreign exchange and commodities risks (Market risk)	6,577	7,176	526
21	Of which the standardised approach	6,577	7,176	526
22	Of which IMA			
UK 22a	Large exposures			
23	Operational risk	191,134	126,429	15,291
UK 23a	Of which basic indicator approach	191,134	126,429	15,291
UK 23b	Of which standardised approach			
UK 23c	Of which advanced measurement approach			
24	Amounts below the thresholds for deduction (subject to 250% risk weight) (For information)			
29	**Total**	**421,071**	**267,004**	**33,686**

Rows 15-19 have been removed as they are not applicable to the Group.

RWAs have grown by £154m, partially due to a £86m increase in credit risk RWAs in 2023 driven by increases in lending activity to banks and an increase in other assets. Additionally, operational RWAs have increased by £65m following the recognition of 2023 revenue and the exclusion of the lower 2020 revenue from the basic indicator lookback period.

Countercyclical capital buffers

The purpose of the CCyB is to counteract the effects of the economic cycle on banks' lending activities. The CCyB calculation applies percentages, which have been set by the central banks of each country (typically at least 12 months in advance), to the "Relevant Exposures" to entities within those countries. The calculation applies a weighted CCyB percentage to total risk weighted assets. Due to a general upward shift in CCyB rates the Group's blended CCyB rate has increased to 0.19% (31 December 2022: 0.16%).

CCyB1 - Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer

The table below shows the top 20 countries based on their exposure value and the corresponding CCyB requirement for eligible exposures.

	£000s	General credit exposures Exposure value under the standardised approach	Total exposure value	Own fund requirements Relevant credit risk exposures - Credit risk	Own fund requirements Total	Risk-weighted exposure amounts	Own fund requirements weights (%)	Counter-cyclical buffer rate (%)
010	**Breakdown by country:**							
	United kingdom	605,881	**605,881**	3,502	3,502	**43,778**	20%	2.0%
	United States	502,353	**502,353**	1,059	1,059	**13,232**	6%	0.0%
	Germany	124,553	**124,553**	380	380	**4,749**	2%	0.75%
	Ireland	98,583	**98,583**	1,578	1,578	**19,722**	9%	0.5%
	France	79,200	**79,200**	316	316	**3,954**	2%	0.5%
	Philippines	65,025	**65,025**	0	0	**0**	0%	0.0%
	Luxembourg	45,949	**45,949**	656	656	**8,201**	4%	0.5%
	Canada	31,503	**31,503**	25	25	**316**	0%	0.0%
	Nigeria	19,301	**19,301**	2,148	2,148	**26,851**	12%	0.0%
	United Arab Emirates	17,186	**17,186**	275	275	**3,437**	2%	0.0%
	Japan	15,749	**15,749**	252	252	**3,150**	1%	0.0%
	Denmark	12,649	**12,649**	1	1	**6**	0%	2.5%
	Tanzania	10,186	**10,186**	1,138	1,138	**14,226**	6%	0.0%
	China	9,059	**9,059**	145	145	**1,812**	1%	0.0%
	Côte d'Ivoire	8,613	**8,613**	689	689	**8,613**	4%	0.0%
	Saudi Arabia	8,091	**8,091**	319	319	**3,991**	2%	0.0%
	Qatar	7,961	**7,961**	321	321	**4,015**	2%	0.0%
	Hong Kong	7,917	**7,917**	317	317	**3,959**	2%	1.0%
	Senegal	7,547	**7,547**	604	604	**7,547**	3%	0.0%
	Mongolia	7,322	**7,322**	879	879	**10,983**	5%	0.0%
	Other	46,328	**46,328**	3,170	3,170	**39,626**	18%	0.0%
020	**Total**	1,730,955	**1,730,955**	17,773	17,773	**222,168**	100%	

CCyB2 - Amount of institution-specific countercyclical capital buffer

The table below shows the Group's CCyB requirement relative to the Group's overall RWAs.

	£000s	31-Dec-23
1	Total risk exposure amount	421,071
2	Institution specific countercyclical capital buffer rate	0.19%
3	Institution specific countercyclical capital buffer requirement	800

Leverage

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

The minimum requirement for the leverage ratio has historically been 3% but was increased to 3.25%, effective from 1 January 2018. While the leverage ratio is not a regulatory requirement for CAB Payments, it chooses to monitor the metric as part of its risk management framework.

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

UK LR1: Summary reconciliation of accounting assets and leverage ratio exposures

	£000s	Applicable amount
1	Total assets as per published financial statements	1,732,482
4	(Adjustment for exemption of exposures to central banks)	(168,087)
8	Adjustment for derivative financial instruments	19,617
10	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	3,440
12	Other adjustments	(24,058)
13	**Total exposure measure**	**1,563,395**

UK LR2: Leverage ratio common disclosure

	£000s	31 Dec 2023	31 Dec 2022[1]
	On-balance sheet exposures (excluding derivatives and Securities Finance Transactions ("SFTs"))		
1	On-balance sheet items (excluding derivatives, SFTs, but including collateral)	1,732,482	1,485,436
6	(Asset amounts deducted in determining tier 1 capital (leverage))	(24,058)	(24,453)
7	**Total on-balance sheet exposures (excluding derivatives and SFTs)**	**1,708,424**	**1,460,983**
	Derivative exposures		
UK-9b	Exposure determined under the original exposure method	19,617	22,695
13	**Total derivatives exposures**	**19,617**	**22,695**
	Other off-balance sheet exposures		
19	Off-balance sheet exposures at gross notional amount	44,572	76,570
20	(Adjustments for conversion to credit equivalent amounts)	(41,132)	(72,138)
21	(General provisions deducted in determining tier 1 capital (leverage) and specific provisions associated with off-balance sheet exposures)		
22	**Off-balance sheet exposures**	**3,440**	**4,432**
	Capital and total exposure measure		
23	Tier 1 capital (leverage)	107,471	83,780
24	Total exposure measure including claims on central banks	1,731,481	1,488,110
UK-24a	(-) Claims on central banks excluded	(168,087)	(189,334)
UK-24b	**Total exposure measure excluding claims on central banks**	**1,563,395**	**1,298,776**
	Leverage ratio		
25	Leverage ratio excluding claims on central banks (%)	6.9%	6.5%
UK-25c	Leverage ratio including claims on central banks (%)	6.2%	5.6%

(1) Following the restatement of the Fy'22 financial statements, the Leverage ratio has been restated.

