

Crown Agents Bank Limited

Annual Report and Financial Statements
For the year ended 31st December 2019

Registered Number

2334687

Registered Office:

Quadrant House

The Quadrant

Sutton

Surrey SM2 5AS

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Chairman's Report for the year ended 31 December 2019

I am very pleased to record that Crown Agents Bank Limited ("the Bank ") yet again delivered record results in 2019, despite incurring considerable incremental costs in order to drive forward the transformation project which we launched in 2018.

As such we are crossing the £5million pre-tax profit line for the first time, with revenue growing by approximately 30% over 2018. We are successfully building on the positive momentum achieved over the past couple of years.

As before, all of this would not have been achieved without the full commitment of the dedicated teams we are so fortunate to have with us , and who have worked exceptionally hard throughout the year to take our strategy forward - and far deeper into the payments and FX product sets. I'd like to place on record the Board's strong recognition and appreciation of their dedication throughout 2019.

It is indeed testament to their skill and expertise that the Bank was the recipient of a number of key industry awards during the year , notable amongst which was Best FX Provider for Emerging Markets Currencies by the leading trade magazine, Global Finance. We are all proud of our achievements and of how the Bank is now well on the way to transforming itself into a digital payments and FX Bank – whilst not losing sight of our extraordinary near 200 year heritage across Africa, the Caribbean and South East Asia.

As such we are successfully combining our deep knowledge of these markets , and our widely recognised brand and reputation, with our expertise both in our legacy products such as clearing and trade finance services for local banks in these markets, and a future led by a sharp and technology-centric focus on FX and payments.

In order to intensify and drive this focus , we identified, and have now successfully completed , the acquisition of Segovia Technology Inc, a US headquartered digital payments specialist with a complementary existing client base that uses Segovia's advanced technology to make payments into several of our core markets in Africa, using mobile and other delivery channels.

With this acquisition we will shortly be in a prime position to roll out further industry beating digital payments solutions on behalf of our combined client base. I'd like to take this opportunity to welcome Segovia and their highly skilled staff to Crown Agents Bank.

As we develop and build our business and continue with the execution of our transformation strategy into 2020, we are of course especially mindful of the global impacts of the Covid-19 virus. We are extremely proud of the way all our staff have responded to the unprecedented situation in which we find ourselves, the vast majority of whom are now working from home, and I would like to record our specific thanks for the selfless and dedicated manner in which everyone has risen to the challenge ; and accepted without complaint the inevitable personal and business disruption that has arisen.

Given the shape of our business lines, I am pleased to note that, as of the date of writing this report, revenues are holding up well as our strategy to support our clients and to continue to offer FX rates in all of our frontier markets has enabled the Bank to benefit alongside our clients, by providing liquidity and risk mitigation solutions in these difficult and volatile times.

Notwithstanding the uncertainties around Covid-19, we nevertheless look forward to a year in 2020 in which we further embed our transformation and our future strategy and look forward to a bright future as the leading player in FX and payments in our chosen markets.

Jeremy Parrish



Chairman 15 June 2020

Chief Executive Officer's Report for the year ended 31 December 2019

Performance Report

I am pleased to report further meaningful progress in 2019 against the execution of our strategic plan established after the acquisition of the Bank by funds managed by Helios Investment Partners in 2016.

Moving money where it is needed

We aspire to be the 'go to' digital FX and payment partner for a globally diversified, wholesale (B2B) customer base wishing to make payments delivered in local currency across Frontier and Emerging markets. We are proud to facilitate vital flows into, from and across Africa, the Caribbean and select Asia Pacific and Latin American markets. These financial flows from our clients arise from development and emergency aid remittances as well as cross border trade. We are committed to supporting financial inclusion across our markets supporting new, cost effective last mile payment delivery solutions including mobile money.

We primarily serve Commercial Banks, digital Non-Bank Financial Institution payment specialists, Central Banks and Governments as well as Supranational and International Development Organisations.

We look to differentiate our services by leveraging our Frontier market FX expertise leveraging our digital FX platform and our rapidly expanding payment distribution network. This allows us to provide reliable, cost-efficient solutions to our clients across multiple traditional and emerging payment distribution channels.

We pride ourselves in the quality of our deliverable FX and payments capabilities in Frontier market currencies where we aspire to be the world leader. This unique position is the result of trusted relationships with Central Banks and domestic financial institutions across Africa, the Caribbean and selected Asia Pacific markets.

Many of our focus markets account for some of the youngest and fastest growing populations in the world. In aggregate these markets are experiencing significant improvement in financial inclusion ratios often as a result of rapid transformation of domestic payment capabilities. This is often triggered as a result of rapid development of mobile money capabilities. We are committed to supporting greater levels of financial inclusion across our focus markets by encouraging adoption of international standards of compliance and controls whilst using new technologies and processes to facilitate greater scale and cost reduction in processing payment and FX activities.

To this end, in July 2019, I am pleased to report that our Group closed an important Fintech acquisition that materially enhances our digital payment infrastructure. Segovia is a digital payment specialist developing a next-generation Payment Gateway with a particular focus on mobile disbursement solutions across the most significant and fastest growing mobile money markets in Africa. Since the acquisition, as a part of our digital transformation we have been working with the Segovia engineering, network and tech integration specialists to expand the capabilities of the Payment Gateway to incorporate a wider array of payment delivery channels and to leverage our acknowledged frontier market FX expertise.

Key profitability highlights

- In 2019, we continued our rapid revenue growth finishing the year with £29.2 million in operating income (up from £22.9 million in 2018), resulting in +52% compound annual growth rate since change of control in 2016.
- We continue to balance profitability with sustained investment in developing our digital infrastructure. In 2019, we generated an increase in Profits Before Taxation to £5.1 million (vs £4.6 million in 2018). At the same time, we continue to invest in all aspects of our business including staff, infrastructure, compliance and control environment and business development capabilities.

Chief Executive Officer's Report for the year ended 31 December 2019 (continued) Performance Report (continued)

Key profitability highlights (continued)

- Our business model is concentrated on scaling our non capital-intensive FX and payment services particularly leveraging our strength in Frontier and Emerging market spot deliverable FX.

The continued focus on payments, spot deliverable FX and building more predictable, recurring, fee-based revenues, means that as of the end of 2019:

- Approximately 68% of operating income now comes from non capital-intensive activities (up from c. 60% in 2018) with these proportions expected to increase as we gain further traction in the marketplace.
- Income from fee-driven payment and spot deliverable FX businesses has grown, on a cumulative average growth rate since 2017 respectively, by +59% and +54%.
- Our FX volumes are growing at a 2016-19 CAGR of 69% driven by a growing number of clients who recognise our strength in illiquid Frontier market currency pricing and settlement: FX volumes in Frontier market currencies grew by +100% in 2019 (+107% in 2018).
- Since 2016, our processed payments volumes have grown at a CAGR of 80%.
- The value of trusted relationships with our expanding network of central banks and domestic banks in our focus markets ensures a unique position for the Bank to act as a trusted conduit of payment flows into a broad range of developing markets including across Africa as well as the Caribbean and parts of the Asia Pacific region.
- Ongoing extension of our network of liquidity providers and settlement partners is fuelling a steady increase in opportunities to continue to expand our business; with 13 new deliverable currency capabilities added to our portfolio including markets from Haiti to Bangladesh, Sri Lanka, and Guinea to Lesotho. We continue to strengthen local bank payment capabilities with significant increased capabilities in an additional 12 countries and we continue to improve the range of liquidity counterparties across our markets across Africa. With the acquisition of Segovia we have now added an additional 16 Mobile Money Providers across 11 countries covering the fastest growing mobile money markets across Africa.

Key balance sheet highlights

We have a liability led balance sheet strategy. We do not provide nor do we need to fund a traditional bank loan book but aim to support our customers primarily through the provision of current account and short-term deposits in order to facilitate payment and spot FX flows.

- In 2019, our balance sheet grew to £1.21 billion up from £1.14 billion in 2018. We continued to expand and diversify our wholesale customer base geographically, balancing deposits from our traditional central bank and government clients with a growing level of deposits from banks and other regulated financial institutions across our network.
- Our focus remains on maintaining very high levels of liquidity with 55% of our balance sheet at year end placed in High Quality Liquid Assets including deposits held with Bank of England and US Treasury holdings. The increasing move into US Treasury holdings and other highly rated USD deposits and funds provides the Bank with highly liquid USD denominated assets more correlated with our significant USD deposit base.
- Given our growth rate and conservative risk appetite we are consciously maintaining strong surplus capital levels well in excess of our regulatory requirements in order to maintain flexibility and to fund ongoing capital expenditure as we transform to a digital infrastructure.

Chief Executive Officer's Report for the year ended 31 December 2019 (continued)

Performance Report (continued)

Key balance sheet highlights (continued)

- Our trade finance activities are designed to support key customer relationships and transactions that directly support financial development of the markets that we serve. Approximately 69% of trade finance assets at year-end were fully cash collateralised or guaranteed by supra national or similar highly rated counterparties.

Key operational highlights

- We have continued to strengthen our governance framework and compliance infrastructure with focus on our enhanced due diligence process for the on-boarding of new clients and monitoring of existing clients. We have made incremental improvement in our transaction monitoring tools including work on enhancing controls in the Segovia's Payment Gateway and an upgrade in cyber-security controls.
- Throughout 2019 we made incremental progress in furthering our strategic plan to fully digitise our organisation. A key event was the acquisition of Segovia and the initial steps to incorporate their Payment Gateway into our payment infrastructure as part of our overall digital transformation. This process is expected to accelerate in 2020, with further digitisation initiatives in our operational infrastructure and significant growth in local payment channels across key markets.
- Our ambition and growth plans are underpinned and predicated on uncompromising commitment to the highest level of governance, anti-financial crime and compliance controls. We have further strengthened our team and our processes in this area and have engaged in a number of countries both with Central Bank and domestic bank management to support capacity development initiatives to enhance their capabilities in this crucial area.
- We encourage everyone in the organisation to challenge current practices and techniques to find better solutions for our clients and to foster a culture of vigilance, continuous improvement and operational excellence. We are committed to supporting diversity in its broadest form and are making steady progress in achieving improvements in all of our metrics in this regard.

