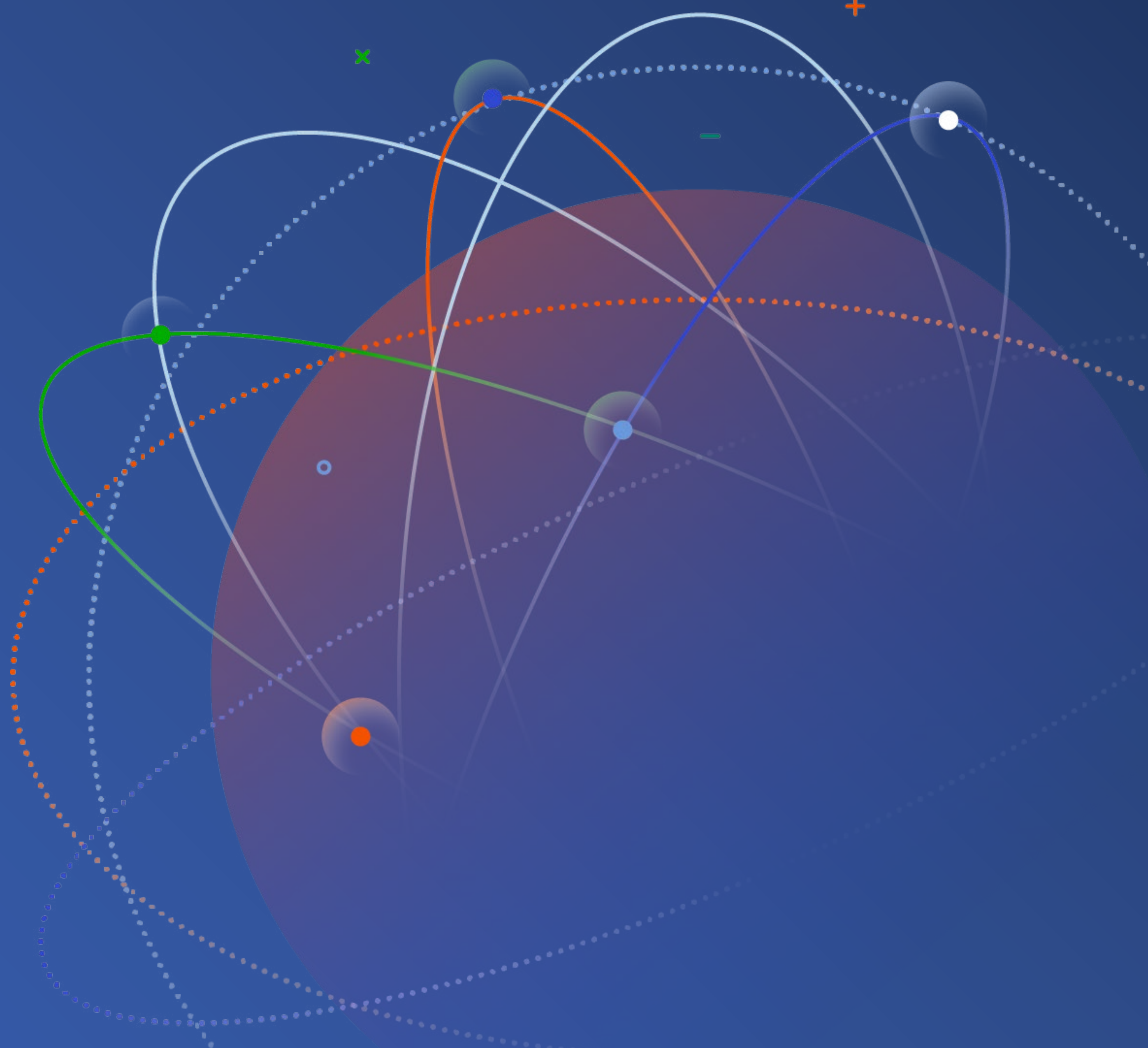
Clear.Bank®

Annual Report and Accounts 2021

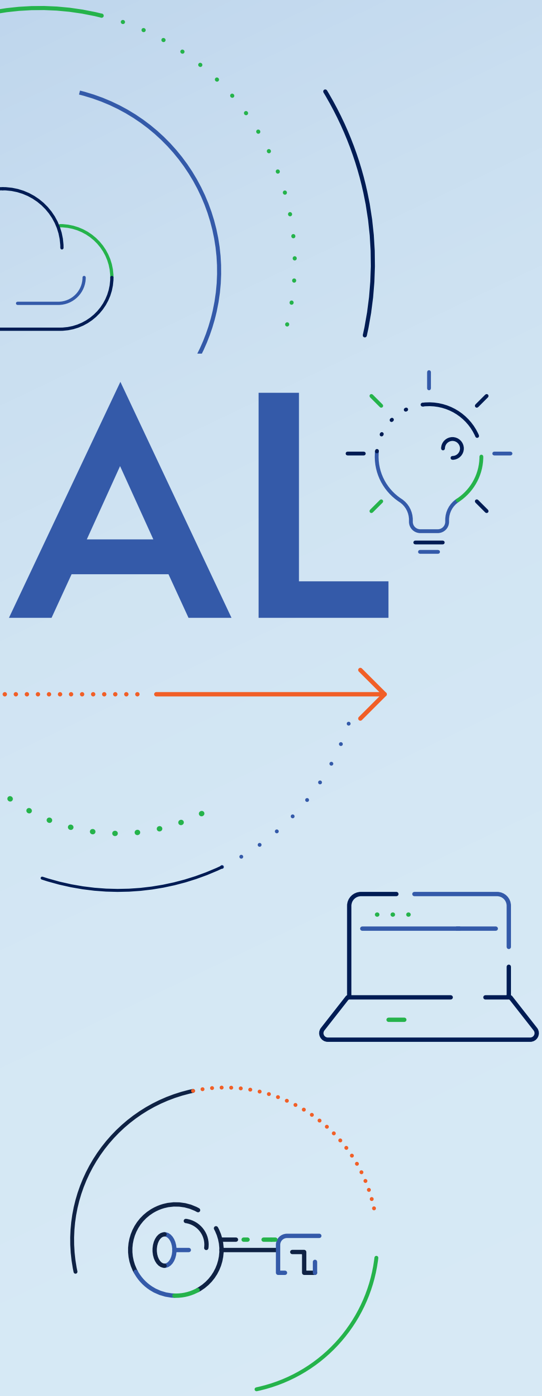


UNLOCKING POTENTI

STRATEGIC REPORT

GOVERNANCE

FINANCIAL STATEMENTS



OUR PURPOSE

At ClearBank, our purpose is to provide great technology that unlocks our partners' potential, ensuring everyone has the freedom to choose the financial services they need.

OUR VISION

We are committed to being a responsible business, driving forward the transformation of payment services. Our technology platform and banking licence enable our partners to thrive by providing access to next generation financial solutions.

WHY

For decades, the clearing of financial transactions remained unchanged and unchallenged. We asked: "What if there was a better way? What if we could make those transactions faster, safer, more reliable and accessible to all?"