UK LR3: Leverage ratio split of on balance sheet exposures

	£000s	Leverage ratio exposures
UK-1	Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	1,732,482
UK-3	Banking book exposures, of which:	1,732,482
UK-5	Exposures treated as sovereigns	883,162
UK-7	Institutions	172,757
UK-10	Corporates	108,770
UK-12	Other exposures (e.g. equity, securitisations, and other non-credit obligation assets)	567,793

Internal capital adequacy assessment process information ("ICAAP")

The Group prepares an ICAAP on an annual basis which forms a key part of its capital risk management framework. The Group uses the PRA's Supervisory Statement 31/15 and the PRA rulebook to ensure that its ICAAP is of a sufficient standard and that it meets the requirements of the PRA.

The key outputs of the ICAAP are an assessment of:

- The appropriateness of the Group's capital risk appetite.
- What, if any, risks are not adequately captured under Pillar 1, and a quantification of the amount of capital that the Group should hold to mitigate these risks.
- A series of severe yet plausible stress scenarios over a three-year horizon and the impact that such scenarios would have on the Group's financial performance and impact on key capital metrics.
- What scenarios would have to come to fruition to challenge the viability of the Group, the plausibility of these scenarios and what actions the Group could take to mitigate their impacts.

Management across a variety of functions within the Group are involved in the preparation of the ICAAP. The ICAAP is reviewed by ALCo, BRC and finally approved by the Board.

As a result of the Group's most recent PRA SREP it was set a TCR of 12.28%.

6. Credit Risk

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

The Group has an active appetite for credit risk, and it selectively undertakes transactions that support business activity with approved counterparties based in well-known and understood markets, based on the credit risk profile, type of transaction, available risk mitigation, and geographic location of the counterparty.

Credit risk across the group occurs primarily through the activities of the banking entity, CAB. As the material risk taking entity within the Group, credit risk management is undertaken at the CAB level (See CAB Pillar 3 for more details). CAB's Credit Risk Management Policy ("CRMP") provides guidelines on the monitoring of exposures as well as instruments that can be used as credit risk mitigants, including cash collateral and guarantees, which must be unconditional and be payable on the Group's first written demand. Additionally, guarantees must comply with the CRR rules (Part III Chapter 4) to qualify for credit risk mitigation in respect of capital requirements. For derivative transactions, collateral is posted and received via standard International Swaps and Derivatives Association ("ISDA") agreements with Credit Support Annexes ("CSA").

The Group adopted IFRS 9 with effect from 1 January 2022 as the standard for impairment of financial assets and evaluates its level of risk through consideration of the level of exposure that it assumes. Exposure is defined as the maximum loss that a financial institution might suffer if a borrower, counterparty, or group fails to meet their obligations or if assets and off-balance sheet positions (after offsets) must be realised. Mark-to-market exposures are carefully monitored in respect of forward FX transactions. Group's products linked to the provision of international banking and payment services are provided on a Pre-Funded or Payment versus Payment ("PvP") basis for higher risk counterparties in order to mitigate the risk of non-settlement.

Standardised Approach to Credit Risk RWA

CAB Payments uses Fitch to provide External Credit Assessment Institutions ("ECAIs") for all exposure types. These ratings are then mapped to the relevant credit quality step, which is used to determine the risk weight relating to credit risk. These risk weights are calculated using the credit ratings of the underlying issuer assets in the case of CIUs.

UK CR1 – Performing and non-performing exposures and related provisions

	£000s	Gross carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Accumulated partial write-off	Collateral and financial guarantees received	
		Performing exposures			Non-performing exposures			Performing exposures – accumulated impairment and provisions			Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions				On performing exposures	On non-performing exposures
			Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3			
005	Cash balances at central banks and other demand deposits	529,835	529,835													
010	Loans and advances	281,717	272,179	9,538	95	0	95	249	(200)	449	95		95		131	
020	Central banks	285	285													
030	General governments															
040	Credit institutions	272,811	272,490	321				(15)	(14)	(1)					131	
050	Other financial corporations	8,027	(1,190)	9,217	95		95	260	(190)	450	95		95			
060	Non-financial corporations	595	595					4	4							
070	Of which SMEs															
080	Households															
090	Debt securities	871,806	871,806					1	1							
100	Central banks															
110	General governments[1]	733,834	733,834					1	1							
120	Credit institutions[1]	137,944	137,944													
130	Other financial corporations															
140	Non-financial corporations															
150	Off-balance-sheet exposures	44,572	44,572					2	2						33,974	
160	Central banks	22,048	22,048												20,292	
170	General governments															
180	Credit institutions	22,437	22,437					2	2						13,682	
190	Other financial corporations	87	87													
200	Non-financial corporations															
210	Households															
220	**Total**	**1,727,930**	**1,718,392**	**9,538**	**95**	**0**	**95**	**252**	**(197)**	**449**	**95**	**0**	**95**	**0**	**34,105**	

UK CR1 – A – Maturity of Exposures

The table below shows a breakdown of net exposures of loans and advances and debt securities split by maturity.