Chief Executive Officer's Report for the year ended 31 December 2019 (continued)

Key Performance Indicators

Fig. 1: Operating Income (£m)

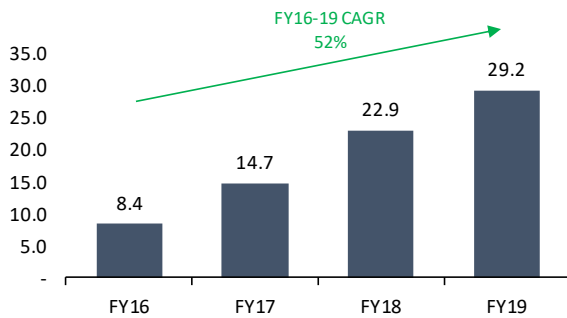


Fig. 2: Operating Income Mix (£m)

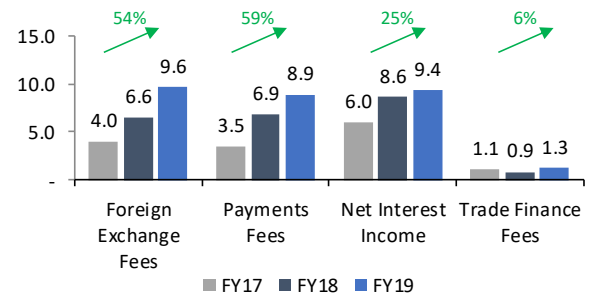


Fig. 3: Profit before tax (£m)

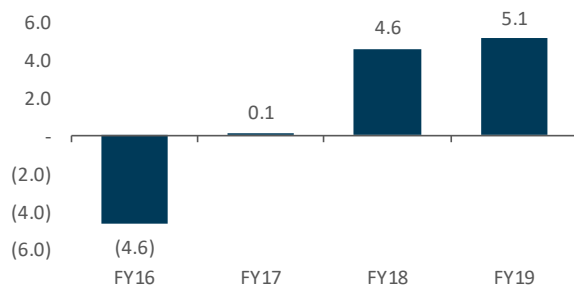


Fig. 4: Total Assets (£m)

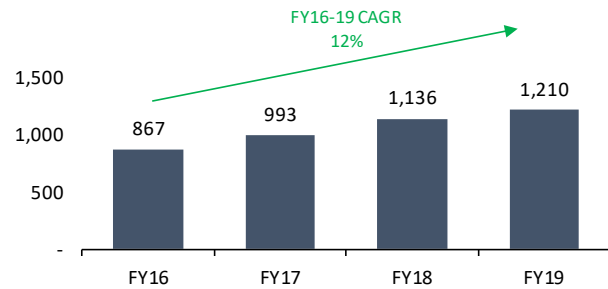


Fig. 5: Processed FX volume (£bn)

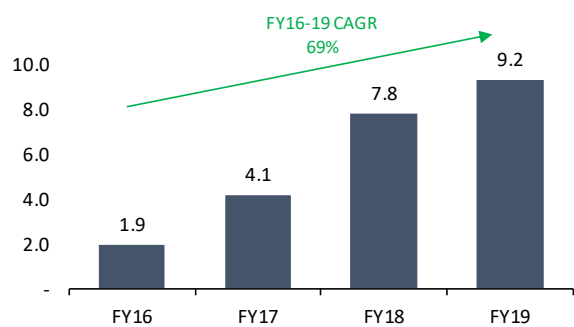
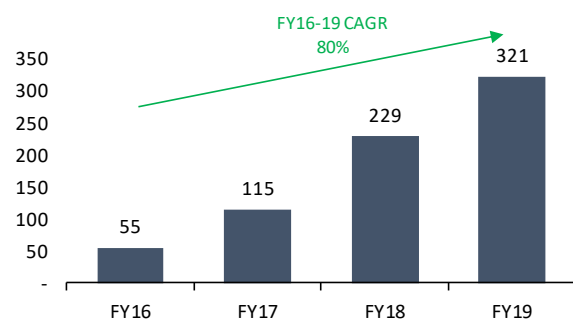


Fig. 6: Processed payments ('000 transactions)



Chief Executive Officer's Report for the year ended 31 December 2019 (continued) Strategic Report for the year ended 31 December 2019

The Bank is committed to be the preferred wholesale B2B financial institution trusted to move money where it is needed – to, from and across our chosen frontier and developing markets.

We do this by leveraging trusted relationships with government, supranational, development organisation and regulated financial institutions in developed markets and our Central Bank and regulated domestic financial institution clients across frontier and developing markets.

In 2019 we continued to increase the number of markets and payment corridors we serve adding new inbound capabilities in 13 new countries. We launched or added Mobile money distribution across 11 countries connecting to 16 Mobile Network operators. Our specialist ability to reliably and cost effectively send money to some of the more remote and challenging destinations in the world creates a unique platform from which to expand our FX and payment business.

Our success continues to be defined by a strong governance framework, commitment to supporting the development and adherence to rigorous levels of compliance by the institutions we serve, technological leadership and client focus.

Post change of control in 2016, we invested heavily in a fit for purpose governance and control environment, a robust, best of breed compliance and on-boarding process, and technology developments to drive operational excellence across the Bank. Process improvement initiatives including RPA are playing an important role in facilitating planned scalability of FX and payment transaction volumes increasingly delinking head count growth from transaction volume growth. We expect to make further meaningful progress in this regard in 2020.

Central to this programme continues to be an investment in talent as we seek to continuously improve the skills of our senior leadership team laying the foundations for sustained future growth.

After laying the groundwork over the previous 3 years, I am pleased to report that the Bank is continuing to leverage these significant and ongoing investments with ongoing improvement in performance in 2019. The strategy to focus on becoming the market leader in international payments and spot deliverable FX specialising in our unique area of expertise in Frontier and Emerging markets is gaining significant traction.

S172 Companies Act 2006

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

- Long term consequences: the Bank produces a three year forecast on an annual basis and presents this to the Board. The effect of any decision on that forecast, and hence the long term consequences, will be considered as part of the decision making process.
- Interests of employees: as mentioned in the Directors' Report below, in recent years the Bank has developed a robust Employee Engagement Survey process which is conducted at least annually. The last survey was conducted in November 2019. The results, which are considered by the Board, are borne in mind as subsequent Board decisions are made. Key findings included the need for greater cross departmental collaboration, improved change management processes and further support for flexible working.
- Relationships with customers and suppliers: the Bank is regulated by both the PRA and FCA in the UK and as a result is governed by Conduct Rules requiring it at all times to treat its customers and

Chief Executive Officer's Report for the year ended 31 December 2019 (continued) Strategic Report for the year ended 31 December 2019 (continued)

S172 Companies Act 2006 (continued)

suppliers fairly. The effect on such relationships is therefore embedded within the Board's decision making processes.

- Effect on community/environment: given the type of business with which the Bank is involved, the Board is confident that its decisions will have no detrimental effect on either the community or the environment. Going forwards the carbon footprint of the Bank will be monitored.
- Company's reputation for maintaining high business standards: the regulators' Conduct Rules include the requirement for banks to maintain the highest business standards at all times, the need for which is therefore embedded within the Board's decision making process. The various Board Committees and structure ensure these matters are not compromised.
- The need to act fairly as between the company's shareholders: the Bank has one shareholder. The majority of the directors of the shareholder are directors of the Bank and therefore are closely involved with the decision making processes.

Principal risks and uncertainties

The principal risks facing the Bank are those relating to liquidity, credit, operational (including operational resilience), market, financial crime and compliance. Further details are provided in note 21 on pages 55-58.

The Board is also aware of the challenges and risks posed by the outbreak of Coronavirus19. As result, the Bank has undertaken a detailed and stressed assessment of its capital and liquidity needs going forwards. The matter is further discussed in Post Year End Events below.

The Board is responsible for determining the long-term strategy of the business, the markets in which it will operate and the level of risk acceptable to the Bank. Responsibility for the management of the Bank's exposure to liquidity, interest rate and currency risk is delegated to the Bank's Asset and Liability Committee, and that relating to credit risk is delegated to the Credit Committee. Responsibility for the monitoring and reporting of operational and compliance risk is delegated to the Compliance and Operational Risk Committee with all residual risks being delegated to the Executive Committee. Furthermore, all these committees report to the Audit and Risk Committee.

Chief Executive Officer's Report for the year ended 31 December 2019 (continued) Strategic Report for the year ended 31 December 2019 (continued)

Post Year End Events

In the first quarter of 2020 it became apparent that our home market in the UK and the World as a whole has been severely impacted by the Covid 19 Global Pandemic. The magnitude of the economic shock from the pandemic remains highly uncertain however we are confident the business model of the Bank remains resilient and adaptable under the possible severe and plausible stress scenarios that may ensue in the future. The Bank successfully transitioned to fully remote/work from home in March and has continued to operate in this manner since that time including outperforming our Q1 performance targets. As a Board we have fully considered the potential implications of Covid 19 on the Banks ability both to continue as a going concern and are confident of our ability to continue to successfully roll out our business strategy.



Albert Maasland
Chief Executive Officer
15 June 2020

Directors For The Year Ended 31 December 2019

Jeremy Parrish – Chairman and Independent Non-Executive Director

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

Nick Beecroft – Senior Independent Non-Executive Director (CABIM, CTH and CAB)

Nick Beecroft joined the Bank's Board in March 2010. He brings over 30 years of international experience within the financial services industry, including senior global managerial roles within Global Markets at Standard Chartered Bank, Deutsche Bank and Citibank. Nick was a member of the Bank of England's Foreign Exchange Joint Standing Committee and is currently an Ambassador for the Themis Financial Crime Agency. He also acts as an expert witness in cases involving financial markets.

Rajesh Bhatia - Independent Non-Executive Director

Rajesh Bhatia joined the Bank's Board in 2016 bringing with him 30 years of international banking experience. He has held senior Risk Management positions at Standard Chartered, ING, and Australia New Zealand Bank. He was the Group Treasurer at Standard Chartered during the financial crisis.

Susanne Chishti - Independent Non-Executive Director

Susanne joined the Bank's Board in June 2018. Susanne brings over 20 years of financial expertise, board-level experience focused on organisational governance, and a strong understanding of the small/medium size enterprise market. Her experience draws on 14 years in banking with senior positions at Morgan Stanley, Lloyd's Banking Group and Deutsche Bank. As CEO of FINTECH Circle she is an award winning entrepreneur and global expert in financial technology, new business models and a bestselling Editor of The FINTECH Book Series published by Wiley. The latest book on new payment innovation, called The PAYTECH Book will be published by Wiley in 2020.

Carole Machell - Independent Non-Executive Director

Carole Machell is a chartered accountant and experienced business leader combining P&L responsibility with end to end infrastructure experience. Carole has held senior executive roles in Merrill Lynch, JP Morgan and Barclays. She joined Barclays in 2006 in the Investment Bank then transitioned to the Corporate Bank in 2010. As global COO of the Corporate Bank she had responsibility for all infrastructure groups. Later as Head of the International Corporate Bank she had responsibility for Europe, Asia, Africa and North America. Later roles included COO and Deputy CEO of Barclay's Wealth Business.