OUR BUSINESS – AT A GLANCE

Using our next generation financial solutions to transform the UK clearing and payment services landscape, and beyond. Enabling partners to unlock their potential.

INNOVATIVE PAYMENT SERVICES

dozens
- Enabling the digital banking app with faster and flexible solutions

MANCHESTER CREDIT UNION
- Providing banking services to the community of Manchester

chip
- Partnering to provide FSCS protection to Chip savings accounts

2021

FStech awards 2021
- ClearBank and Tide win Partnership or Collaboration of the Year

MONEY 20/20
- Sponsorship of Europe's largest fintech reunion with Charles McManus speaking

sibos
- Maintained our presence at SIBOS, the world premier financial services virtual event

WHO WE ARE

ClearBank's technology platform and banking licence enable our partners to thrive by providing access to next generation financial solutions.

We are a specialist technology-enabled clearing bank with a clear focus on innovating in the UK clearing and agency banking landscape with our transformational banking platform.

WHAT WE DO

ClearBank focuses on clearing, agency banking, embedded banking, and multi-currency and foreign exchange solutions. We are committed to being a responsible business, driving forward the transformation of payment services.

We provide access to all UK payment schemes (Bacs, CHAPS, cheque clearing and Faster Payments), as well as other banking services such as Financial Services Compensation Scheme ('FSCS') protected deposits and virtual account solutions, to financial institutions and small and medium-sized enterprises ('SMEs') across all industries throughout the UK.

WHO OUR PARTNERS ARE

Our partners make up a variety of financial institutions – from fintechs, banks, and building societies to credit unions, insurance companies and investment funds. By partnering with us, these businesses can offer their customers innovative and secure real-time payment and banking solutions that are flexible and easy-to-use.

For more information
See pages 14-15

3s.money

- 3S Money partners with ClearBank to boost international trade

recognise

- Recognise Bank selects ClearBank to enhance the SME and retail banking experience

2022

PAYTECH AWARDS

- Winner of Best SME Payments Initiative award

50 Technology Fast 50 2021 UK WINNER Deloitte.

- Awarded #1 fastest growing technology company in the UK from Deloitte Fast 50

EP Emerging Payments Awards '21

- ClearBank and Tide win Best Partnership Initiative category of the Payments Association awards

The Card & Payments Awards

- Winner of Best Service to Business award

PROVIDING CUTTING-TECHNOLOGY

Our pillars form the foundation of what we do. These are the key components that drive ClearBank.

SAFE AND SECURE

The ability to place trust in an organisation is critical. That is why all UK funds are held securely at the Bank of England and not used for other purposes such as commercial lending.

This unique strength of our business model ensures that we can simultaneously repay all our depositors on demand if needed. We are also dual regulated by both the FCA and PRA in the UK, giving added confidence to our partners.

OPERATIONAL RESILIENCE

Our partners demand uninterrupted services. Our technology provides high levels of availability, reliability and resilience delivering optimal operational outcomes.

We protect against operational risk events by mirroring our cloud-native technology platform in separate zones within Microsoft Azure. This negates any potential service disruption to our partners.

PEOPLE

We are made up of passionate, dedicated and inclusive individuals who help bring our vision to life. We embrace diversity of thought and encourage individuals to create new ideas. We know that the differences between people make us stronger.

From developing innovative technology to delivering partner service excellence, our people are key to everything we do.

NON-COMPETE

We are the only clearing bank in the UK that does not compete with its partners.

By not competing with our partners, we can always be relied upon to support their needs and those of their customers. We are genuine partners who can work truly collaboratively free from conflicts.

> “We look to lead our industry through continuous transformation”
>
> **Charles McManus**
> Chief Executive Officer

PARTNER EXPERIENCE

Consumers want a fast, seamless and secure digital transaction experience. Through our technology, we provide a more modern customer experience compared to clearing technology provided by incumbent banks.

We understand the ever-changing customer demands that our partners are looking to satisfy. That is why we support our partners to always deliver innovative propositions to meet the needs of their customers.

MARKET KNOWLEDGE

Our people have a deep knowledge of the payments landscape. This includes changes in partner preferences, potential developments in the UK payments schemes, recent technological innovations and upcoming banking and regulatory changes. This ensures that our partners’ ever-evolving needs are at the forefront of everything we do.

TECHNOLOGY

We continuously invest in our cloud-based banking infrastructure, fully developed in Microsoft Azure. We maintain a robust, secure and operationally resilient platform as well as delivering a superior partner experience. Our market leading proprietary ISO 20022 accredited API is both developer and user friendly. The API supports streamlined setup and straightforward integration, making onboarding seamless.

SCALABLE

We understand how our partners can scale their services and we know they need a partner who can support their growth ambitions. By providing them with a flexible and scalable infrastructure, utilising Microsoft’s Azure cloud, we offer near-boundless scalability to support our partners’ growth.

WHY PARTNERS CHOOSE US

Our value proposition is unique amongst our competition

COMPELLING PARTNE PROP

"We chose ClearBank to be our banking partner because they have a clear strategy for the future, the modern tech platform was straightforward to integrate and, above all, we found the people easy to do business with."

Mike Peplow, MD of Paynetics UK

PAYNETICS

"One of the challenges of the new Payment Exception Service we developed for the Department for Work & Pensions was how to serve customers who need to be paid their benefit and pension payments in cash when government payment systems are optimised for Bacs and FPS. The ClearBank platform has provided a key part of the secure digital voucher solution we have provided the Department and has shown to be rock-solid and backed by impressive levels of expertise."

David Tymm, Innovations Director, PayPoint Plc

PayPoint

R
OSITION

Our robust and scalable banking technology offers real-time clearing services through all the UK payment schemes, multi-currency and foreign exchange services.

"When selecting a banking partner we knew it was essential that we chose a bank that both understood our business and was agile enough to work with us in achieving our goals. ClearBank have delivered on both fronts and we look forward to working even more closely with them over the coming years."

Aaron Carpenter, COO at Transact Payments

Transact Payments
PAYMENTS MADE SIMPLE

DYNAMIC RELATIONS

chip

COMPANY DESCRIPTION

Chip is the savings and investments platform of the future – automatically building savings and making investing easy. The app-based platform allows users to access investments, savings accounts, and uses AI to build savings automatically.

CLEARBANK OPPORTUNITY

Chip initially partnered with ClearBank to access all the UK payment schemes and meet their regulatory obligations as an FCA authorised firm. Chip now offers a full embedded banking and finance experience to customers with Financial Services Compensation Scheme ('FSCS') protected accounts, unlike any other savings app in the market.

SOLUTIONS PROVIDED

Through ClearBank's embedded banking proposition, Chip savings accounts are now covered by the FSCS on deposits up to £85,000 and connected to Faster Payments for real-time withdrawals.

PARTNER BENEFIT

Chip is ClearBank's first consumer facing embedded banking partner and the platform enables them to grow and achieve their ambitions of expansion into Europe. We're supporting them as they continue their mission to build the best savings app in the world.

> "As we continue on our mission to build the best savings app in the world, we needed a banking partner to improve our offering with better security and a seamless customer experience, and to provide a springboard for our expansion into the rest of Europe. We found this, and more, in ClearBank."