		Net exposure value					
	£000s	On demand	<= 1 year	> 1 year <= 5 years	> 5 years	No stated maturity	Total
1	Loans and advances	133,973	127,600	-	-	16,976	278,548
2	Debt securities	-	267,119	85,909	-	-	353,028
3	**Total**	**133,973**	**394,718**	**85,909**	**-**	**16,976**	**631,576**

UK CR2 – Changes in the stock of non-performing loans and advances

	£000s	Gross carrying amount
010	**Initial stock of non-performing loans and advances**	**-**
020	Inflows to non-performing portfolios	95
030	Outflows from non-performing portfolios	
040	Outflows due to write-offs	
050	Outflow due to other situations	
060	**Final stock of non-performing loans and advances**	**95**

UK CR2-A - Changes in the stock of non-performing loans and advances and related net accumulated recoveries

	£000s	Gross carrying amount
010	**Initial stock of non-performing loans and advances**	**-**
020	Inflows to non-performing portfolios	95
030	Outflows from non-performing portfolios	
040	Outflow to performing portfolio	
050	Outflow due to loan repayment, partial or total	
130	**Final stock of non-performing loans and advances**	**95**

UK CQ3 – Credit quality of performing and non-performing exposures by past due days

		Gross carrying amount/nominal amount											
		Performing exposures			Non-performing exposures								
	£000s		Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	Of which defaulted
005	Cash balances at central banks and other demand deposits	529,835	529,835										
010	Loans and advances	800,576	800,576										
020	Central banks	285	285										
030	General governments	-	-										
040	Credit institutions	692,999	692,999										
050	Other financial corporations	98,576	98,576										
060	Non-financial corporations	8,717	8,717		95								95
090	Debt securities	353,042	353,042										
100	Central banks	-	-										
110	General governments	353,042	353,042										
150	Off-balance-sheet exposures	44,572											
160	Central banks	22,048											
170	General governments	-											
180	Credit institutions	22,437											
190	Other financial corporations	87											
200	Non-financial corporations	-											
210	Households	-											
220	**Total**	**1,728,025**	**1,683,453**		**95**								**95**

Due to the short-term nature of the Group's business, exposures are seldom past due for more than seven days. The Group monitors unsettled transactions daily and these are usually regularised within a few days.

UK CQ4 – Quality of non-performing exposures by geography

	£000s	Gross carrying/nominal amount				Accumulated impairment	Provisions on off-balance-sheet commitments and financial guarantees given	Accumulated negative changes in fair value due to credit risk on non-performing exposures
			Of which non-performing		Of which subject to impairment			
				Of which defaulted				
10	**On-balance-sheet exposures**	**1,683,453**	**95**	**95**	**1,683,453**	**(31)**		
20	United Kingdom	572,156	95	95	572,156	(31)		
30	United States	497,098			497,098			
40	Germany	123,074			123,074			
50	Ireland	98,583			98,583			
60	France	77,765			77,765			
70	Other countries	314,777			314,777			
80	**Off-balance-sheet exposures**	**44,572**					**8**	
90	Haiti	9,668						
100	Rwanda	9,018						
110	Sierra Leone	6,216					2	
120	Uganda	3,362						
130	Guyana	2,446						
140	Other countries	13,862					5	
150	**Total**	**1,728,025**	**95**	**95**	**1,683,453**	**(31)**	**8**	

UK CQ5 – Credit quality of loans and advances to non-financial corporations by industry

	£000s	Gross carrying amount				Accumulated impairment	Accumulated negative changes in fair value due to credit risk on non-performing exposures
			Of which non-performing		Of which loans and advances subject to impairment		
				Of which defaulted			
110	Financial and insurance activities	8,717	95	95	8,717	(95)	
200	**Total**	**8,717**	**95**	**95**	**8,717**	**(95)**	

Note that all other categories have been omitted from the table as they do not apply to the Group.

Credit Risk Mitigation

Credit risk is principally controlled by establishing and enforcing authorisation limits, including set-off limits, by checking the creditworthiness of counterparties and defining exposure levels to those counterparties. Daily monitoring of positions ensures that prudential limits are not exceeded. CAB Payments continues to adopt a conservative credit policy.

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

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

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

Wrong Way Risk

Wrong way risk arises when the likelihood of default is positively correlated with the market risk factors (General Wrong Way Risk), whereas specific wrong way risk is where exposures are positively correlated with the probability of default. The Group's use of CSAs largely mitigates wrong way risk on its derivatives. CAB Payments does not consider Wrong Way Risk to be a material risk to the business.

Collateral

CAB Payments receives collateral in the form of cash from some of its trade finance clients as a credit risk mitigation measure in addition to receiving/pledging collateral relating to unrealised gains/losses on derivatives. As the collateral received typically relates to off balance sheet trade finance activity, CAB Payments does not make use of any balance sheet netting relating to collateral. The key features of the collateral that the Group receives is as follows:

- It has the right to retain the collateral in the event of default from the counterparty.
- The value of collateral remains stable (cash in highly liquid, established currencies).
- The collateral agreements are legally enforceable.

CR3 – CRM techniques overview: Disclosure of the use of credit risk mitigation techniques

The table below shows a breakdown of on-balance sheet credit risk exposures secured by different Credit Risk Mitigation ("CRM") techniques.

	£000s	Unsecured carrying amount	Secured carrying amount	Of which secured by collateral	Of which secured by financial guarantees	Of which secured by credit derivatives
1	Loans and advances	278,417	131	131		
2	Debt securities	353,028				
3	**Total**	**631,445**	**131**	**131**	**-**	**-**
4	*Of which non-performing exposures*	95				
5	*Of which defaulted*	95				

CR4 – Standardised approach – Credit risk exposure and CRM effects

The table below shows the impact of pre and post credit conversion factors and credit risk mitigation techniques on exposures by asset class.