Directors For The Year Ended 31 December 2019 (continued)

Carole Machell - Independent Non-Executive Director (continued)

Carole has extensive experience as a Non-Executive Director. She currently sits on the Board of Weatherby's Bank and Chairs their Risk Committee. She is also a member of their Audit and Remuneration Committees. She is a Trustee for the Charities Aid Foundation, 'CAF' and a Non-Executive Director for CAF Bank where she chairs the Risk Committee. She is a Non-Executive Director of Distribution Finance Capital Limited for which she chairs the Audit Committee and is a member of both the Risk and Remuneration Committees. She is also a Non-Executive Director of Sainsbury's Bank PLC for which she similarly chairs the Audit Committee and is a member of both the Risk and Remuneration Committees.

Derek McMenemy – Independent Non-Executive Director

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

Arnold Ekpe – Non-Executive Director

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

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

Simon Poole – Non-Executive Director

Simon Poole joined the Board in April 2016 bringing with him broad finance and administration experience across a range of businesses in numerous African countries. Previously, he was a CFO with Intela Global Ltd, Lawson's Corporation and Celtel International (in Burkina Faso, Chad and DRC). Earlier in his career he held finance and accounting roles with Price Waterhouse, Bank of America and BT. He was previously a director of both Helios Towers Africa Limited and Vivo Energy Limited. He currently serves on the boards of directors of Link Commerce Limited (previously Mall for Africa Limited) and Solevo B.V.

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

Directors For The Year Ended 31 December 2019 (continued)

Albert Maasland – Chief Executive Officer

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

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

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

Richard Hallett – Chief Financial Officer

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

Doug MacLennan – Chief Risk Officer

Doug MacLennan joined the Bank in December 2012 as both CFO and CRO. He stepped down from the CFO position in June 2016 to focus on the development of the risk management function within the Bank.

He has been involved in the UK Financial Services Industry for over 30 years within Investment Banking, Broking, and Global Custody, including previous appointments as Director of Finance at Merrill Lynch Limited; Deputy Managing Director at Sanwa International; Finance Director at the Bank of China International; and Senior Vice President of Risk Management at Northern Trust. Doug is a member of the Institute of Chartered Accountants of Scotland, and a Fellow of the Chartered Institute for Securities and Investments.

Directors' Report for the year ended 31 December 2019

The directors submit their report and the audited financial statements of the Bank for the year ended 31 December 2019.

Principal Activity

The Bank provides banking services notably to customers in the overseas financial services sector. The Bank is authorised by the Prudential Regulation Authority (PRA), and regulated by the PRA and the Financial Conduct Authority (FCA).

Future Developments

Future Developments are discussed in the Strategic Report.

Post Balance Sheet Events

Post Balance Sheet Events are discussed in the Chief Executive Officer's Report.

Dividends

No dividend was paid or declared during 2019 or 2018.

Political Donations

No political donations were made in 2019 or 2018.

Employee Matters

(a) Employee Engagement Survey

On an annual basis the Bank carries out an Employee Engagement Survey. Through a company-wide questionnaire and a series of focus groups, the Bank explores how it measures up to its stated values/ industry benchmark and how well engaged employees are with their roles. The most recent survey, carried out in late 2019, concluded that the level of staff engagement compares well with the industry benchmark and is above benchmark in many areas.

Directors' Report for the year ended 31 December 2019 (continued)

Employee Matters (continued)

(b) Disabled Persons

Our commitment is to attract talented individuals. Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicants concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Bank continues. It is the policy of the Bank that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of persons fortunate enough not to suffer from a disability.

(c) Employee Involvement

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

(d) Gender diversity

The proportion of women and men employed by the business is 45% and 55% respectively. The Bank has in place policies to actively increase gender diversity within the business, which actively focusses on recruitment, flexible working and senior management sponsorship of diversity throughout its business.

Risk Management

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

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

The Bank complies with the regulators' minimum capital requirement as at 31st December 2019.

Details of the principal risks and risk management arrangements are set out in Note 21 of the Notes to the Financial Statements beginning on page 55.

Directors' Report for the year ended 31 December 2019 (continued)

Directors

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

| | Committees | |
|--------------------------------|--------------|------------|
| | Remuneration | Audit/Risk |
| J Parrish* (Chairman) | x | |
| N Beecroft* (resigned 1.4.20) | x | x |
| R Bhatia* | | x |
| S Chishti* | | |
| C Machell* | | x |
| D McMenamin* | | |
| A Ekpe** | x | |
| S Poole** | x | |
| A Maasland | | |
| R Hallett | | |
| D MacLennan (resigned 28.2.20) | | |

* independent non-executive director

** non-executive director

Statement of Directors' Responsibilities in respect of the Financial Statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

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

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

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

Directors' Report for the year ended 31 December 2019 (continued)

Statement of Directors' Responsibilities in respect of the Financial Statements (continued)

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

Disclosure of Information to Auditors

Each person who is a director at the date of approval of this report confirms that:

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

Directors' Indemnities

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

Shareholders Matters

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

Independent auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office.

By order of the Board,



Albert Maasland
Chief Executive Officer
15 June 2020

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

Report on the audit of the financial statements

Opinion

In our opinion, Crown Agents Bank Limited's (the "Bank") financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the balance sheet as at 31 December 2019; the profit and loss account, the cash flow statement, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit and Risk Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the company.

We have provided no non-audit services to the company in the period from 1 January 2019 to 31 December 2019.

Our audit approach

Overview



- Overall materiality: £ 291,650 (2018: £ 201,000), based on 1% of Revenue.
- The Bank prepares individual company financial statements and has no branches or subsidiaries.
- We perform a full scope audit of the financial statements of the Bank as a whole.
- The key audit matters were the risk of material misstatement in relation to fee and commission income (revenue from pension services and accounts management and payments), and management's consideration of the potential impact of covid-19.

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

Report on the audit of the financial statements (continued)

Our audit approach (continued)

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Capability of the audit in detecting irregularities, including fraud

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of banking regulations such as, but not limited to, the relevant rules of the Prudential Regulatory Authority as the Bank's lead regulator, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to increase revenue and profit. Audit procedures performed by the engagement team included:

- Discussions with management, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Reading key correspondence with the Prudential Regulation Authority in relation to compliance with banking regulations;
- Reviewing customer complaints for any indication that there has been a breach of relevant laws and regulations or instances of fraud; and
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations or posted by senior management.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Key audit matters

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

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

Report on the audit of the financial statements (continued)

Our audit approach (continued)

Key audit matters (continued)

| <i>Key audit matters</i> | <i>How our audit addressed the key audit matters</i> |
|---|---|
| <p><i>Risk of material misstatement of fees and commission income</i></p> <p>A significant portion of the Bank's income is generated by fees and commission income relating to account management and payments, and pensions. The breakdown of fee and commission is shown in note 2 to the financial statements, and the recognition policy is described in note 1.</p> <p>We considered this risk of material misstatement a significant audit risk given the manual recording of transactions in the General Ledger based on legal agreements or internal fee schedules.</p> | <p>We understood and evaluated the design of the key controls over fees and commission income and in some instances tested their operating effectiveness. Controls tested included:</p> <ul style="list-style-type: none"> - Controls over outbound and inbound payments. - IT general controls including user access, change management and segregation of duties within the core banking system and general ledger. <p>We determined that we could rely on these controls for the purposes of our audit.</p> <p>In addition, we performed substantive procedures including those described below:</p> <ul style="list-style-type: none"> - Vouching a sample of transactions to supporting evidence. This evidence varied depending on the type of fee and commission income and typically included some of invoices, fee schedules and client contracts. - Recalculated a sample of transactions booked in the ledger based on agreed rates and fees with clients. - Agreed terms used in recalculation to original contracts to ensure accuracy of fees booked in the ledger. - Testing of journal entries including those impacting fee and commission income, using risk-based criteria. <p>Based on the work performed, we found that the fee and commission income was supported by the evidence we obtained.</p> |

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

Report on the audit of the financial statements (continued)

Our audit approach (continued)

Key audit matters (continued)

| <i>Key audit matters</i> | <i>How our audit addressed the key audit matters</i> |
|--|---|
| <p><i>Management's consideration of potential impact of COVID-19</i></p> <p>Refer to page 64 (Note 29: Events since the balance sheet date)</p> <p>Since the balance sheet date there has been a global pandemic of COVID-19 which has also taken hold in the UK. This has been disruptive to financial markets and normal patterns of human behaviour. This has had a negative impact on the UK and global economy. The UK government and Bank of England have announced measures designed to mitigate the impacts on the UK economy.</p> <p>Management considered the impact of COVID-19 on the financial statements and concluded it is a non-adjusting post balance sheet event. As such, management's analysis was focussed on the assessment of the impact of COVID-19 on the Company's ability to continue as a going concern and the disclosures that should be made within the financial statements.</p> <p>Management is satisfied that the potential implications of COVID-19 will not affect the Company's ability to continue as a going concern.</p> <p>Management also concluded that the matter is a non-adjusting post balance sheet event, the financial effect of which cannot be reliably estimated at this stage given the continued uncertainty over the future economic impact of COVID-19.</p> | <p>We critically assessed management's conclusion that the matter be treated as a non-adjusting post balance sheet event. We considered:</p> <ul style="list-style-type: none"> - The timing of the development of the outbreak across the world and in the UK; - The timing and nature of UK government advice to UK citizens; and - How the financial statements might be impacted by the aforementioned disruption and the complexity in measuring such impacts. <p>Our procedures in respect of going concern included:</p> <ul style="list-style-type: none"> - Enquiries of management to understand the impact of COVID-19 on the Company's recent financial performance and business operations. - Obtaining and inspecting management information to corroborate our understanding of the Company's recent financial performance and business operations. - Obtaining and evaluating management's assessment of the impact of COVID-19 on Going Concern from a Capital, Liquidity and Operational perspective. - Evaluating the appropriateness of the assumptions used in the stress scenarios modelled by management and their impact on the Bank's capital and liquidity positions. - Understanding and evaluating potential mitigating actions that management could take to improve the Company's capital and liquidity position such as reinvesting a larger portion of maturing money market instruments into High Quality Liquid Assets (HQLAs). <p>Based on our work performed we are satisfied that the matter has been appropriately evaluated and reflected in the financial statements.</p> |

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

Report on the audit of the financial statements (continued)

Our audit approach (continued)

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the company, the accounting processes and controls, and the industry in which it operates.

The Bank prepares individual company financial statements and was tested as a single audit component. We tested all material balances.