Simon Rabin
CEO of Chip

HIPS

3s.money

COMPANY DESCRIPTION
3S Money is a UK bank challenger that connects large corporations with their customers globally, providing them with local business accounts to send and receive high value funds through all major payment rails.

CLEARBANK OPPORTUNITY
3S Money wanted to move to one single payments and banking provider, who could give them the flexibility to easily integrate via an API. With the support of ClearBank, 3S Money aims to further expand its offering in the future – having reported 400% year-on-year growth in 2020.

SOLUTIONS PROVIDED
3S Money partnered with ClearBank to offer multi-currency accounts and foreign exchange services to its retail and corporate clients for the first time, to support their international growth and that of their end users.

PARTNER BENEFIT
The partnership enables 3S Money's corporate clients to hold multiple currencies in their accounts and make faster, more flexible payments in USD, EUR, GBP and EEA currencies via ClearBank's API. They have plans to enter the American market for the first time, utilising USD transactions. By partnering with us, they can now launch local account capabilities, scale faster into new markets, save time and increase their revenue.

> "ClearBank are a great example of a fintech bank – they have the best technology and infrastructure. They offer the best real-time payment and banking services capabilities we need from a partner, which is essential in supporting not only our customers' international growth, but also our own."

Ivan Zhiznevskiy
CEO at 3S Money

PayPoint

COMPANY DESCRIPTION
i-movo was acquired by the PayPoint Group in November 2020. i-movo is the UK's leading secure digital voucher system. Their secure digital vouchers are unique codes, distributed using any media (such as SMS) representing monetary value, validated at point-of-use in real-time.

CLEARBANK OPPORTUNITY
i-movo needed a partner able to offer real-time processing for their secure digital vouchers. Working alongside the Department of Work and Pensions ('DWP'), we unlocked the ability to deliver payments to those without access to a standard bank account.

SOLUTIONS PROVIDED
Previously, many UK benefits recipients, who choose to receive their benefits in cash, collected their payments using a paper-based voucher system or a Post Office Card Account. Now, each benefit/pension recipient can choose from a range of methods to receive their vouchers, taking advantage of our real-time processing through Bacs and Faster Payments.

PARTNER BENEFIT
i-movo and ClearBank aim to make benefit payments quicker, simpler and more convenient for customers, with hopes of reducing cost and complexity. Through our innovative partnership, we're helping the unbanked access capital easily and quickly. We'll continue to challenge innovative technologies to help provide financial ease for vulnerable claimants.

> "This initiative has required an impressive level of teamwork, bringing together i-movo, the ClearBank platform and both the Post Office and PayPoint networks."

Nick Wiles
CEO at PayPoint

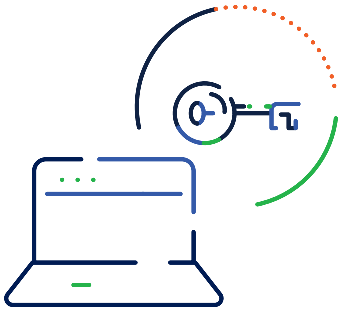
PROVIDING RESILIE

ACHIEVING BETTER TOGETHER

It has been another challenging year for people, communities, and businesses. I am particularly proud, therefore, of the strong progress we have made against our strategic objectives and the continued commitment of our people. We have doubled income year-on-year and have strengthened key metrics across the board. Our progress is underpinned by a 52% growth in partner numbers and a 243% increase in annual transaction volume in 2021. We have also continued to develop new products and services, including giving our partners access to new foreign exchange and multi-currency capabilities, providing the technology and tools they need to thrive.

The prevailing macroeconomic uncertainty has forced many to take stock or defer expansion. At ClearBank we have invested in expanding our team as we believe this is the time to best support our partners by helping them unlock their potential. Our business model has proved its resilience and our people have shown they are able to rise to any challenge.

> "We are focused on providing a safe, secure and reliable payments infrastructure for our partners."
>
> **David Gagie**
> Chair



NCE

RESILIENCE

We believe in the importance of being a trusted partner, so as well as continuing to invest in building the capabilities that our partners need, we are completely focused on providing them with a safe, secure, and reliable payments infrastructure. To achieve this, we continue to engage external expertise to review our governance, internal controls and risk management processes, ensuring that our risk management capabilities meet the highest standards and will evolve to meet the demands of our business growth.

The world is embracing the power of digital banking and payments technology. Consequently, protecting individuals, companies and society from the threats posed by financial crime is at the forefront of our priorities. We have thus strengthened our capabilities and processes in this area to keep pace in an ever-changing environment.

BOARD UPDATES

In keeping with the growth and development of the business, the Board has also not stood still. Our founder Nick Ogden has stepped down as an Investor Director and continues to provide us with his wealth of experience in his capacity as a strategic adviser to the Board. We are enormously grateful to Nick for his vision, drive and energy, which has been so important in making ClearBank what it is today.

Marcus Treacher has joined the Board as an Investor Director. Marcus brings with him significant experience in transaction banking and payment technology, including 12 years in global leadership roles at HSBC and over five years at Ripple. Marcus has also worked with industry communities, organisations and governments to help shape new payment practices. I am delighted to welcome Marcus to the Board and very much look forward to his input in helping us steer the business through the next phase of its journey.

OUTLOOK

The recent outbreak of war in Ukraine highlights the need for all financial institutions to remain vigilant, work together and continue to invest in anti-money laundering controls. ClearBank and our partners have not been directly affected by the situation but we are playing an important role alongside the regulators in ensuring payments are screened for the developing sanctions requirements and the payments systems are protected from fraud and cyber crime. We have also supported government initiatives such as the new Economic Crime Levy.

The long term impact of COVID-19 as a driver of the national and global economic outlook remains unknown, but we are already witnessing how the pandemic has accelerated the demand for, and adoption of, digitised, reliable and real-time payments.

With a cloud based, state-of-the-art technology platform, a resilient business model proven during the pandemic, and a truly dedicated group of people underpinned by a vibrant fintech culture, we believe that ClearBank has the key ingredients to succeed. Due to the nature of our payments architecture we are also well equipped to navigate the evolving regulatory landscape, such as the Bank of England's multi-year programme for a renewed Real-Time Gross Settlement ('RTGS2') service, which aims to deliver a range of new features and capabilities for payments and settlements between financial institutions.

Finally, on behalf of the Board, I would like to thank our investors, our partners and colleagues for what they have achieved over the past year. I also wish to extend my personal thanks to the Board members and our Executive team for their dedication and expertise in diligently guiding the business through a challenging but highly successful period.

David Gagie
Chair
28 March 2022

CHIEF EXECUTIVE'S REVIEW

SUCCESSFUL SCALAB

BUILDING ON MOMENTUM

This past year has been defined by exceptional performance, an upward growth trajectory, and building our momentum. The team have driven the business forward by capitalising on our core strengths and working with our partners. Everything that has been achieved is all the more special given the COVID-19 related challenges everyone has had to overcome and adapt to.