£000s	Exposures before CCF and before CRM		Exposures post CCF and post CRM		RWAs and RWAs density	
Exposure classes	On-balance-sheet exposures	Off-balance-sheet exposures	On-balance-sheet exposures	Off-balance-sheet amount	RWAs	RWAs density (%)
Central governments or central banks	680,845	22,048	680,845	351	636	0.1%
Regional government or local authorities	-	-	-	-	-	
Public sector entities	93,192	-	93,192	-	0	0.0%
Multilateral development banks	109,124	-	109,124	-	-	0.0%
International organisations	-	-	-	-	-	
Institutions	187,538	-	187,538	-	49,794	26.6%
Corporates	113,512	22,524	113,512	3,089	118,106	101.3%
Retail	-	-	-	-	-	
Secured by mortgages on immovable property	-	-	-	-	-	
Exposures in default	95	-	95	-	95	100.0%
Exposures associated with particularly high risk	-	-	-	-	-	
Covered bonds	-	-	-	-	-	
Institutions and corporates with a short-term credit assessment	-	-	-	-	-	
Collective investment undertakings	518,764	-	518,764	-	28,962	5.6%
Equity	495	-	495	-	495	100.0%
Other items	24,080	-	24,080	-	24,080	100.0%
TOTAL	**1,727,646**	**44,572**	**1,727,646**	**3,440**	**222,168**	**12.8%**

CR5 – standardised approach

The table below shows a breakdown of exposures post-CCF and post-CRM:

£000s	Risk weight							Total	Of which unrated
Exposure classes	0%	20%	50%	100%	150%	250%	Others		
Central governments or central banks	680,560	-	-	22,332	-	-		702,893	22,048
Regional government or local authorities	-	-	-	-	-	-		-	-
Public sector entities	93,192	-	-	0	-	-		93,192	-
Multilateral development banks	109,124	-	-	-	-	-		109,124	-
International organisations	-	-	-	-	-	-		-	-
Institutions	-	149,109	36,913	1,515	-	-		187,538	3,085
Corporates	-	17,392	7,892	65,684	45,162	-		136,131	66,586
Exposures in default				95				95	-
Units or shares in collective investment undertakings	-	137,958	-	-	-	-	380,806	518,764	-
Equity exposures				495				495	
Other items				24,080				24,080	
TOTAL	**882,877**	**304,460**	**44,805**	**114,202**	**45,162**	**-**	**380,806**	**1,772,312**	**91,719**

CCR1 – Analysis of CCR exposure by approach

	£000s	Replacement cost (RC)	Potential future exposure (PFE)	EEPE	Alpha used for computing regulatory exposure value	Exposure value pre-CRM	Exposure value post-CRM	Exposure value	RWEA
UK1	Original Exposure Method (for derivatives)	2,635	10,248		1.4	19,617	19,617	19,617	7,777
UK2	Simplified SA-CCR (for derivatives)								
4	Financial collateral comprehensive method (for SFTs)								
5	VaR for SFTs								
6	**Total**					**19,617**	**19,617**	**19,617**	**7,777**

CCR2 - Transactions subject to own funds requirements for CVA risk

	£000s	Exposure value	RWEA
1	Total transactions subject to the Advanced method		
2	(i) VaR component (including the 3× multiplier)		
3	(ii) stressed VaR component (including the 3× multiplier)		
4	Transactions subject to the Standardised method	19,617	1,194
UK4	Transactions subject to the Alternative approach (Based on the Original Exposure Method)		
5	**Total transactions subject to own funds requirements for CVA risk**	**19,617**	**1,194**

CCR3 - Standardised approach – CCR exposures by regulatory exposure class and risk weights

£000s	Risk weight											
Exposure classes	**0%**	**2%**	**4%**	**10%**	**20%**	**50%**	**70%**	**75%**	**100%**	**150%**	**Others**	**Total exposure value**
Institutions	-	-	-	-	14,281	499	-	-	-	-		14,780
Corporates	-	-	-	-	207	-	-	-	4,630	-		4,837
Total exposure value	**-**	**-**	**-**	**-**	**14,488**	**499**	**-**	**-**	**4,630**	**-**	**-**	**19,617**

7. Operational Risk

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

The Operational Risk Management Policy sets out how operational risk is managed and reviewed at least once per calendar year. It covers the operational lifecycle, including risk management tools, roles and responsibilities, ownership, and governance. The Policy is supported by procedures and standards that detail specific risk tools such as incident management, risk and control self-assessments ("RCSA") etc.

Controls & Mitigation

CAB Payments uses various tools to identify, assess, mitigate, manage, and report operational risk, and relies on a centralised risk system to record operational incidents, loss data, risk and control self-assessments, assurance findings and actions etc., in a consistent way that is aligned to the ERMF. Regardless of value, all operational incidents are recorded by the business, and reviewed by the 2nd Line of Defence operational risk team, who may recommend additional controls and procedures where appropriate.

The ORC meets regularly to discuss operational issues. It has responsibility for monitoring all the key operational risks facing the organisation. The ORC escalates matters to the ERC as required.

As part of the RCSA activity key controls have been identified by the business that are stored centrally in the Group's risk system.

The Group's operational risk framework is appropriately designed, embedded within key roles and responsibilities across the Board, the executive, the business, the risk function and the audit/assurance function.