Materiality

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

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

| | |
|--|--|
| Overall materiality | £ 291,650 (2018: £ 201,000). |
| How we determined it | 1% of Revenue. |
| Rationale for benchmark applied | The Bank has only recently transitioned to a profit generating position and as such we considered that a revenue based benchmark was a more appropriate measure for the year ended 31 December 2019. |

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £14,500 (2018: £ 10,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Reporting on other information

The other information comprises all the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our

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

Report on the audit of the financial statements (continued)

Reporting on other information (continued)

knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of the Directors' Responsibilities in respect of the Financial Statements set out on pages 16-17, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the audit committee, we were appointed by the directors on 31 December 1989 to audit the financial statements for the year ended 31 December 1989 and subsequent financial periods. The period of total uninterrupted engagement is 31 years, covering the years ended 31 December 1989 to 31 December 2019.



Liam Thompson-Clarke (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

17 June 2020

Profit and Loss Account for the year ended 31 December 2019

| | Note | 2019 £'000 | Restated 2018 £'000 |
|--|------|---------------|---------------------------|
| Interest income | | | |
| - interest receivable from debt securities | | 5,370 | 6,164 |
| - other interest receivable and similar income | | 20,063 | 11,614 |
| Interest payable | | (16,074) | (9,167) |
| Net interest income | | 9,359 | 8,611 |
| Fees and commissions receivable | 2 | 9,764 | 7,533 |
| Dealing profits | | 9,627 | 6,552 |
| Other operating income | | 415 | 228 |
| Operating income | | 29,165 | 22,924 |
| Administrative expenses before exceptional item | 3 | (22,072) | (16,886) |
| Amortisation | 4 | (1,285) | (916) |
| Depreciation | 5 | (615) | (185) |
| Write-off of/ provisions re doubtful debts | | (64) | (4) |
| Profit before exceptional item and taxation | | 5,129 | 4,933 |
| Exceptional item | 3 | - | (350) |
| Profit before taxation | | 5,129 | 4,583 |
| Tax charge on profit | 6 | (951) | (910) |
| Profit for the financial year | | 4,178 | 3,673 |

There were no other items of Comprehensive Income (2018: £nil).

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

The prior year analysis of Interest Income has been restated from that provided in 2018. "Interest receivable from debt securities" has been increased by £2,576K and "Other interest receivable and similar income" reduced by the same amount, in order to reflect the nature of the underlying assets on which the interest is earned.

The notes on pages 30 to 64 form part of these financial statements.

Balance Sheet as at 31 December 2019

| | Note | 2019 £'000 | 2018 £'000 |
|---------------------------------------|------|------------------|------------------|
| Assets | | | |
| Cash and balances at central banks | | 579,088 | 594,992 |
| Loans and advances to banks | 7 | 379,645 | 194,373 |
| Loans and advances to related parties | 8 | 2,146 | - |
| Debt securities | 9 | 155,046 | 326,865 |
| Money market funds | 10 | 60,601 | - |
| Investments | 11 | 2,106 | 125 |
| Derivative financial instruments | 12 | 1,959 | 3,067 |
| Intangible assets | 4 | 10,425 | 5,215 |
| Tangible fixed assets | 5 | 2,500 | 2,753 |
| Deferred tax | 13 | - | 226 |
| Other assets | 14 | 13,674 | 6,620 |
| Prepayments and accrued income | | 2,319 | 1,306 |
| Total Assets | | 1,209,509 | 1,135,542 |

Balance Sheet as at 31 December 2019

| | Note | 2019 £'000 | 2018 £'000 |
|-------------------------------------|------|---------------|---------------|
| Liabilities | | | |
| Customer accounts | 15 | 1,126,560 | 1,056,750 |
| Bank overdrafts | | 70 | 380 |
| Items in course of transmission | | 339 | 276 |
| Derivative financial instruments | 12 | 5,996 | 5,612 |
| Other liabilities | 16 | 7,479 | 8,218 |
| Accruals and deferred income | | 3,502 | 2,939 |
| Capital and reserves | | | |
| Called up share capital | 17 | 41,200 | 41,200 |
| Retained earnings | | 24,363 | 20,167 |
| Total shareholders' funds | | 65,563 | 61,367 |
| Total Equity and Liabilities | | 1,209,509 | 1,135,542 |

The notes on pages 30 to 64 form part of these financial statements.

The Board of Directors approved the financial statements on 15 June 2020.

A Maasland
Director

R Hallett
Director

Statement of Changes in Equity for the year ended 31 December 2019

| | Called up share capital | Profit & loss account | Total shareholders funds |
|---------------------------------------|--|--------------------------------------|---|
| | £'000 | £'000 | £'000 |
| Balance as at 1 January 2018 | 41,200 | 16,464 | 57,664 |
| Profit for the financial year | - | 3,673 | 3,673 |
| Share based payment expense | - | 30 | 30 |
| Balance as at 31 December 2018 | <u>41,200</u> | <u>20,167</u> | <u>61,367</u> |
| Balance as at 1 January 2019 | 41,200 | 20,167 | 61,367 |
| Profit for the financial year | - | 4,178 | 4,178 |
| Share based payment expense | - | 18 | 18 |
| Balance as at 31 December 2019 | <u>41,200</u> | <u>24,363</u> | <u>65,563</u> |

The directors have not declared an interim (2018: £nil) or a final dividend (2018: £nil).

Cash Flow Statement for the year ended 31 December 2019

| | Note | 2019 £'000 | 2018 £'000 |
|--|------|----------------|----------------|
| Net Cash Inflow from Operating Activities | 28 | 136,238 | 167,018 |
| Tax paid | | (591) | - |
| Net Cash Generated from Operating Activities | | <u>135,647</u> | <u>167,018</u> |
| Cash flow from Investing Activities | | | |
| Purchase of investments - Swift | 11 | - | (125) |
| Purchase of investment: exchange traded funds | 11 | (1,891) | - |
| Purchase of tangible fixed assets | 5 | (363) | (2,443) |
| Purchase of intangible assets | 4 | (6,495) | (2,039) |
| Net cash used in Investing Activities | | <u>(8,749)</u> | <u>(4,607)</u> |
| Net increase in cash and cash equivalents | | 126,898 | 162,411 |
| Cash and cash equivalents at the beginning of the year | | 675,906 | 509,217 |
| (Decrease) / increase in overdrawn bank accounts | | (310) | 380 |
| Exchange (losses)/ gains on cash and cash equivalents | | (1,517) | 3,898 |
| Cash and cash equivalents at the end of the year | | <u>800,977</u> | <u>675,906</u> |
| Cash and cash equivalents consist of: | | | |
| Cash and balances at central banks | | 579,088 | 594,992 |
| Loans and advances to banks repayable on demand | 7 | 161,288 | 80,914 |
| Money market funds (OEICs) | | 60,601 | - |
| | | <u>800,977</u> | <u>675,906</u> |

Notes to the Financial Statements for the year ended 31 December 2019

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Notes to the Financial Statements for the year ended 31 December 2019 (continued)

1. STATEMENT OF ACCOUNTING POLICIES

(a) General Information

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

The Bank provides banking services, largely to overseas clients. The Bank is authorised by the Prudential Regulation Authority (PRA), and regulated by the PRA and the Financial Conduct Authority (FCA).

(b) Statement Of Compliance

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

(c) Basis Of Preparation

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

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Bank's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 1(t).

(d) Going Concern

The directors have considered the financial position of the Bank, including the net current asset position, regulatory capital requirements and estimated future cash flows and have concluded that the Bank will be able to meet its obligations as they fall due. Accordingly, the financial statements have been prepared on the going concern basis.

(e) Interest Income And Expense

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

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

The income from the Exchange Traded Fund is accounted for on declaration of the dividend.

Notes to the Financial Statements for the year ended 31 December 2019 (continued)

1. STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

(f) Recognition of income

Income, including that arising from advances, which comprises fees and commissions earned, reimbursable expenditure from clients, interest receivable and interest payable, is recognised on an accruals basis in the periods in which it is earned. Mark to market movements in derivatives are recognised through Dealing Profits. Mark to market movements on money market funds and exchange traded funds are recognised through Other Income.

(g) Exemptions for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions, if certain conditions have been complied with. A qualifying entity is defined as a member of a group that prepares publicly available financial statements, which give a true and fair view, in which that member is consolidated. The Bank has taken advantage of certain disclosure exemptions.

(h) Dealing Profits

Dealing profits arise and are recognised at the time of translation or when the transactions from customer orders are undertaken in both spot/forward currency markets and revaluation of derivative fair values.

(i) Foreign currency

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

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

(j) Provisions for doubtful debts

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

Notes to the Financial Statements for the year ended 31 December 2019 (continued)

1. STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

(k) Taxation

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

Current or deferred tax assets or liabilities are not discounted.

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

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

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

(l) Intangible assets and amortisation

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

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

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

Brand/name – 50 years

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

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

Notes to the Financial Statements for the year ended 31 December 2019 (continued)

1. STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

(l) Intangible assets and amortisation (continued)

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

(m) Tangible fixed assets and depreciation

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

| | |
|------------------------|----------------------------|
| Leasehold improvements | Over the life of the lease |
| Computer equipment | 5 years |
| Fixtures and fittings | 5 years |
| Artwork | 20 years |

(n) Impairment of non-financial assets

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

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

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

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

(o) Cash and cash equivalents

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

Notes to the Financial Statements for the year ended 31 December 2019 (continued)

1. STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

(p) Financial instruments

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

(i) Financial assets

Basic Financial Instruments

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

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

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

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

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

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

Exchange traded funds are deemed to be equity and valued at fair value. The income re the exchange traded funds is accounted for on declaration of the dividend.

Complex Financial Instruments

Money market funds are deemed to be Complex Financial Instruments and valued at fair value based on the price a willing buyer would pay for the asset. Any gain or loss is taken through the profit and loss account.

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

Notes to the Financial Statements for the year ended 31 December 2019 (continued)

1. STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

(p) Financial instruments (continued)

(ii) Financial liabilities

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

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

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

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

(iii) Derivative financial instruments

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

Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivative financial instruments are recognised in the profit and loss account in Dealing Profits.

Hedge accounting is not applied.

(iv) Offsetting

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

(q) Employee benefits

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

Short-term benefits

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

Notes to the Financial Statements for the year ended 31 December 2019 (continued)

1. STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

(q) Employee Benefits (continued)

Pension Contributions

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

Long term Incentive Plan/ Share Based Payment

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

(r) Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount of the obligation can be estimated reliably.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as a finance cost.

(s) Recognition of income

Income relating to fees earned, reimbursable expenditure from clients, interest receivable and interest payable, is recognised on an accruals basis in the periods in which it is earned. Income re derivatives and money market funds is marked to market on a daily basis.

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

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

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

Deferred Tax Asset

Tax losses have been recognised on the balance sheet at the corporation tax rates expected when the appropriate future profits will be generated. Management are confident that the Bank will make such profits in the future to utilise such carried forward tax losses.