Thanks to the ever-increasing attractiveness of our proposition to the market we have onboarded 60 new financial institution partners this year bringing our total to 176. We have also expanded our embedded banking offering with Tide and together we can now serve almost 7% of the UK's SME market. Additionally, we have extended this service line to our second partner, Chip, where our services will underpin a new type of savings account for the UK market.

Annual transaction volumes have risen by 243% year-on-year reflecting both the scalability and resilience of our state-of-the-art technology, and our growing product capability. The consumer trend towards low human touch and fast and secure digital payments has continued to accelerate and shows no signs of slowing.

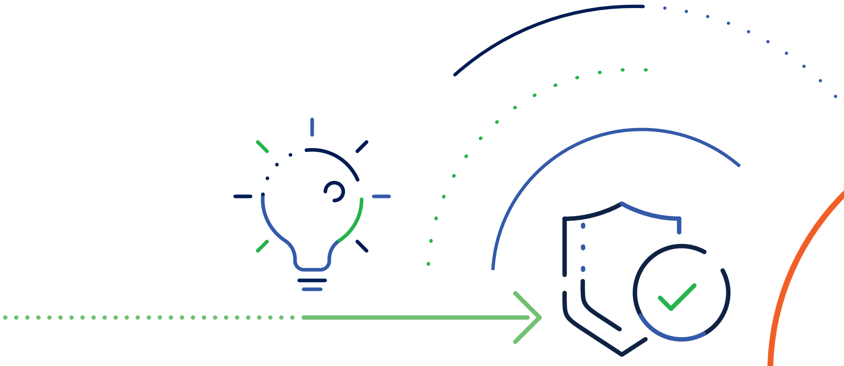
Welcoming new partners and increasing our transaction volumes underpin our strategy for growth and profitability. This year we have reported an annual income of £21m, representing over 100% year-on-year growth for the third consecutive year running, and a similar growth path in total partner balances which now stand at more than £2.5bn, reflecting the trust our partners have in ClearBank.

ENHANCING OUR PARTNER OFFERING

The credibility of our innovative business model and cloud based platform has been reinforced this year, as bigger and more established businesses have approached us to support their new initiatives and services. Our partners have told us they value partnering with an agile clearing partner, based on state-of-the-art infrastructure. In a recently conducted partner survey, both the technology behind our product and our customer service were highly rated. Our proposition and our track record of delivery is winning us new business opportunities all the time.

We have worked hard this year to enhance our embedded banking model. We have worked to support open banking pioneers such as TrueLayer, a cutting-edge fintech which offers alternative savings and investment products to their end-user customers. We are also supporting a growing number of credit unions through our existing partnership with Incuto, a successful fintech aimed at helping people access low cost, high quality financial services.

We continue to be recognised by industry through a series of awards either individually or collectively with our partners. Most notably, we have been ranked the number one fastest growing fintech company in the Deloitte Fast 50 awards, a true testament to our progress so far. In addition, The Payments Association and FStech Awards 2021 announced us as winners alongside Tide in the Best Partnership category.



ILITY

> Our business growth is set to continue, underpinned by partners that love our products."
>
> **Charles McManus**
> Chief Executive Officer

OUR PEOPLE AND CULTURE

Everything we have achieved to date has only been possible because of the courage, curiosity and ambition of our people. This year we worked hard to capture the essence of our purpose, our vision and our values, which we articulate on pages 20 to 21. We are proud of our collaborative culture and our ability to work in an agile way underpinned by innovation and inclusivity. A great example of this is the fact that we have attracted 111 new team members during 2021. All of them have been recruited into a remote first and flexible working environment and have seamlessly contributed towards our collective achievements.

As our business has evolved, we have also updated our leadership team during the year. John Salter was promoted to Chief Customer Officer where he has overseen the development of our client and marketing strategies and driven the momentum in our business. We were also delighted to welcome Phil Hart to ClearBank as our Chief Internal Auditor, who joined us from Pay.UK and brings with him a wealth of expertise to the role.

MAKING A POSITIVE IMPACT

Our purpose is to provide great technology to help unlock potential. Together with our partners, our services can provide everyone the freedom to choose the financial services they need. Through partners like Incuto and the credit unions they support, we have been able to provide a real-time digital service to previously underserved members of the community.

We were also delighted to have joined forces with i-movo, part of the PayPoint Group, and the Department for Work and Pensions ('DWP') to make benefit payments quicker, simpler and more convenient for people even if they don't have access to a bank account. We are honoured to be part of this unique initiative highlighting the positive impact innovative technology can have for some of the most vulnerable in society.

Last year we started to develop our Environmental, Social and Governance ('ESG') framework, and in 2021 we made significant strides in pushing ahead with our priorities. ClearBank's market proposition, purpose and vision promotes better outcomes for customers - both businesses and individuals - but we also recognise our responsibility to be a wider force for good in society.

On climate change we have begun our journey to becoming a net zero business and we are also championing diversity at the Bank, as we believe in everyone being able to bring their best selves to work every day. More details can be found on pages 22-25.

The crisis in Ukraine has once more underlined the need for all financial institutions to remain alert, stand united against growing cyber threats and continue investing in improving anti-money laundering controls. At ClearBank we have been investing consistently in our cloud based infrastructure to support the authorities in a collective effort to root out the perpetrators of financial crime and to strengthen the cyber defences of the industry. We do not see any material impact, either directly as a business or indirectly through our partners, from the current geopolitical situation. We continue to work closely with our staff, our partners and regulators.

OUTLOOK

I am delighted to be able to announce that in addition to the continued support from our existing long-term investors PPF and CFFI, we have secured additional equity investment from funds advised by a new top-tier investor, Apax Digital. The capital injection, subject to regulatory approval, will enable the group to accelerate our international expansion plans. This continues to demonstrate the industry appetite both within the UK and to extend our world class clearing and embedded banking platform to service international customers. We are excited by the potential this fresh investment brings.

The opportunity for ClearBank is immense. Our business growth is set to continue, underpinned by partners that love our products and services, and the drive, energy and ingenuity of our people. As a result, we are confident in reaching our first cash break-even month in 2022.

Charles McManus
Chief Executive Officer
28 March 2022

OUR MARKET OPPORTU

CLEARBANK IN THE UK PAYMENTS MARKET

ClearBank provides a unique offering within the marketplace through our focused core payments capability and specialist products. Our banking licence and intelligent, robust technology solutions enable our partners to offer real-time payments and innovative banking services to their end customers.

OUR EVOLUTION

We continue to invest in developing our secure and resilient platform, in line with the market's demands for ever greater cyber security, data safety and privacy.

At ClearBank, our embedded banking proposition centres on the most important needs, such as holding funds at the Bank of England, making and receiving payments across all the UK payment systems and providing regulatory capabilities and products such as FSCS deposit accounts.

All these capabilities are provided in real-time via our cloud based API. To avoid the upfront investment and lead time required to develop a proprietary payments solution and become a direct member of the UK payment schemes, our partners can quickly integrate to our platform. This is enabled through our advanced ISO accredited and developer friendly APIs.

This core proposition continues to evolve as partners are looking for more multi-faceted solutions, including Open Banking, multi-currency and FX, and digital payments capabilities such as Request to Pay, Confirmation of Payee and digital cheques.