Measurements of Operational Risk

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

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

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

UK OR1 – Operational risk own funds requirements and risk weighted exposure amounts

	£000s	Relevant indicator			Own funds requirements	Risk weighted exposure amount
	Banking activities	Year-3	Year-2	Last year		
1	Banking activities subject to basic indicator approach (BIA)	55,947	112,799	137,068	15,291	191,134

8. Liquidity & Funding Risk

For liquidity and funding the PRA does not supervise CAB Payments on a consolidated basis. Rather it supervises CAB (as the regulated entity) on a solo basis. As at year end, all other entities in the Group were non trading and therefore Group liquidity risk is effectively that of CAB. References to Group liquidity requirements are therefore those of CAB.

Liquidity risk reflects the risk that the Group cannot meet its contractual or contingent obligations in a timely manner as they fall due. Funding risk is the risk that the Group cannot maintain access to a sufficient stable funding base to maintain its liquidity.

CAB Payments' risk appetite is to ensure that adequate liquidity, both in terms of quality and quantity, is held to meet liabilities as they fall due, whether in business-as-usual or stress conditions.

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

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

Controls and Mitigation

Liquidity risk can arise because:

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

The Group calculates its minimum liquidity requirement as the higher of the regulatory and its own internal assessment and then holds a material liquidity buffer above this to ensure it is suitably protected against liquidity risks. The Group manages and monitors liquidity risk on a daily basis and ensures that liquidity is sufficient to cover cash flow obligations, fluctuations in funding and to support anticipated asset growth. Liquidity and funding forms standing items for discussion at ALCo with the Executive Risk Committee and Board Risk committee maintaining oversight. Any liquidity and funding issues are escalated as required to ALCo and then onwards to ERC and BRC respectively.

Liquidity risk is specifically assessed through the CAB ILAAP. As part of this process, the Group assesses the level of liquidity necessary to prudently cover systemic and idiosyncratic risks specific to its business model.

Global Markets Treasury is responsible for managing the liquidity position on a day-to-day basis to ensure compliance with both the Group's internal risk appetite and the regulatory minimum requirement. Liquidity is measured and monitored daily based on metrics and limits set out within the RAS & TL and assessed by ALCo in its monthly meetings as well as daily monitoring and reporting.

Based on the business model of funding primarily through wholesale deposits, the Board has set a liquidity risk appetite which it considers to be appropriate to provide it with the assurance that the relevant liquidity risk drivers should be considered and appropriately stressed and that the Group is able to meet liabilities beyond the targeted survival period.

The Group holds a large proportion of its assets in the form of HQLA (71% as at 31 December 2023), which primarily consists of its reserve account with the Bank of England, and the holding of Level 1 Government/Government backed bonds in addition to investments into CIUs, which invest in US Treasuries. The breakdown of the HQLA can be found in the HQLA breakdown table below.

Liquidity Contingency Plan

In line with its regulatory requirements, the Group maintains a Liquidity Contingency Plan ("LCP"). The LCP forms part of the Group Recovery Plan ("RP") and is designed to identify emerging liquidity concerns at an early stage, so that mitigating actions can be taken to avoid a more serious crisis developing. The LCP, involves a two-stage process, covering preventative measures and corrective measures to be invoked when there is a potential or actual risk to the Group's overall liquidity position. The LCP provides a plan for managing a liquidity situation or crisis caused by internal events, external events, or a combination thereof. The LCP outlines what actions available to ensure it complies with the liquidity adequacy rules and operates within its risk appetite and limits.

HQLA Breakdown

The following table provides a breakdown of HQLA of the Group's material entity CAB.

£000s	31-Dec-23[1]	30-Jun-23[1]	31-Dec-22[1]
Bank of England Reserves (subject to article 8)	524,387	573,507	603,794
L1 HQLA Bonds	352,795	425,316	407,526
L1 CIUs (value according to Article 9)	361,766	44,183	139,302
Total HQLA	**1,238,949**	**1,043,006**	**1,150,621**

(1) Spot values are used as opposed to the averages throughout the year.

The large increase in CIUs, was primarily due to a large USD deposit that was placed with CAB over year end. The subsequent cash from this deposit was placed on the CIU fund.

Liquidity & Funding Ratios

The Group manages its liquidity position with regards to its internal risk appetite, the LCR and NSFR as required by the PRA.

Liquidity Coverage Ratio ("LCR")

The LCR is a combined 30-day stress metric which ensures banks hold sufficient HQLA to cover a cumulative stressed net outflows over a 30-day period.

The Group's deposit balances are predominantly placed by central banks, commercial banks, governments and government agency clients. A large proportion of these balances relate to correspondent/commercial banking relationships as part of the Group's offering for payment and FX solutions. The LCR regulatory treatment is to assign a 100% outflow factor to these deposits.

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

Based on these rules, the LCR as of 31 December 2023 is 150% (2022: 143%) which is significantly in excess of the minimum requirements of 100%.

UK LIQ1 – Quantitative Information of LCR

The following template provides a breakdown of the average LCR for CAB, the material entity within the Group, over 2023.