Notes to the Financial Statements for the year ended 31 December 2019 (continued)

1. STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

(u) Exceptional Items

Exceptional items are disclosed separately in the financial statements where it is necessary to do so to provide further understanding of the financial performance of the Group. They are items that are material either because of their size or their nature and are considered as non-recurring.

2. FEES AND COMMISSIONS RECEIVABLE

| | 2019 £'000 | 2018 £'000 |
|--------------------------------------|---------------|---------------|
| Account management and payments | 5,625 | 4,196 |
| Pension payment fees | 908 | 774 |
| Trade finance | 1,276 | 875 |
| Risk assessment services | 1,883 | 1,688 |
| Platform revenue | 72 | - |
| Total fees and commission receivable | <u>9,764</u> | <u>7,533</u> |

Notes to the Financial Statements for the year ended 31 December 2019 (continued)

3. ADMINISTRATIVE EXPENSES

| | 2019 £'000 | 2018 £'000 |
|---|----------------------|----------------------|
| Staff costs and directors' emoluments (before exceptional item) | | |
| Salaries, bonuses and benefits | 11,929 | 9,909 |
| Share based payments | 18 | 30 |
| Social security costs | 1,399 | 1,084 |
| Pension costs | 727 | 531 |
| | <u>14,073</u> | <u>11,554</u> |
| Fees payable to the auditors | | |
| Audit | 136 | 155 |
| Non-audit services | - | 21 |
| Other administrative expenses | 7,863 | 5,156 |
| Total - before exceptional item | <u>22,072</u> | <u>16,886</u> |
| Exceptional item* | - | 350 |
| Total – after exceptional item | <u><u>22,072</u></u> | <u><u>17,236</u></u> |

* The Exceptional Item relates to restructuring costs relating to exit compensation payable to directors/staff.

The aggregate emoluments (including pension contributions and exit compensation) of the directors were £1,480,573 (2018: £1,248,227).

The aggregate emoluments (including pension contributions and exit compensation) of key management personnel (excluding directors) were £1,762,038 (2018: £1,825,476).

No retirement benefits accrued for any director (2018: none) under a defined benefits pension scheme.

The Bank has made contributions of £34,625 (2018: £30,333) on behalf of three directors (2018: three) accruing benefit in defined contribution pension schemes.

The aggregate emoluments and pension contributions of the highest paid director were £429,848 (2018: £362,531) and £nil (2018: £nil) per annum respectively.

The Bank had loans outstanding at the year end to three (2018 – three) directors totalling £21,930 (2018 - £21,930) and to five (2018 – six) key management totalling £10,615 (2018 - £14,331). The loans do not accrue interest and are repayable on the occurrence of the earliest of a number of future events.

The monthly average number of full time equivalent staff, including executive directors, was 178 (2018: 121).

Notes to the Financial Statements for the year ended 31 December 2019 (continued)

3. ADMINISTRATIVE EXPENSES (continued)

With effect from 1 April 2016, the Bank set up a new defined contribution pension scheme which all current and future employees were able to join. The Bank contributed £727,137 (2018: £531,560) to this scheme during the year of which all but £67,573 (2018: £49,796) was paid during the year.

In 2017 an equity settled share based payment scheme was put in place to incentivise senior management. During the year no (2018 – no) directors and no (2018 – three) key management personnel have purchased the equitable interest in no (2018 – 1,750) £1 Ordinary (Class B) shares in the Bank's parent, CABIM Limited, at a cost of £1.00 per share. The equitable interest in the shares vest at various times as follows:

| Vesting Date | Tranche 1 Issued 2017 | Tranche 2 Issued 2018 |
|------------------|--------------------------|--------------------------|
| 31 March | | |
| 2018 | 40% | - |
| 2019 | 20% | - |
| 2020 | 20% | 40% |
| 2021 | 20% | 20% |
| 2022 | - | 20% |
| 2023 | - | 20% |
| | 100% | 100% |
| Number of shares | 8,500 | 1,750 |

The interest in 800 (2018 – 1,000) shares was cancelled during the year. The movement in the equitable interest in the number of shares is as follows:

| | 2019 Number | 2018 Number |
|-----------------------|----------------|----------------|
| As at 1 January | 9,250 | 8,500 |
| Granted (paid £1.00) | - | 1,750 |
| Cancelled (tranche 1) | - | (1,000) |
| Cancelled (tranche 2) | (800) | - |
| As at 31 December | 8,450 | 9,250 |

Depending on the outcome of a number of future events, the class of shares will be entitled to receive a proportion of the return to CABIM Limited's parent on its underlying investment.

Notes to the Financial Statements for the year ended 31 December 2019 (continued)

| 4. INTANGIBLE ASSETS | Brand/ Other £'000 | Core Accounting Software £'000 | Other Software £'000 | Total £'000 |
|---|-----------------------------------|---|-------------------------------------|------------------------|
| Cost | | | | |
| At 1 January 2019 | - | 4,442 | 3,833 | 8,275 |
| Additions | 1,357 | 197 | 4,941 | 6,495 |
| Disposals | - | - | - | - |
| At 31 December 2019 | <u>1,357</u> | <u>4,639</u> | <u>8,774</u> | <u>14,770</u> |
| Accumulated Amortisation | | | | |
| At 1 January 2019 | - | 1,523 | 1,537 | 3,060 |
| Charged in year | 15 | 573 | 697 | 1,285 |
| Disposals | - | - | - | - |
| At 31 December 2019 | <u>15</u> | <u>2,096</u> | <u>2,234</u> | <u>4,345</u> |
| Net Book Value at 31 December 2018 | - | 2,919 | 2,296 | 5,215 |
| Net Book Value at 31 December 2019 | <u>1,342</u> | <u>2,543</u> | <u>6,540</u> | <u>10,425</u> |

Notes to the Financial Statements for the year ended 31 December 2019 (continued)

5. TANGIBLE FIXED ASSETS

| | Leasehold Property £'000 | Computer equipment £'000 | Fixtures and fittings £'000 | Total £'000 |
|-------------------------------------|--------------------------------|--------------------------------|--------------------------------------|----------------|
| Cost/Valuation | | | | |
| At 1 January 2019 | 71 | 1,192 | 1,858 | 3,121 |
| Additions | 51 | 75 | 236 | 362 |
| Disposals | - | - | - | - |
| At 31 December 2019 | 122 | 1,267 | 2,094 | 3,483 |
| Accumulated Depreciation | | | | |
| At 1 January 2019 | 1 | 341 | 26 | 368 |
| Charge for year | 22 | 222 | 371 | 615 |
| Disposals | - | - | - | - |
| At 31 December 2019 | 23 | 563 | 397 | 983 |
| Net Book Value | | | | |
| At 31 December 2018 | 70 | 851 | 1,832 | 2,753 |
| At 31 December 2019 | 99 | 704 | 1,697 | 2,500 |

Notes to the Financial Statements for the year ended 31 December 2019 (continued)

6. TAX CHARGE ON PROFIT

A. Analysis of Tax Charge for the Year

| | 2019 £'000 | 2018 £'000 |
|--|---------------|---------------|
| Current tax | | |
| Corporation tax based on the taxable profit for the year | 783 | 667 |
| Utilisation of tax losses | (96) | (667) |
| | <u>687</u> | <u>-</u> |
| Deferred tax | | |
| Prior year | (113) | 6 |
| Utilisation of tax losses | 96 | 667 |
| Utilisation of tax losses – prior year adjustment | 130 | 20 |
| Originating and reversal of timing differences | 151 | 217 |
| | <u>264</u> | <u>910</u> |
| Total tax charge for the year | <u>951</u> | <u>910</u> |

B. Factors Affecting Tax Charge for the Year

The tax assessed for the year is lower (2018: higher) than the standard rate of Corporation Tax in the UK.

| | 2019 £'000 | 2018 £'000 |
|--|---------------|---------------|
| Profit before taxation | <u>5,129</u> | <u>4,583</u> |
| Standard rate corporation tax of 19.00% (2018: 19.00%) on profit before taxation | 974 | 871 |
| Effect of | | |
| Expenses not deductible for tax | 10 | 16 |
| Adjustments to tax charge re prior year | (71) | (200) |
| Unrecognised deferred tax | 38 | 223 |
| Total tax charge for the year | <u>951</u> | <u>910</u> |

Notes to the Financial Statements for the year ended 31 December 2019 (continued)

7. LOANS AND ADVANCES TO BANKS

A By External Long-Term Credit Rating*:

| | 2019 | | 2018 | |
|-----------|------|---------|------|---------|
| | No. | £'000 | No. | £'000 |
| AA | 2 | 34,716 | 1 | 4,822 |
| AA- | 7 | 12,572 | 2 | 179 |
| A+ | 10 | 139,076 | 6 | 50,216 |
| A | 8 | 98,562 | 4 | 44,838 |
| A- | 6 | 29,288 | 5 | 27,883 |
| BBB+ | 4 | 10,607 | 2 | 11,065 |
| BBB- | 2 | 8,492 | 1 | 8,930 |
| BB+ | 3 | 6,703 | 2 | 5,853 |
| B+ | 1 | 7 | - | - |
| B | 2 | 2,074 | 2 | 180 |
| B- | 4 | 758 | 4 | 802 |
| Unrated** | 50 | 36,790 | 31 | 39,605 |
| | 99 | 379,645 | 60 | 194,373 |

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

** cash collateral of £6,342,000 (2018 - £4,031,000) is held re the unrated exposures which largely relate to nostro balances and trade finance exposures.

B By Maturity:

| | 2019 | 2018 |
|--|---------|---------|
| | £'000 | £'000 |
| Repayable on demand | 161,288 | 80,914 |
| Other loans and advances by residual maturity repayable: | | |
| - 3 months or less excluding overnight deposits | 128,061 | 74,842 |
| - 1 year or less but over 3 months | 90,296 | 38,617 |
| | 379,645 | 194,373 |

Notes to the Financial Statements for the year ended 31 December 2019 (continued)**7. LOANS AND ADVANCES TO BANKS (continued)****C By Country – location of counterparty:**

| | 2019 | 2018 |
|--------------|----------------|----------------|
| | £'000 | £'000 |
| UK | 150,307 | 66,185 |
| Other Europe | 47,279 | 3,328 |
| Japan | 46,486 | 33,996 |
| US | 83,787 | 41,789 |
| Africa | 38,326 | 40,618 |
| Other | 13,460 | 8,457 |
| | 379,645 | 194,373 |

There are no (2018: no) amounts included in Loans And Advances To Banks that are overdue.

Loans And Advances To Banks include £1,830,592 of encumbered assets (2018: £366,228) in relation to derivative contracts with other financial institutions.