FINANCIAL INSTITUTION MARKET

Within the market we are focusing on the three segments outlined below.

~370

BANKS AND FOREIGN BRANCHES

~2,500

FINTECHS INCLUDING AUTHORISED EMIs*

~3,000

OTHER FINANCIAL INSTITUTIONS**

Figures are in relation to the UK market
* EMIs are e-money institutions
** include authorised general insurance companies, investment funds and unit trusts

Financial institutions face a future where they will service customers either directly or indirectly through the latest digital services, particularly as Open Banking and New Payments Architecture ('NPA') start to evolve. The best institutions will increasingly find themselves part of collaborative efforts with other players that have specialised talent and product knowledge, including traditional institutions, fintechs and big techs. We will continue to explore potential opportunities to partner with other specialists to increase our coverage of the UK payments landscape.

SME MARKET

Through our embedded banking partnerships we support the UK SME market.

THERE WERE:

5.98M SMEs

IN THE UK IN 2020

WHICH REPRESENTED:

99.9%

OF ALL UK BUSINESSES

WITH A TOTAL OF:

£4.3TRN

TURNOVER IN THE UK

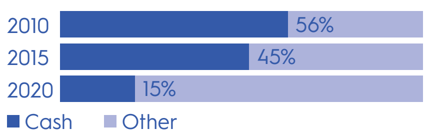
TRENDS IMPACTING THE BUSINESS

Our market drivers remain favourable, with cash payments continuing their long term decline, a trend accelerated by the pandemic.

PAYMENT SERVICES

Although the COVID-19 outbreak reduced the overall volume of payments by 11% year on year in 2020, it also changed how people and businesses are paid, led by the popularity and necessity of digital payments. This has meant a greater use of contactless, online and mobile wallet channels at the expense of cash.

% OF ALL PAYMENTS



NITIES

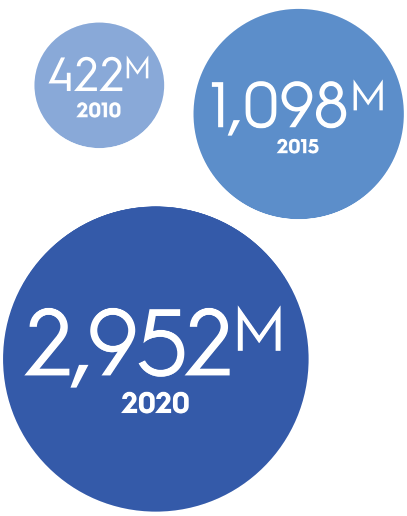
UK MARKET
ClearBank currently has 176 active partners, from a variety of sectors and specialisms, demonstrating the broad appeal of our proposition. Our strategy in 2022 is to continue expanding our strong position in the UK market by partnering with more clients and offering new products. Whilst increasing our UK market share, we will also execute our international expansion plans, already begun in 2021 with the launch of our multi-currency and FX solutions.

UK SME MARKET
Through our embedded banking partnership with Tide, our SME market share was c.7% at the end of 2021 (FY20: 5%). Through 2022 we will continue to build our coverage of the SME market with Tide and other new partners, as we further deliver on our BCR commitments.

FOREIGN EXCHANGE AND MULTI-CURRENCY
The demand for multi-currency capabilities is rapidly increasing, with the steep rise of e-commerce and the growing need for doing business globally. There are only a few key multi-currency service providers currently in the market. Firms are seeking more innovative technology, easier set-up and affordability in these partnerships. This, therefore, presents a significant opportunity and potential for robust new products and services.

FASTER PAYMENTS
Annual volumes of Faster Payments in UK Finance's latest UK Payments Market Statistics report saw just under 3.0 billion payments being made in 2020, a 21% increase from the previous year. This was due to a growing number of people using online and mobile banking, but also from increased usage by businesses (four out of ten payments being digital).

UK FASTER PAYMENTS VOLUMES



CLEARING SYSTEM ('BACS')
There were 4.5 billion payments by Direct Debit in 2020, which saw slower growth compared to the previous year due to the impact of lockdowns on regular household payments such as gym memberships. On the other hand, Bacs Direct Credit was still overwhelmingly the most frequently used payment method by businesses.

CLEARING HOUSE AUTOMATED PAYMENTS SYSTEM ('CHAPS')
CHAPS volumes were significantly lower than Faster Payments and Bacs, with 44.5 million processed representing 0.1% of total payment volume. However, it constituted 91% of all payments in value, used by financial institutions and large corporates for wholesale transactions.

LOOKING FORWARD
As we continue executing our plans for growth into 2022 we expect to see significant increases in volumes across all of the schemes mentioned above.

9/10
UK CONSUMERS
USE DIRECT DEBIT FOR BILLS

8/10
UK EMPLOYEES
PAID BY BACS DIRECT CREDIT

This will happen through our expansion strategy by reaching more partners in the UK marketplace, establishing further embedded banking partnerships, and embarking upon new adjacent markets.

Complementing this will be the industry trends outlined here and upcoming regulatory changes in the payments industry. Open Banking, the advent of the new Payment Services Directive ('PSD2'), Strong Customer Authentication, the anticipated NPA for the UK and Real-Time Gross Settlement Renewal Programme ('RTGS2') will bring extensive changes and opportunities to the UK's payments landscape.

RTGS2 will deliver the next generation of real-time settlement of CHAPS payments. The upgrade will provide this infrastructure in the cloud, replicating the functionality provided today as well as delivering a range of new features and capabilities.

As the landscape unfolds, we will continue to work closely with the payments schemes, helping shape the future of the payments market.