	£m	Total unweighted value (average)				Total weighted value (average)			
UK 1a	Quarter ending on	31 Dec 2023	30 Sep 2023	30 Jun 2023	31 Mar 2023	31 Dec 2023	30 Sep 2023	30 Jun 2023	31 Mar 2023
UK 1b	Number of data points used in the calculation of averages	12	12	12	12	12	12	12	12
	High-Quality Liquid Assets								
1	Total high-quality liquid assets (HQLA)					1,115	1,107	1,114	1,101
	Cash - Outflows								
5	Unsecured wholesale funding	1,113	1,063	1,039	1,036	842	822	819	829
6	*Operational deposits (all counterparties) and deposits in networks of cooperative banks*	119	120	119	117	30	30	30	29
7	Non-operational deposits (all counterparties)	994	943	921	919	812	792	789	800
10	Additional requirements	108	111	115	117	34	35	35	33
11	*Outflows related to derivative exposures and other collateral requirements*	31	31	31	29	31	31	31	29
13	*Credit and liquidity facilities*	77	80	84	88	3	4	4	4
14	Other contractual funding obligations	4	4	4	4	-	-	-	-
16	TOTAL CASH OUTFLOWS					877	857	854	863
	Cash - Inflows								
18	Inflows from fully performing exposures	125	114	118	123	122	112	116	121
19	Other cash inflows	11	12	10	6	11	11	9	5
20	TOTAL CASH INFLOWS	135	126	128	128	133	123	125	126
UK-20c	*Inflows subject to 75% cap*	135	126	128	128	133	123	125	126
	Total Adjusted Value								
UK-21	LIQUIDITY BUFFER					1,115	1,107	1,114	1,101
22	TOTAL NET CASH OUTFLOWS					744	734	729	736
23	LIQUIDITY COVERAGE RATIO %					150.3	138.7	140.6	137.2

Net Stable Funding Ratio ("NSFR")

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

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

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

UK LIQ2 – Net Stable Funding Ratio (NSFR)

	£000s	Unweighted value by residual maturity (average)				Weighted value (average)
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
	Available stable funding (ASF) Items					
1	**Capital items and instruments**	**105,196**	**-**	**-**	**-**	**105,196**
2	*Own funds*	105,196				105,196
7	**Wholesale funding:**		**1,322,578**	**33,937**	**5,497**	**100,171**
8	*Operational deposits*		118,071			57,680
9	*Other wholesale funding*		1,204,508	33,937	5,497	42,492
11	**Other liabilities:**	**5,888**	**231,148**	**-**	**430**	**430**
12	*NSFR derivative liabilities*	5,888				
13	*All other liabilities and capital instruments not included in the above categories*		231,148	-	430	430
14	**Total available stable funding (ASF)**					**205,798**
	Required stable funding (RSF) Items					
15	**Total high-quality liquid assets (HQLA)**					7,450
17	**Performing loans and securities:**		312,318	9,550	982	83,573
20	*Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:*		2,168	-	-	1,084
24	*Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products*		310,150	9,550	982	82,490
26	**Other assets:**		**203,043**	**-**	**24,175**	**39,217**
27	*Physical traded commodities*					
30	*NSFR derivative liabilities before deduction of variation margin posted*					294
31	*All other assets not included in the above categories*		203,043	-	24,175	39,217
32	**Off-balance sheet items**		**39,367**	**14,713**	**15,094**	**4,204**
33	**Total RSF**					**134,445**
34	**Net Stable Funding Ratio (%)**					**153%**

9. Market Risk

Market risk is the risk of losses occurring as a result of adverse market moves driving detrimental changes in the value of the Group's assets and liabilities. CAB Payments is exposed to market risk, primarily through its material entity CAB, via Interest Rate Risk in the Banking Book ("IRRBB") and Foreign Exchange ("FX") risk.

The Group has a highly restricted appetite for incurring market risk. It does not operate a trading book and all assets are held in the banking book with the intention to hold to maturity.

Foreign Exchange Risk

FX risk is risk to earnings or capital arising from adverse movements in currency FX rates. The Group does not operate a trading book and speculative transactions are prohibited, as such all FX risk relates to client trade related flows.

UK MR1 – Market Risk under the Standardised Approach

£000s	RWEAs
Outright products	
Interest rate risk (general and specific)	
Equity risk (general and specific)	
Foreign exchange risk	6,577
Commodity risk	
Total	**6,577**

Control & Mitigation

The Group manages FX risk principally through its material entity, CAB, with its tolerance for FX risk constructed and set out in the CAB RAS & TL documentation. FX exposure is controlled through the tight limiting of open FX positions through a tiered approval framework which is ultimately restricted by Board approved limits both in aggregate and on a currency basis. Utilisation against these limits is measured and reported daily with oversight from 1st and 2nd line and is reviewed monthly as a standing item at ALCo with ERC and BRC maintaining additional oversight.

CAB maintains risk management systems to identify, measure, monitor, and control market risk including the daily distribution of spot and forward FX and other positions, as well as the resultant calculation of the relevant capital requirement.

10. Interest Rate Risk

Monitoring and Control

Interest Rate Risk in the Banking Book ("IRRBB") is defined as the risk to earnings or economic capital arising from movements in interest rates that affect banking book positions.

The Group does not take an active view on interest rate movements or seek exposure to interest rate risk and manages these in a conservative and prudent fashion. The Board manages IRRBB risk through its primary entity, CAB, and sets its IRRBB Risk appetite. The IRRBB risk appetite metrics are reported as a standing item at ALCo with ERC and BRC maintaining additional oversight. ALCo has day to day responsibility for management of IRRBB and recommending to the Board any changes in risk appetite or hedging strategies.

IRRBB1: Quantitative information on IRRBB

The table below articulates the Group's exposure to movements in interest rates under the prescribed scenarios described in 9.7 of the ICAA part of the PRA Rulebook.

£000s	ΔEVE		ΔNII		Tier 1 capital	
Period	31-Dec-23	31-Dec-22	31-Dec-23	31-Dec-22	31-Dec-23	31-Dec-22
Parallel shock up	(2,585)	(1,249)	(351)	1,326		
Parallel shock down	2,738	1,351	351	(1,326)		
Steepener shock	1,156	246				
Flattener shock	(1,603)	(470)				
Short rates shock up	(2,300)	(837)				
Short rates shock down	2,395	886				
Maximum	(2,585)	(1,249)	(351)	(1,326)		
Tier 1 capital					107,471	83,780

Key modelling and parametric assumptions used in calculating change in EVE and change in net interest income in UK IRRBB1

Key modelling assumptions used in order to prepare the sensitivities disclosed in the IRRBB1 template are set out below:

EVE Sensitivity

- Static balance sheet with assets and liabilities assumed to be replaced on a like for like basis at maturity.
- Equity is not included.
- Non maturing deposits ("NMDs") are assumed to reprice on an overnight basis unless they are deemed to be interest rate insensitive, in which case the Group's own assessment of duration is applied.
- PRA prescribed interest rate shocks applied instantaneously to the prevailing yield curve as at 31 December 2023.