8. LOANS AND ADAVANCES TO RELATED PARTIES

The Bank had one (2018: none) exposure to an unrated UK registered company, Taptap Send UK Limited, a company of which Michael Faye, a director of the Bank's parent CAB Tech Holdco Limited, is a shareholder and Chief Executive Officer. The exposure has been cash collateralised.

Notes to the Financial Statements for the year ended 31 December 2019 (continued)

9. DEBT SECURITIES

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

| | 2019 | | 2018 | |
|--------------------------------------|------------|--------------|------------|--------------|
| | Book Value | Market Value | Book Value | Market Value |
| | £'000 | £'000 | £'000 | £'000 |
| Certificates of deposits | | | | |
| - Principal | 51,508 | 51,508 | 166,660 | 166,660 |
| - Accrued interest | 127 | 127 | 2,017 | 2,017 |
| Fixed rate bonds | | | | |
| - Principal (US Treasury Bills) | 67,949 | 68,251 | 116,028 | 116,143 |
| - Principal (other fixed rate bonds) | 34,991 | 35,238 | 41,545 | 40,848 |
| - Accrued interest | 471 | 471 | 615 | 615 |
| At 31 December | 155,046 | 155,595 | 326,865 | 326,283 |

A By External Long-Term Credit Rating*:

| | 2019 | | 2018 | |
|----------------|------|---------|------|---------|
| | No. | £'000 | No. | £'000 |
| AAA | 3 | 85,875 | 2 | 126,394 |
| AA | 1 | 3,805 | 1 | 3,928 |
| AA- | 2 | 7,632 | 6 | 37,304 |
| A+ | 2 | 19,051 | 7 | 57,289 |
| A | 2 | 17,419 | 5 | 59,434 |
| A- | - | - | 3 | 26,825 |
| BBB+ | 1 | 11,267 | 1 | 15,691 |
| BBB | 1 | 9,997 | - | - |
| At 31 December | 12 | 155,046 | 25 | 326,865 |

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

Notes to the Financial Statements for the year ended 31 December 2019 (continued)

9. DEBT SECURITIES (continued)

B By Country – location of counterparty:

| | 2019 £'000 | 2018 £'000 |
|----------------|----------------|----------------|
| UK | 55,377 | 176,731 |
| Other Europe | 17,697 | 10,078 |
| Japan | - | 3,907 |
| USA | 68,173 | 116,396 |
| Canada | 10,001 | 9,998 |
| Other | 3,798 | 9,755 |
| At 31 December | <u>155,046</u> | <u>326,865</u> |

C By Maturity:

The maturity profile of the debt securities is provided in Note 21.

10. MONEY MARKET FUNDS

| | 2019 £'000 | 2018 £'000 |
|--|---------------|---------------|
| Open Ended Investment Companies | | |
| Goldman Sachs USD Liquidity Reserve Fund | 45,391 | - |
| Black Rock ICS USD Liquidity Fund | 7,565 | - |
| JP Morgan USD Liquidity LVNAV Fund | 7,565 | - |
| Accrued interest | 80 | - |
| | <u>60,601</u> | <u>-</u> |

The funds are all rated AAA based on a basket of credit rating agencies, all approved by the European Central Bank.

Notes to the Financial Statements for the year ended 31 December 2019 (continued)

11. INVESTMENTS

| | 2019 £'000 | 2018 £'000 |
|-------------------------|---------------|---------------|
| 30 shares in SWIFT SCRL | 119 | 125 |
| Exchange Traded Funds | <u>1,987</u> | <u>-</u> |
| | <u>2,106</u> | <u>125</u> |

The Bank's policy is not to invest in equities. However, in order to undertake its business, the Bank utilises the Swift payment system, the conditions of which oblige participants to invest in the shares of Swift, in proportion to participants' financial contributions to Swift in the previous year (2018).

The exposure to exchange traded funds relates to the purchase of shares in the African Domestic Bond Fund a US\$ denominated fund managed by MCB Capital Markets.

12. DERIVATIVE FINANCIAL INSTRUMENTS

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

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

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

| | Notional Principal £'000 | Positive Fair Value £'000 | Negative Fair Value £'000 |
|---------------------------------|--------------------------------|---------------------------------|---------------------------------|
| Forward Foreign Exchange | | | |
| 2019 | <u>703,634</u> | <u>1,959</u> | <u>5,996</u> |
| 2018 | <u>687,951</u> | <u>3,067</u> | <u>5,612</u> |

The forward foreign exchange contracts have been transacted to economically hedge assets and liabilities in foreign currencies. The net unrealised loss (2018 – loss) at the balance sheet date is £4,037,015 (2018: £2,544,699). These derivative financial instruments and the underlying transactions they hedge will mature during 2020 (2018 – 2019).

Notes to the Financial Statements for the year ended 31 December 2019 (continued)

12. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Fair value methodology

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

Fair value hierarchy:

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

Inputs to level 1 fair value are quoted prices (unadjusted) in active markets for identical assets. An active market is one in which transactions for the asset occurs with sufficient frequency and volume to provide pricing information on an on-going basis. The Bank's exposure to exchange traded funds (see Note 11) is included in this category.

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

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

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

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

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

Notes to the Financial Statements for the year ended 31 December 2019 (continued)**13. DEFERRED TAX****A Deferred Tax Asset**

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

| | 2019 | 2018 |
|--|-----------------|-------------------|
| | £'000 | £'000 |
| At 1 January (at 19/17%; 2018: 19/17%) | 226 | 913 |
| Charge to profit and loss | | |
| - prior year | (130) | (20) |
| - current year | (96) | (667) |
| At 31 December (at 19%; 2018: 19%) | <u><u>-</u></u> | <u><u>226</u></u> |

B Deferred Tax Liability

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

| | 2019 | 2018 |
|--|-------------------|-------------------|
| | £'000 | £'000 |
| At 1 January (at 19%; 2018: 19%) | 411 | 188 |
| Charge to profit and loss | 38 | 223 |
| At 31 December (at 19%; 2018: 19%) (note 13) | <u><u>449</u></u> | <u><u>411</u></u> |

14. OTHER ASSETS

| | 2019 | 2018 |
|--|----------------------|---------------------|
| | £'000 | £'000 |
| Trade debtors | 18 | 232 |
| Amounts due from group companies | 2,876 | 311 |
| Unsettled foreign exchange transactions* | 9,853 | 3,086 |
| Transactions debited in error** | 376 | 2,562 |
| Other assets | 551 | 429 |
| | <u><u>13,674</u></u> | <u><u>6,620</u></u> |

* these amounts were settled early the following year.

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

Notes to the Financial Statements for the year ended 31 December 2019 (continued)

15. CUSTOMER ACCOUNTS

| | 2019 £'000 | 2018 £'000 |
|---|------------------|------------------|
| Repayable on demand | 545,564 | 487,438 |
| Other customers' accounts with agreed maturity dates or periods of notice by residual maturity repayable: | | |
| 3 months or less | 542,000 | 504,555 |
| 1 year or less but over 3 months | 38,942 | 63,217 |
| 2 years or less but over 1 year | 54 | 1,540 |
| | <u>1,126,560</u> | <u>1,056,750</u> |

16. OTHER LIABILITIES

| | 2019 £'000 | 2018 £'000 |
|---|---------------|---------------|
| Trade creditors | 223 | 145 |
| Corporation tax | 96 | - |
| Deferred tax (note 13B) | 449 | 411 |
| Unsettled foreign exchange transactions | 2,904 | 2,987 |
| Funds received in error | 2,288 | 2,988 |
| Amounts due to group companies | 751 | 1,043 |
| Other creditors | 768 | 644 |
| | <u>7,479</u> | <u>8,218</u> |

17. CALLED UP SHARE CAPITAL

| | 2019 £'000 | 2018 £'000 |
|---|---------------|---------------|
| Allotted, issued and fully paid (£1 Ordinary Shares) | | |
| As at 1 Jan/ 31 December | <u>41,200</u> | <u>41,200</u> |

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

Notes to the Financial Statements for the year ended 31 December 2019 (continued)**18. CONTINGENT LIABILITIES**

| | 2019 | 2018 |
|--|---------------|--------|
| | £'000 | £'000 |
| Guarantees | 11,384 | 4,199 |
| Letter of credit confirmations/ bill acceptances | 70,012 | 91,287 |
| | 81,396 | 95,486 |

The uncertainties relating to the amount or timing of any outflow are those inherent within the products concerned, notably that the relevant counterparty will not carry out its obligations. Cash collateral of £56,126,629 (2018: £78,666,819) was held in respect of the contingent assets re the contingent liabilities noted above.

19. COMMITMENTS**Capital Commitments**

Capital commitments that have been contracted but not provided for in the financial statements amounted to £nil (2018: £324,497) of which £nil (2018 - £281,243) relates to amounts contracted on behalf of the parent, CABIM Limited. Capital commitments which have been approved but not contracted amounted to £nil (2018: £nil).

Operating lease commitments

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

| Payment Due | 2019 | 2018 |
|---|--------------|-------|
| | £'000 | £'000 |
| Not later than one year | 513 | 410 |
| Later than one year and not later than five years | 2,263 | 2,139 |
| Later than five years | - | 280 |
| | 2,776 | 2,829 |

The lease payments charged as an expense for the year totalled £529,386 (2018: £168,003).

Notes to the Financial Statements for the year ended 31 December 2019 (continued)

20. FINANCIAL INSTRUMENTS

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

| | 2019 £'000 | 2018 £'000 |
|---|------------------|------------------|
| Financial Assets | | |
| <i>Measured at fair value through profit and loss</i> | | |
| Money market funds | 60,601 | - |
| Exchange traded funds | 1,987 | - |
| Derivative financial assets - foreign exchange related contracts | 1,959 | 3,067 |
| | <u>64,547</u> | <u>3,067</u> |
| <i>Measured at amortised cost</i> | | |
| Cash and balances at central banks | 579,088 | 594,992 |
| Loans and advances to banks | 379,645 | 194,373 |
| Loans and advances to related parties | 2,146 | - |
| Debt securities | 155,046 | 326,865 |
| Investments* | 119 | 125 |
| Other assets | 13,674 | 6,620 |
| Accrued income | 670 | 448 |
| | <u>1,130,388</u> | <u>1,123,423</u> |
| | | |
| | 2019 £'000 | 2018 £'000 |
| Financial Liabilities | | |
| <i>Measured at fair value through profit and loss</i> | | |
| Derivative financial liabilities - foreign exchange related contracts | 5,996 | 5,612 |
| <i>Measured at amortised cost</i> | | |
| Customer accounts | 1,126,560 | 1,056,750 |
| Bank overdrafts | 70 | 380 |
| Items in course of transmission | 339 | 276 |
| Creditors | 991 | 1,784 |
| Accruals | 3,494 | 2,605 |
| | <u>1,131,454</u> | <u>1,061,795</u> |

* Excluding exchange traded funds

Notes to the Financial Statements for the year ended 31 December 2019 (continued)

20. FINANCIAL INSTRUMENTS (continued)

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

Forward foreign exchange contracts and currency swaps have been transacted to economically hedge assets and liabilities in foreign currencies with movements recognised at fair value through profit or loss. Money market funds and exchange traded funds are valued at fair value based on the price a willing buyer would pay for the asset.