OUR BUSINESS MODEL

CREATING VALUE

KEY RESOURCES AND RELATIONSHIPS

People

Partnerships

Technology

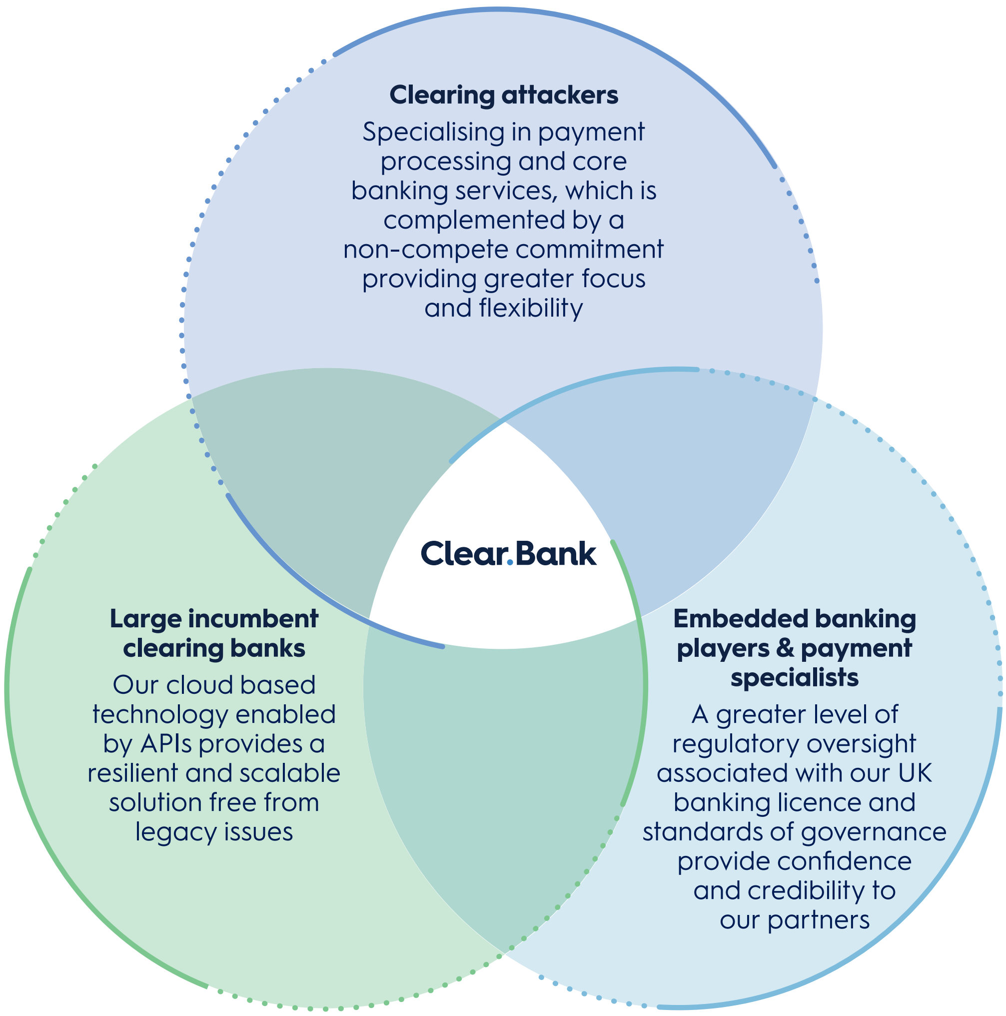
Investors

Regulators

UNIQUELY POSITIONED

ClearBank is uniquely positioned to take advantage of market opportunities and differentiates from other market participants.

PROVIDING GREAT TECHNOLOGY THAT UNLOCKS OUR PARTNERS' POTENTIAL



UNDERPINNED BY OUR VALUES

Our business model is guided by our strategic framework and our core values underpin everything we do.

COURAGEOUS

AMBITIOUS

CURIOUS

DELIVERING OUR PROPOSITION

Our innovative clearing technology enables our partners to accept and make payments by accessing all the UK payment schemes in real-time. This is facilitated by our state-of-the-art API or portal access.

Our platform supports a variety of account structures, including real, virtual and FSCS accounts, tailored specifically for our partners' requirements.

DIRECT
Our people devote time to establish strong relationships based on a full understanding of each partner's capabilities in order to connect them directly to our platform.

Through this direct connectivity we are able to deliver a suite of banking solutions to our partners. These include our current account and FSCS protected deposit account services and a range of other banking products.

PARTNERSHIPS
We are open to creating partnerships to expand our reach and transform the UK payments and business banking landscape.

Our specialist expertise and next-generation infrastructure have enabled our partners to better serve their end consumers by delivering real-time payment clearing and account solutions.

DELIVERED THROUGH EMBEDDED BANKING
Our core services can also be delivered via our embedded banking model, where banking services are deconstructed into features that partners can leverage. This gives optimal flexibility to choose which products they wish to use.

HOW WE ADD VALUE

PEOPLE
We invest in our people to create the next generation of leaders who find innovative and practical solutions for our partners and regulators. This enables us to offer rewarding careers to our people and continue to attract high-calibre employees.

SERVICES
Our model clearing technology enables our partners to accept and make payments by accessing all the UK payment schemes in real-time.

PARTNERSHIPS
We adopt a collaborative approach with our partners and other disrupters, exploring their ideas and forging lasting relationships, in order to expand our reach and deliver lasting change for end consumers.

TECHNOLOGY
Significant capital is invested in technology development to support our growth strategy. Investment priorities are determined in line with strategic plans and goals. Investment requirements may include elevated operational expenditure as well as capital expenditure for distinct periods of time to deliver our long term growth strategy.

INVESTORS
We have a clear strategy for creating sustainable long term value for our shareholders, using our core capabilities to drive growth and strong operating cash flows from our target markets.

REGULATORY
Capital is retained for both regulatory and investment needs.

MAKING A POSITIVE IMPACT

ACHIEVING BETTER TOGETHER

See People and Culture section
See pages 20-21

TRANSFORMING CLEARING SERVICES

"We're the first new, full-service clearing bank plugged directly into the UK's payment infrastructure for 250 years."

Charles McManus
Chief Executive Officer

Strategic priorities	2021 progress	Future priorities
1 Partners Expand market share for GBP clearing in our current and adjacent markets	Our unrivalled technology and payments reach has enabled ClearBank to be the preferred partner for emerging e-money institutions ('EMIs'), Fintechs, mid-market players and mature financial servicing providers. We now support over 170 partners. Our SME market share continues to expand through our embedded banking partner Tide. We also launched our second embedded banking partnership with Chip, who serve retail customers.	In addition to expanding our embedded banking partnerships, ClearBank is also focusing on further penetration of other key partnership areas, such as merchant acquirers.
2 Technology and products Expand embedded banking product offering in the UK	ClearBank launched its Confirmation of Payee ('CoP') solution that enables our partners to access the UK industry recognised CoP name checking service to improve their end customer experience. We continue to invest in our technology across all areas of payment processing. We launched our outbound Faster Payments Originating Overseas product to enable our partners to leverage the UK Faster Payments system and process GBP payments that have originated outside of the UK. We increased the number of embedded banking partners to maximise the potential of our technology and product offering.	We will continue to invest in the ClearBank UK Payments infrastructure, looking at CHAPS RTGS2 and New Payments Architecture ('NPA'), ensuring that our platform is future proof for our partners when migrating to these and other new industry standards. We will continue to expand our embedded banking partners whilst reviewing Open Banking opportunities and strong partnerships to enhance this proposition.
3 Currencies Provide multi-currency and foreign exchange clearing services to our partners	In 2021 ClearBank launched its international proposition, which includes multicurrency physical and virtual accounts, international payments in 11 currencies and 49 FX currency pairs.	We will continue to focus on international expansion with the proposed launch of SEPA clearing in 2022. Alongside this, we will also continue to review other markets for further market expansion.

As we enter the next stage of our development, we will work with our partners, incorporating their feedback and ideas, to continuously design and innovate new solutions and further streamline processes and products.

INVESTING IN OUR PEOPLE

ACHIEVEMENTS IN 2021

We believe that our continued approach to creating a culture where our people can flourish is vital to ClearBank's future growth. Our focus throughout 2021 has been supporting our employees by empowering them, helping them to grow and develop their skills and experience, encouraging collaboration and knowledge sharing, and supporting internal mobility. This has been fundamental in retaining and developing our talent.

We are proud of our achievements through 2021, which include:

- Career development and growth for our people.
- A culture of true diversity and inclusion.
- Working flexibly and remotely.