NII sensitivity

Identical modelling assumptions as above except for that equity is included. Equity assumed to reprice on an internally agreed profile.

Metrics and modelling assumptions used in internal IRRBB management

The Group has an intrinsically low IRRBB risk appetite, measured by:

- the impact on Net Interest Income over 12 months arising from a 100bps parallel rate shift.
- the Economic Value of Equity ("EVE") impact of a 200bps parallel rate shift.

Where different from the metrics disclosed under IRRBB1, key modelling assumptions used in calculating the internal EVE and NII sensitivities are listed below.

EVE Sensitivity

The Group's EVE sensitivity calculation is based on that prescribed by the PRA and reported to it on a semi-annual basis via the FSA017 regulatory return.

The following repricing buckets are applied (longer duration buckets are not relevant as the Group does not have any assets or liabilities which reprice or mature in more than 3 years):

- 0 - 3 months
- 3 - 6 months

- 6 - 12 months
- 1 - 2 years
- 2 - 3 years

Equity is included in the repricing gap and assumed to reprice based on an internally agreed profile.

Based on these repricing buckets a + / - 200bp instantaneous shock to prevailing yield curve is applied as at the reporting date.

Overview of IRRBB Risk Management and mitigation strategies

Due to the nature of the products offered by the Group, its balance sheet is simple from an IRRBB perspective. The only significant component of interest rate risk to which the Group is exposed is Repricing Risk (the risk to earnings due to assets and liabilities repricing at different times).

The Group has only very limited basis risk as all its liabilities are either fixed or administered rate thereby not creating any basis exposure. Furthermore, CAB Payments does not offer any products which have any embedded optionality in terms of early repayment.

The Group manages and mitigates IRRBB by regularly preparing repricing gap reports. To the extent that significant gaps are identified, Global Markets Treasury will purchase bonds or raise additional deposits of the appropriate duration to mitigate the risk. CAB Payments bond portfolio and deposit books are all accounted for on an amortised cost basis. Further metrics are monitored to ensure that the PV01 of the bond portfolio is tightly controlled to mitigate the risk that a material accounting loss is suffered in the event of having to dispose of the Groups bond holdings.

Average repricing maturity assigned to NMDs

The average repricing date of the Group's NMDs is 0.1 years. This calculation includes both profiled balances and those assumed to reprice overnight.

Longest repricing maturity assigned to NMDs

The longest repricing date assigned to the Group's NMDs is 1.5 years.

Other market Risks

The Group holds certain assets, notably its investments in CIUs, for which an active market exists, and which are therefore potentially subject to market risk. The assets held by the CIUs in which the Group invests are extremely high quality and very short duration debt instruments meaning that the market risk associated with these is minimal. As of 31 December 2023, the CIU portfolio amounted £518,764k (£209,486k in 2022).

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

11. Remuneration

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

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

The disclosure requirements of Pillar 3 are defined by CRR Article 450. Data is provided for remuneration received by Code Staff for the year ended 31 December 2023.

During the year, the Group designated a total of 25 individuals (including Non-Executive Directors) who were classed as Code Staff. Of these, 18 were categorised as Senior Management (being the Executive and Non-Executive Directors who served during the year, and members of the Executive Committee), as well as 7 individuals categorised as Other Code Staff.

Approach to Remuneration

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

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

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

The following key principles underpin these themes:

- Attract and retain high calibre individuals – employee turnover will be monitored for the proportion attributable to remuneration policy and practices; the performance management framework will be maintained to ensure it continues to reflect and support business goals; assessment of the value of roles will be through an objective measurable methodology, that ensures value is attached to tangible services and outputs of the role.
- Remuneration will not be excessive – staffing retention budgeted by setting remuneration appropriately through regular compensation benchmarking against independent third-party data.
- Remuneration is aligned to the success of the Group – performance related components of remuneration are aligned to the Group's longer-term business planning, including operational budget, risk adjusted financial measures aligned to its core strategy.
- Proportion of variable pay is appropriate, predominantly cash based and may be deferred – where a significant proportion of remuneration is variable, it will be designed to reward longer term success. The ratio of fixed to variable remuneration will differ depending on the specific incentive schemes in operation across the business, however as a general rule the Group seeks to ensure that the majority of an individual's remuneration is fixed.
- No reward for poor performance - the performance management framework focuses on objective measurement of outputs along with behavioural measures which assess the way in which work is done.

Decision-making Process for Determining Remuneration Policy

In line with regulatory guidance, remuneration is overseen by the Remco, a Board sub-committee.

The Remco assists the Board in relation to Directors' remuneration including making recommendations to the Board on the Group's policy on executive remuneration, setting the overarching principles, parameters and governance framework of the Group's remuneration policy and determining the individual remuneration and benefits package of each of its Executive Directors, senior managers and the Company Secretary.

The Committee was established shortly before CAB Payments' Admission to the London Stock Exchange in July 2023. Prior to Admission, the Company had a different remuneration committee, which was composed of Non-executive Directors of the pre-IPO business.

The Remco comprises Noël Harwerth (Chair), Caroline Brown and Mario Shiliashki, all of whom are independent Non-executive Directors and Ann Cairns, the Chair of the Board. The full terms of reference of the Committee are available on CAB Payments' corporate website at https://cabpayments.com/investors.