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

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

(b) Amounts recognised in profit or loss

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

| | 2019 | 2018 |
|--|-----------------------|---------------------|
| | £'000 | £'000 |
| Revaluation of money market funds | - | - |
| Revaluation of exchange traded funds | 95 | - |
| (Expense)/ Income from forward foreign exchange contracts* | (1,492) | 2,470 |
| | <u>(1,397)</u> | <u>2,470</u> |

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

(c) Risk exposure and fair value measurements

Information about the methods and assumptions used in determining fair value is provided in note 12 above.

(d) Fair values of financial assets measured at amortised cost

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

(e) Impairment and risk exposure

There were no impaired debtors. Information about the impairment of trade and other debtors, their credit quality and the Bank's exposure to credit risk can be found in the accounting policy note for financial instruments and note 14 below.

(f) Financial liabilities measured at amortised cost

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

Notes to the Financial Statements for the year ended 31 December 2019 (continued)

21. RISK MANAGEMENT

Through its normal operations the Bank is exposed to a number of risks, the most significant of which are operational (including operational resilience and cyber), credit, financial crime, compliance, market (interest rate and currency), and liquidity risks. The Board is responsible for determining the long-term strategy of the business, the markets in which it will operate and the level of risk acceptable to the Bank. The Bank operates only in the UK, albeit it transacts with counterparties globally.

Responsibility for the management of the Bank's exposure to liquidity, interest rate and currency risk is delegated to the Bank's Asset and Liability Committee, and that relating to credit risk is delegated to the Credit Committee. Responsibility for the monitoring and reporting of operational, financial crime and compliance risks is delegated to the Compliance and Operational Risk Committee; and all other risks are delegated to the Executive Committee. All these committees report to the Audit & Risk Committee. Risk Management has an oversight role in the development of policies and procedures, evaluating risk levels and reporting to the Board on risk issues.

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

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

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

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

Credit Risk: Credit risk arises from extending credit in all forms where there is a possibility that counterparties may default on their obligations. Credit policy and Risk Tolerances, covering limits, by value and duration, minimum credit ratings and concentration criteria, are set out in policy papers approved by the Bank's board of directors. Credit risk is managed by the Credit Committee which approves all counterparty limits and is responsible for concentration risk both in terms of individual counterparties and country exposures. The committee's activities are reported and discussed at the Audit & Risk Committee. All exposures are monitored daily against the limits set.

Compliance Risk: The Bank makes every effort to remain in compliance with applicable laws, rules and regulations in the jurisdictions in which it does business. It has developed and implemented a risk-based compliance programme comprised of written policies, procedures, internal controls and systems, and processes to keep required records. With respect to the prevention of financial crime, the Bank has a

Notes to the Financial Statements for the year ended 31 December 2019 (continued)

21. RISK MANAGEMENT (continued)

Compliance Risk (continued):

designated Money Laundering Reporting Officer to oversee a programme that includes but is not limited to undertaking appropriate due diligence on its clients and implementing systems and controls for the detection and reporting of suspicious activity.

Management information and reporting regarding the effectiveness of regulatory compliance controls is regularly provided to the Bank's oversight committees and primary regulatory supervisors. The Bank educates employees and related third parties on applicable laws, rules and regulations as well as the Bank's own compliance policies and procedures and internal controls. The Bank compliance programme is subject to annual independent testing. The Bank co-operates fully with law enforcement and regulatory investigations and enquiries.

Market Risk: The Bank has a highly restricted appetite to Market Risk; it does not operate a trading book and therefore is exposed to Market Risk primarily through its exposures to capital instruments in which the Bank's liabilities are invested, together with currency exposures arising through its daily foreign exchange, funding, payments and trade finance activities.

The risk to investments is mitigated as instruments purchased for such purposes are generally held to maturity; as a result, it would normally only be the credit risk of the issuer to which the Bank would be exposed.

Interest Rate Risk: Within Market Risk, the Bank has established prudent standards and guidelines relative to the management of interest rate risk, including measurement, limits, monitoring, and reporting, which enables the Bank to achieve an acceptable return within those prudent parameters.

Liquidity Risk: It is the Bank's policy that its assets shall be sufficiently liquid for it to repay all of its liabilities as they fall due. The objective of liquidity management is therefore to ensure that the Bank can meet its maximum cumulative cash out flow on any given day. The Bank is liability led and does not borrow to finance lending.

A substantial proportion of customer accounts are current accounts that, although repayable on demand, have historically formed a stable deposit base. Liquidity is subject to daily monitoring against PRA guidelines and is subject to periodic stress tests both idiosyncratic and market wide.

Notes to the Financial Statements for the year ended 31 December 2019 (continued)

21. RISK MANAGEMENT (Continued)

The liquidity profile of the Bank's assets and liabilities is as follows:

| Assets 2019 | More than Less than | 0 months 3 months £'000 | 3 months 1 year £'000 | 1 year 2 years £'000 | 2 years 5 years £'000 | Total £'000 |
|------------------------------------|------------------------|-------------------------------|-----------------------------|----------------------------|-----------------------------|------------------|
| Cash and balances at central banks | | 579,088 | - | - | - | 579,088 |
| Loans and advances to: | | | | | | |
| - banks | | 289,349 | 90,296 | - | - | 379,645 |
| - related parties | | 2,146 | - | - | - | 2,146 |
| Debt securities | | 55,557 | 75,786 | 23,703 | - | 155,046 |
| Money market funds | | 60,601 | - | - | - | 60,601 |
| Investments | | - | - | - | 2,106 | 2,106 |
| Derivatives – assets | | 1,942 | 17 | - | - | 1,959 |
| Other assets | | 13,674 | - | - | - | 13,674 |
| Prepayments/accrued income | | 2,319 | - | - | - | 2,319 |
| | | <u>1,004,676</u> | <u>166,099</u> | <u>23,703</u> | <u>2,106</u> | <u>1,196,584</u> |
| Fixed assets | | | | | | |
| - Intangible | | | | | | 10,425 |
| - Tangible | | | | | | 2,500 |
| Total Assets | | | | | | <u>1,209,509</u> |
| Equity and Liabilities 2019 | | | | | | |
| | More than Less than | 0 months 3 months £'000 | 3 months 1 year £'000 | 1 year 2 years £'000 | 2 Years 5 Years £'000 | Total £'000 |
| Customer accounts | | 1,087,564 | 38,942 | 54 | - | 1,126,560 |
| Bank overdrafts | | 70 | - | - | - | 70 |
| Items in course of transmission | | 339 | - | - | - | 339 |
| Derivatives - liabilities | | 5,979 | 17 | - | - | 5,996 |
| Other liabilities | | 7,479 | - | - | - | 7,479 |
| Accruals and deferred income | | 3,502 | - | - | - | 3,502 |
| | | <u>1,104,933</u> | <u>38,959</u> | <u>54</u> | <u>-</u> | <u>1,143,946</u> |
| Shareholders' funds | | | | | | 65,563 |
| Total Equity and Liabilities | | | | | | <u>1,209,509</u> |

Notes to the Financial Statements for the year ended 31 December 2019 (continued)

21. RISK MANAGEMENT (Continued)

| Assets 2018 | More than Less than | 0 months 3 months £'000 | 3 months 1 year £'000 | 1 year 2 years £'000 | 2 years 5 years £'000 | Total £'000 |
|--|------------------------|-------------------------------|-----------------------------|----------------------------|-----------------------------|------------------|
| Cash and balances at central banks | | 594,992 | - | - | - | 594,992 |
| Loans and advances to banks | | 155,756 | 38,617 | - | - | 194,373 |
| Debt securities | | 106,076 | 161,864 | 34,797 | 24,128 | 326,865 |
| Investments | | - | - | - | 125 | 125 |
| Derivative financial instruments - assets | | 2,511 | 556 | - | - | 3,067 |
| Deferred tax | | 226 | - | - | - | 226 |
| Other assets | | 6,620 | - | - | - | 6,620 |
| Prepayments/accrued income | | 1,306 | - | - | - | 1,306 |
| | | <u>867,487</u> | <u>201,037</u> | <u>34,797</u> | <u>24,253</u> | <u>1,127,574</u> |
| Fixed assets | | | | | | |
| - Intangible | | | | | | 5,215 |
| - Tangible | | | | | | <u>2,753</u> |
| Total Assets | | | | | | <u>1,135,542</u> |
| Equity and Liabilities 2018 | | | | | | |
| | More than Less than | 0 months 3 months £'000 | 3 months 1 year £'000 | 1 year 2 years £'000 | 2 Years 5 Years £'000 | Total £'000 |
| Customer accounts | | 991,993 | 63,217 | 1,540 | - | 1,056,750 |
| Bank overdrafts | | 380 | - | - | - | 380 |
| Items in course of transmission | | 276 | - | - | - | 276 |
| Derivative financial instruments - liabilities | | 5,516 | 96 | - | - | 5,612 |
| Other liabilities | | 8,218 | - | - | - | 8,218 |
| Accruals and deferred income | | 2,939 | - | - | - | 2,939 |
| | | <u>1,009,322</u> | <u>63,313</u> | <u>1,540</u> | <u>-</u> | <u>1,074,175</u> |
| Shareholders' funds | | | | | | <u>61,367</u> |
| Total Equity and Liabilities | | | | | | <u>1,135,542</u> |

22. HOLDING COMPANY

The immediate parent is CAB Tech Holdco Limited whose parent, CABIM Limited, is the smallest and largest group to consolidate these financial statements as at 31 December 2019. The ultimate parent undertaking and controlling party is Helios Investors III LP, acting through its general partner Helios Investors Genpar III LP. Helios Investors Genpar III LP is registered in the Cayman Islands with its registered office at PO Box 309GT, Uglund House, South Church Street, Grand Cayman, Cayman Islands KY1-1104.