Despite the ongoing disruptions from COVID-19, our employees continue to be recognised by their peers and industry bodies for their achievements. We were awarded 'Best SME Payments Initiative' at the PayTech Awards, 'The Pioneer Award' at the British Bank Awards and 'Best Service to Business' at The Card and Payments Award.

FLEXIBLE WORKING

COVID-19 made 2020 a challenging year and 2021 was no different. We continued to ask and listen to our people and on balance, we remain a remote-first employer. As preferences shift towards a greater balance of time spent in an office and a 'hybrid' working model, we will adapt our office capacity plans accordingly.

INVESTMENT IN PEOPLE

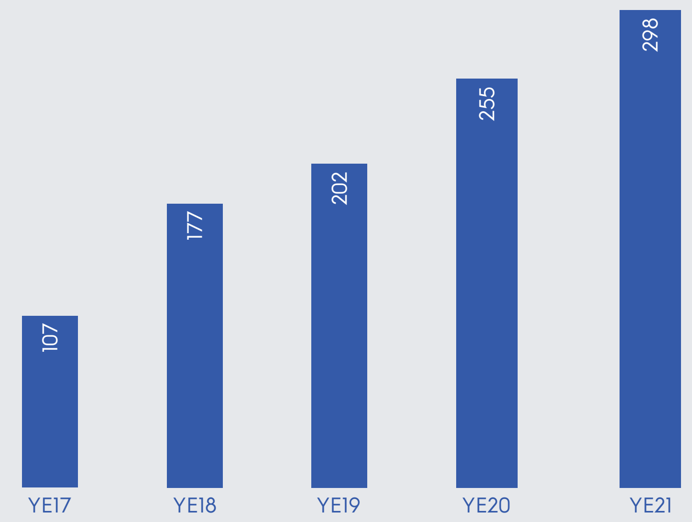
We endeavour to provide our employees with interesting roles, opportunities to grow and the ability to move freely between departments and functions. Our Technology Career Framework provides clarity of growth and clear directives of how an employee can progress their career at ClearBank.

With formalised secondment processes and cross department knowledge and experience sharing encouraged, it helps us to both attract and retain talent. Cultural fit is important to us and therefore holding onto talent by focusing on internal mobility enables us to retain institutional knowledge which is invaluable for an organisation of our age and size.

We have had several internal promotions into key senior roles within the past year, including Chief Technology Officer, Head of Product Management, Head of Strategic Expansion and Chief Customer Officer. Our continued focus is to recognise our internal talent and empower our teams to constantly grow and develop, which is critical for future talent pipelines, as well as making appropriate external hires where necessary as we enlarge as a business.

Our permanent headcount has grown, with a net increase of 43 employees to 298 in December 2021. We have invested in our technology developers, our partner operations and specialist teams ensuring we remain at the forefront of areas such as fincrime.

PERMANENT HEADCOUNT



OUR VALUES

COURAGEOUS
Foster an open and inclusive environment where courageous new ways of meeting challenges are welcomed and explored.

As we look to lead our industry through continuous transformation, it is a culture in which everyone here has something to contribute.

AMBITIOUS
Our ambition to reach the highest standards is shared by everyone. We are all committed and empowered to perform at our best, for our partners and each other, and to continuously strive for even better. Excellence always wins.

CURIOUS
Our business and our industry are on a learning curve that we have the chance to shape, by stimulating learning and sharing knowledge among ourselves, and creating practices and tools that set new standards.

MAKING A POSITIVE IMPACT
We are generous, committed, open and transparent about what we do, and welcome opportunities to make a positive impact.

We exist in an industry and a community, local and global, in which we have a responsibility to do good and help deliver meaningful change.

ACHIEVING BETTER TOGETHER
Individually, our people are among the best. Collectively, they take ClearBank to another level. Central to this is the care and respect we show each other, and our passion for open, friendly and inclusive collaboration that embraces diversity of thinking, knowledge and experiences.

DIMENSIONS
At ClearBank, we value an inclusive and supportive culture which we believe helps us to better understand the needs of our diverse partners. Creating an environment where individuals can be their authentic self at work and providing equal opportunities for growth and development enables our people to reach their full potential.

Through our Diversity and Inclusion ('D&I') group ("Dimensions"), we influence our policies, raise awareness of challenges and issues, and ensure we keep adapting and educating ourselves to better support our colleagues. Further details can be found on page 25.

We have introduced several initiatives, such as ClearBank's Career Returners in partnership with Women Returners. As a business focused on diversity, this initiative, amongst others, will contribute towards our pledge to increase female leadership in 2022.

GENDER PAY GAP
Gender pay gap is the measure of the difference of average earnings between men and women. As an employer with a headcount of over 250, we now disclose various metrics under the UK Government's Gender Pay Gap reporting rules on our website: https://www.clear.bank/people.

Our gender pay gap has remained broadly the same as last year and still remains wider than we would like with a median gender pay gap of 25% (2020: 24%). We are committed to reducing the overall gap while we are confident that men and women are paid equally for performing equivalent roles across our business.

To ensure this remains the case we have analysed the gender pay gap for a number of salary ranges across the population that report into our management and leadership teams. In each of these areas we have not identified a gender pay gap. Our reward policy is to pay market competitive rates for all roles, irrespective of gender.

LEADERSHIP TRAINING
This year we introduced Clear.Academy through which we have provided training for our leadership groups. ClearAcademy's core principals are based on our five values: courageous; ambitious; curious; making a positive impact; and achieving better together.

We expect this group to work collectively to embody our culture, spearhead innovation to grow our product offering and achieve partner results. We recognise the value and need to appropriately support our leadership teams. Our programmes are offered to our divisional managers as well as our senior leaders.

2022 OUTLOOK
The pandemic has changed people's expectations on ways of working and we aim to maintain and continue to support flexible working throughout 2022. Next year we envisage having a hybrid working model to aid those who would like to return more regularly to the office, whilst maintaining remote working which has been hugely successful for the organisation.

We will be looking to explore digital learning to encourage growth, development, and to supplement the face-to-face learning opportunities we already offer. Every employee has a mid and full year appraisal, during which their performance is reviewed and training needs are identified. Our aim is to empower our employees to cultivate a culture of learning through our professional qualification and training policies, and development remains a high priority for 2022.

Looking after the wellbeing of our people, both in and out of the workplace, is an important priority and crucial to the success of our business. In 2022 we will look to focus on activities that eliminate the stigma around mental health. Our teams have shown immense resilience throughout the past year, and we will continue to promote our wellbeing apps and various mental health initiatives. We had good success throughout the pandemic with virtual events. These included our weekly company wide townhalls, 'lunch and learns' and charity events through the Midas Cup, one of our ESG initiatives. We look to further utilise cross-functional team activities and our networks to collaboratively support worthy causes.

Since introducing our purpose, vision and values last year, we have been working on embedding them across the business. Over the next twelve months, we aim to further incorporate and fully embed our Values into the people processes.