In summary, the Remco's responsibilities are as follows:

- To develop the policy on executive remuneration and monitor its ongoing appropriateness and effectiveness.
- To determine the levels of remuneration for the Executive Directors, senior management and the Chair of the Board (ensuring that no individual is involved in any decisions relating to their own remuneration outcome).
- Oversee the remuneration policies and practices of the Group's wider workforce and ensure that its policy for the senior team is consistently structured.
- Ensure that any applicable regulations, whether connected to our status as a regulated bank or as a listed company more generally are followed proportionately.
- Oversee the operation of the Group's share schemes.

The Remco met twice in the 2023 financial year.

The Remco receives independent advice from external remuneration consultants Korn Ferry, who were appointed in December 2022 following a tender process. During the year under review, the Remco received advice prior to listing on the new Directors' Remuneration Policy, its operation in 2023 and application for 2024 and the drafting of the Directors' Remuneration report. Korn Ferry is a signatory to the Remuneration Consultants' Code of Conduct and has confirmed to the Remco that it adheres in all respects to the terms of the Code of Conduct. Korn Ferry provided no other advice or services to the Group during the year and has no connection with any individual Director.

Remuneration Policy for Code Staff[1]

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

Basic Salary

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

Variable Pay

The Executive Directors and other Code Staff (as for all employees) participate in a non-pensionable performance incentive scheme, the metrics of which reflect the Group's key objectives. These elements are all set to provide challenging objectives, giving the Executive Directors and all staff an incentive to perform at the highest level.

Benefits

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

Link Between Pay and Performance

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

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

- A governance structure for setting goals and communicating these to employees.

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

- Making all variable remuneration awards at the discretion of the Remco and subject to individual, business unit, overall Bank performance, stated risk appetite and ICAAP measures.

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

Design and Structure of Remuneration

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

- Basic salary.
- Variable awards (regarding the performance incentive scheme).
- Benefits.

Additionally, certain Code staff are also part of the Group's Long-Term Incentive Plan ("LTIP").

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

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

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

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

Salary and Fees

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

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

Variable Awards

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

When considering the performance of the Group and participants, the Remco will assess progress against a number of key financial and operational drivers including:

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

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

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

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

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

Remuneration Paid to Code Staff

The following tables summarise the 2023 remuneration for the Group's Executive Directors, Non-Executive Directors, Senior Management (as designated as Senior Management under the FCA's Senior Management regime) and staff whose professional activities have a material impact on the risk profile of the company (together, Code Staff).

REM1: Remuneration awarded for the financial year

The table below summarises the remuneration awarded for FY'23

	£000s		MB Supervisory function	MB Management function	Other senior management	Other identified staff
Fixed remuneration	1	Number of identified staff	8	10	1	6
	2	Total fixed remuneration	836	3,302	209	979
	3	Of which: cash-based	836	3,020	194	871
	4	(Not applicable in the UK)				
	6	(Not applicable in the UK)				
	7	Of which: other forms	0	282	16	108
	8	(Not applicable in the UK)				
Variable remuneration	9	Number of identified staff	8	10	1	6
	10	Total variable remuneration	-	3,558	153	935
	11	Of which: cash-based	-	1,821	82	698
	12	Of which: deferred	-	-	-	-
	UK-13a	Of which: shares or equivalent ownership interests	-	1,737	71	236
	UK-14a	Of which: deferred	-	1,737	71	236
	17	**Total remuneration (2 + 10)**	836	6,860	362	**1,914**

One member of Code Staff was paid more than €1 million and below €1.5 million.

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

The variable remuneration includes a share-based taxable benefit received by Senior Management (the LTIP) and by Other Code Staff.

All other remuneration is paid in cash apart from sundry staff benefits (such as medical insurance and pension contributions) which is included within the fixed remuneration figures.

The LTIP element of the remuneration is deferred.

REM5: Information on remuneration of staff whose professional activities have a material impact on institutions’ risk profile (identified staff)

The following table provides a summary of remuneration of the Group’s material risk takers.

		Management body remuneration			Business areas	
	£000s	MB Supervisory function	MB Management function	Total MB	All other	Total
1	Total number of identified staff					25
2	Of which: members of the MB	8	10	18		
3	Of which: other senior management				1	
4	Of which: other identified staff				6	
5	Total remuneration of identified staff	836	6,860	7,696	2,276	
6	Of which: variable remuneration	-	3,558	3,558	1,088	
7	Of which: fixed remuneration	836	3,302	4,138	1,188	

12. Asset Encumbrance

An asset is classified as encumbered if it is pledged or used as security to collateralise a specific transaction, such that it cannot be freely withdrawn.

The Group’s only source of encumbrance is in the form of derivatives, where cash is pledged to its derivative counterparties to collateralise out of the money derivative positions. Collateral is typically pledged in GBP, USD and EUR cash.

The Group’s encumbered assets as at 31 December 2023 were £8.2m (2022 £2.9m), with the table below showing the median values over the 4 quarters in 2023.

	Carrying amount of encumbered assets		Carrying amount of unencumbered assets		Fair value of unencumbered assets	
£000s		**of which notionally eligible EHQLA and HQLA**		**of which EHQLA and HQLA**		**of which EHQLA and HQLA**
Assets of the reporting institution	**5,238**					
Equity instruments			481			
Debt securities			398,768	398,768	392,538	392,538
of which: issued by general governments			148,042	148,042	147,304	147,304
of which: issued by financial corporations			177,287	177,287	175,658	175,658
of which: issued by non-financial corporations			74,532	74,532	72,476	72,476
Other assets			**1,036,961**	**750,490**		

CAB | PAYMENTS

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