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

Notes to the Financial Statements for the year ended 31 December 2019 (continued)

23. RELATED PARTY TRANSACTIONS

In addition to the related party transaction disclosed in Note 8:

- A. As at 31 December 2019, the Company had one (2018 – one) intercompany balance with Helios Investors Genpar III LP (a company which had control or significant influence over the Company) of £12,500 (2018 - £12,500). The amount relates to the outstanding balance of a director's fees incurred during the year totalling £25,000 (2018 - £25,000).
- B. During the year, the Company also entered into one (2018 – one) transaction(s) with Invest Africa (previously Business Council For Africa - a company of which a director of the Company, Arnold Ekpe, is a director), as follows:
- Membership - £2,707 (2018: £2,190) per annum.
- C. The Company provided administration services (HR, finance etc) and other banking services to two companies within the CABIM Limited group, Crown Agents Investment Management Limited and Segovia Technology Company.
- D. As at the year end, the Company had intercompany balances with a number of group companies as follows:

| | 2019 | 2018 |
|--|---------------------|---------------------|
| | £'000 | £'000 |
| CABIM Limited | 196 | (1,043) |
| Crown Agents Investment Management Limited | 222 | 311 |
| CAB Tech HoldCo Ltd | 17 | - |
| Segovia Technology Co (US) | 2,349 | - |
| Segovia Technology Co (Congo) | 5 | - |
| Segovia Technology Co (Kenya) | 8 | - |
| Segovia Technology Co (Liberia) | (2) | - |
| Segovia Technology Co (Rwanda) | 3 | - |
| Segovia Technology Co (Uganda) | 76 | - |
| | <u>2,874</u> | <u>(732)</u> |

Notes to the Financial Statements for the year ended 31 December 2019 (continued)

24. INTEREST RATE SENSITIVITY GAP ANALYSIS

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

| Interest rate re-pricing | Not more than three months | More than three months but not more than six months | More than six months but not more than one year | More than one year but not more than five years | Non-interest bearing | Total |
|------------------------------------|----------------------------|---|---|---|----------------------|------------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| 2019 | | | | | | |
| Assets | | | | | | |
| Cash and balances at central banks | 579,088 | - | - | - | - | 579,088 |
| Loans and advances to | | | | | | |
| - Banks | 289,349 | 61,968 | 28,328 | - | - | 379,645 |
| - Related parties | 2,146 | - | - | - | - | 2,146 |
| Debt securities | 55,557 | 49,170 | 26,616 | 23,703 | - | 155,046 |
| Money market funds | 60,601 | - | - | - | - | 60,601 |
| Investments | - | - | - | - | 2,106 | 2,106 |
| Other assets* | - | - | - | - | 30,877 | 30,877 |
| | <u>986,741</u> | <u>111,138</u> | <u>54,944</u> | <u>23,703</u> | <u>32,983</u> | <u>1,209,509</u> |
| Equity and Liabilities | | | | | | |
| Customer accounts | 1,087,564 | 8,087 | 30,855 | 54 | - | 1,126,560 |
| Bank overdrafts | 70 | - | - | - | - | 70 |
| Other liabilities** | - | - | - | - | 17,316 | 17,316 |
| Shareholders' funds | - | - | - | - | 65,563 | 65,563 |
| Total equity and liabilities | <u>1,087,634</u> | <u>8,087</u> | <u>30,855</u> | <u>54</u> | <u>82,879</u> | <u>1,209,509</u> |
| Interest rate sensitivity gap | <u>(100,893)</u> | <u>103,051</u> | <u>24,089</u> | <u>23,649</u> | <u>(49,896)</u> | - |
| Cumulative gap | <u>(100,893)</u> | <u>2,158</u> | <u>26,247</u> | <u>49,896</u> | - | - |

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

** includes items in course of collection, derivative financial instruments, accruals and deferred income.

Notes to the Financial Statements for the year ended 31 December 2019 (continued)

24. INTEREST RATE SENSITIVITY GAP ANALYSIS (continued)

| Interest rate re-pricing | <i>Not more than three months</i> | <i>More than three months but not more than six months</i> | <i>More than six months but not more than one year</i> | <i>More than one year but not more than five years</i> | <i>Non-interest bearing</i> | <i>Total</i> |
|-------------------------------------|-----------------------------------|--|--|--|-----------------------------|------------------|
| | <i>£'000</i> | <i>£'000</i> | <i>£'000</i> | <i>£'000</i> | <i>£'000</i> | <i>£'000</i> |
| 2018 | | | | | | |
| Assets | | | | | | |
| Cash and balances at central banks | 594,992 | - | - | - | - | 594,992 |
| Loans and advances to banks | 155,756 | 22,982 | 15,635 | - | - | 194,373 |
| Debt securities | 106,076 | 85,943 | 75,920 | 58,926 | - | 326,865 |
| Other assets* | - | - | - | - | 19,312 | 19,312 |
| | <u>856,824</u> | <u>108,925</u> | <u>91,555</u> | <u>58,926</u> | <u>19,312</u> | <u>1,135,542</u> |
| Equity and Liabilities | | | | | | |
| <i>Customer accounts</i> | 991,993 | 29,448 | 33,769 | 1,540 | - | 1,056,750 |
| <i>Bank overdrafts</i> | 380 | - | - | - | - | 380 |
| <i>Other liabilities**</i> | - | - | - | - | 17,045 | 17,045 |
| <i>Shareholders' funds</i> | - | - | - | - | 61,367 | 61,367 |
| <i>Total equity and liabilities</i> | <u>992,373</u> | <u>29,448</u> | <u>33,769</u> | <u>1,540</u> | <u>78,412</u> | <u>1,135,542</u> |
| Interest rate sensitivity gap | <u>(135,549)</u> | <u>79,477</u> | <u>57,786</u> | <u>57,386</u> | <u>(59,100)</u> | <u>-</u> |
| Cumulative gap | <u>(135,549)</u> | <u>(56,072)</u> | <u>1,714</u> | <u>59,100</u> | <u>-</u> | <u>-</u> |

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

** includes items in course of collection, derivative financial instruments, accruals and deferred income.

Notes to the Financial Statements for the year ended 31 December 2019 (continued)

25. CURRENCY RISK

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

As at 31 December, these exposures were as follows:

| <i>2019 - Currency (£'000 equivalent)</i> | US\$ | Euro | Yen | AU \$ | Other | Total |
|---|----------------|----------------|-----------------|---------------|--------------|----------------|
| (Liabilities)/ Assets | (420,845) | (920) | 22,386 | (8,204) | (4,682) | (412,265) |
| Net forward purchases/(sales) | <u>422,333</u> | <u>286</u> | <u>(22,382)</u> | <u>8,248</u> | <u>5,650</u> | <u>414,135</u> |
| | <u>1,488</u> | <u>(634)</u> | <u>4</u> | <u>44</u> | <u>968</u> | <u>1,870</u> |
| | | | | | | |
| <i>2018 - Currency (£'000 equivalent)</i> | US\$ | Euro | Yen | AU \$ | Other | Total |
| (Liabilities)/ assets | (425,168) | 7,676 | 15,532 | (11,458) | (2,881) | (416,299) |
| Net forward purchases/(sales) | <u>426,560</u> | <u>(8,324)</u> | <u>(15,517)</u> | <u>11,512</u> | <u>3,987</u> | <u>418,218</u> |
| | <u>1,392</u> | <u>(648)</u> | <u>15</u> | <u>54</u> | <u>1,106</u> | <u>1,919</u> |

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

| | 2019 £'000 | 2018 £'000 |
|---------------------------------|------------------|------------------|
| Assets | | |
| Denominated in sterling | 659,121 | 641,884 |
| Denominated in other currencies | <u>550,388</u> | <u>493,658</u> |
| | <u>1,209,509</u> | <u>1,135,542</u> |
| | | |
| Liabilities and Equity | | |
| Denominated in sterling | 246,856 | 225,584 |
| Denominated in other currencies | <u>962,653</u> | <u>909,958</u> |
| | <u>1,209,509</u> | <u>1,135,542</u> |

Notes to the Financial Statements for the year ended 31 December 2019 (continued)

26. CREDIT EXPOSURE

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

| Potential Credit Risk Exposure | 2019 | | 2018 | |
|--|----------------------|----------------|----------------------|----------------|
| | Up to 1 year £000 | Total £000 | Up to 1 year £000 | Total £000 |
| Forward foreign exchange contracts | 703,634 | 703,634 | 687,951 | 687,951 |
| Total notional principal amount | 703,634 | 703,634 | 687,951 | 687,951 |
| Replacement cost by counterparty | | | | |
| Other banks | 1,959 | 1,959 | 3,067 | 3,067 |
| Total replacement cost | 1,959 | 1,959 | 3,067 | 3,067 |

27. CAPITAL MANAGEMENT

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

All of the above remained unchanged from 2018.

The Bank's regulatory capital consists of its Ordinary Share Capital and its P&L Reserve (both Tier 1 capital), subject to the normal regulatory deductions, as follows:

| | £'000 |
|---------------------------|----------------------|
| Ordinary £1 Shares | 41,200 |
| P&L Reserve | 24,363 |
| Less intangible assets | <u>(10,425)</u> |
| Regulatory Capital | <u>55,138</u> |

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

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

Notes to the Financial Statements for the year ended 31 December 2019 (continued)**28. NOTES TO THE CASH FLOW STATEMENT****Reconciliation of profit before taxation to net cash inflow from operating activities**

| | 2019 | 2018 |
|--|------------------|---------|
| | £'000 | £'000 |
| Profit before taxation | 5,129 | 4,583 |
| Increase in prepayments and accrued income | (1,014) | (474) |
| Increase in accruals, provisions and deferred income | 562 | 700 |
| Increase in provision for doubtful debts | 75 | - |
| Effect of currency exchange rate changes | (11,897) | 16,816 |
| Effect of mark to market valuations | (95) | - |
| Amortisation | 1,285 | 916 |
| Depreciation | 615 | 186 |
| Net cash (outflow)/ inflow from trading activities | (5,340) | 22,727 |
| Net increase/(decrease) in items in course of transmission | 64 | (12) |
| Net (increase)/ decrease in loans and advances to banks | (109,088) | 34,856 |
| Net increase in loans and advances to related parties | (2,146) | - |
| Net increase in customers' accounts | 98,683 | 95,124 |
| Net decrease in debt securities | 162,049 | 12,753 |
| Net increase in other assets | (6,902) | (2,866) |
| Net (decrease)/ increase in other liabilities | (1,100) | 4,387 |
| Share based payment charge | 18 | 30 |
| Loss on disposal of fixed assets | - | 19 |
| Net cash inflow from operating activities | 136,238 | 167,018 |

29. EVENTS SINCE THE BALANCE SHEET DATE

The Bank is currently facing the challenges posed by Coronavirus 19 which is causing widespread disruption to financial markets and normal patterns of business activity across the world, including the UK.

The Directors assess this event to be a non-adjusting post balance sheet event. In view of its currently evolving nature, the Directors are unable to estimate its financial and other effects.

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