After another challenging year, it is difficult to know what 2022 will hold for us. What we are sure of however is that we remain committed to our teams and are proud of how individual and collective resilience continues to be demonstrated. We are confident that these efforts will build on our progress made so far in order to establish ClearBank as an employer of choice.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE ('ESG')

BIGGER THAN CLEARB

We strive to have a positive impact on our people, our suppliers, our partners and on the environment and the wider communities we are part of. As a responsible business, we not only recognise the issues that face our industry but we are also focused on making positive changes.

Our ESG programme, 'Bigger than ClearBank' has resonated well with our people and produced a high level of engagement and creative ideas to move us forward.

We are reviewing our business practices and our relationships, and spending time understanding the broader and longer term consequences of our decisions and choices.

During 2021 we established our dedicated ESG working group, and have concentrated on key specific areas where we believe we can make a real difference. These include understanding our carbon footprint and how we can reduce our environmental impact, and developing our strategy and delivery roadmap for achieving our climate related goals.

Our social agenda includes promoting initiatives for the inclusiveness, development and wellbeing of our people. We also continue to enhance our governance and the management of environmental and social risks throughout the organisation.

> At ClearBank we recognise that we are part of something much larger than ourselves and have a responsibility to make a positive change."
>
> **James Hopkinson**
> Chief Financial Officer

ANK

ClearBank social event, Sep 2021

POSITIVE IMPACT

ENVIRONMENT

The climate crisis is one of the most critical challenges facing our society and economy. The financial sector, including ClearBank, has an important role to play in addressing this crisis by supporting the transition to a sustainable, low carbon economy that balances the environmental, social and economic needs of society.

PROGRESS IN 2021

We have continued working with our external consultant, Energise to baseline and understand our carbon footprint for both 2020 and 2021. This involved capturing and analysing granular data relating to our carbon emissions. The outputs will provide a baseline for our environmental agenda and the development of our net zero strategy, as well as the data for our future disclosure requirements.

CARBON NEUTRAL AND NET ZERO COMMITMENTS ESTABLISHED

2021 marked an important step for ClearBank's environmental strategy with the Board approving our carbon reduction roadmap towards two major milestones:

- **CARBON NEUTRAL BY 2025**
- **NET ZERO BY 2030**

Our roadmap for 2022 includes key areas of increased colleague communication, enhancement of emissions data from suppliers and increased engagement to ensure alignment between strategies. By delivering against these milestones through the year we will be on track to deliver on our strategy.

OUR PRIORITIES

We continue to shape the approach for our environmental programme to ensure we meet our strategy and objectives.

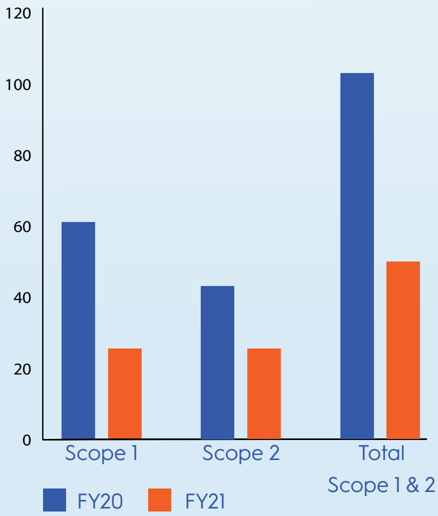
Across the organisation we are encouraging colleague education, engagement and the sharing of ideas and initiatives in order to embed a culture of sustainability across everything we do. We will develop communication plans to raise awareness and help employees shift towards sustainable lifestyles and to embed net zero discipline through our policies and procedures.

With respect to our value chain and supplier management, we will be reviewing all of our suppliers to understand their current emissions data and environmental plans, and consider ways we can help them on our mutual journeys towards net zero. We will work closely with our key suppliers to ensure we can deliver against our targets.

Encouragingly, our biggest suppliers for our cloud technology and data centres have robust strategies in place to reduce their emissions. Microsoft, for example, has set a target to become carbon negative by 2030, and by 2050, remove from the environment all the carbon it has emitted either directly or by electrical consumption since it was founded in 1975.

Over the coming year we will streamline our processes to collate data and improve its quality and granularity to help us better understand our environmental impact.

GHG EMISSIONS ('TCO_2E')



OUR CARBON FOOTPRINT

As a modern digital bank, we have a minimal carbon footprint compared to the incumbent banks of the UK. Our commitment to achieve our net zero strategy and make a positive impact remains unaltered. Over the past two years our scope 1 and 2 emissions have reduced from a combined 103.9 CO_2e in 2020 to 50.4 CO_2e in 2021. These emissions have been validated by Energise who are industry experts. As highlighted in our priorities section, we will continue working with our suppliers and partners to maintain the reduction in our carbon footprint.

SOCIAL

We are continuously striving to make ClearBank an even better place to work, including making all our people feel they can bring their best selves to work every day. We have refined our values and defined our collective purpose, ensuring that all of our people are aiming for the same mutual goals.

Engagement with our people is core to ClearBank. To that end, we conduct regular engagement surveys and hold weekly company wide stand-up meetings to discuss a variety of topics and to celebrate our successes. We have also begun championing mental health initiatives, with the training of internal Mental Health First Aiders who are able to support their colleagues in need of assistance.

DIVERSITY AND INCLUSION ('D&I')

At ClearBank we want all our people to know that we celebrate and value the unique differences each of them brings. This year we established our Diversity and Inclusion ('D&I') workstream and rebranded it as 'Dimensions'.

We reflected on important objectives and activities aligned with the achievement of meaningful actions and progress. By doing so, we identified five key drivers which will be our focus:

- Employee sentiment
- Policy and processes
- Inclusive culture and conduct
- Demographic composition
- Visible commitment

We have already started making progress on these key areas. For example, as a visible commitment to women in leadership, we have submitted our Women in Finance Charter Signatory to HM Treasury. We proudly set a target to have at least 35% female representation in senior management positions by the end of 2022, which we are on track to achieve.

Under our 'inclusive culture and conduct' key objective area, we celebrated Black History Month in October 2021 which included, amongst other activities, an external guest speaker event to educate our people on equality, diversity and inclusion. Throughout the month our staff also raised money for the Sickle Cell Society, a disease that affects disproportionately more people from African and Caribbean backgrounds.

OUR COMMUNITY

ClearBank's services and partner relationships bring better outcomes for the less privileged, the unbanked and the underbanked. A great example of this was the establishment of our partnership with i-movo and Paypoint. Together, we provided the infrastructure that facilitates the Department of Work and Pensions' ('DWP') Universal Credit payments to benefit recipients via digital means, making it a faster and a more convenient experience.

We continue to encourage our staff to contribute their time and skills to worthy causes. These initiatives encompass ClearBank's purpose and values for achieving better together. Through the 'Bigger than ClearBank' scheme, our people are encouraged to utilise their community-giving days to engage with and tackle important challenges in society and make real a difference.

ACCELERATED GROWTH

> 2021 has been a strong year as we have continued to demonstrate the effectiveness of our business."
>
> **James Hopkinson**
> Chief Financial Officer

PERFORMANCE SUMMARY

Our business has continued to accelerate in 2021. Despite the backdrop of COVID-19 our business model is increasingly serving the needs of a growing number of innovative partners.

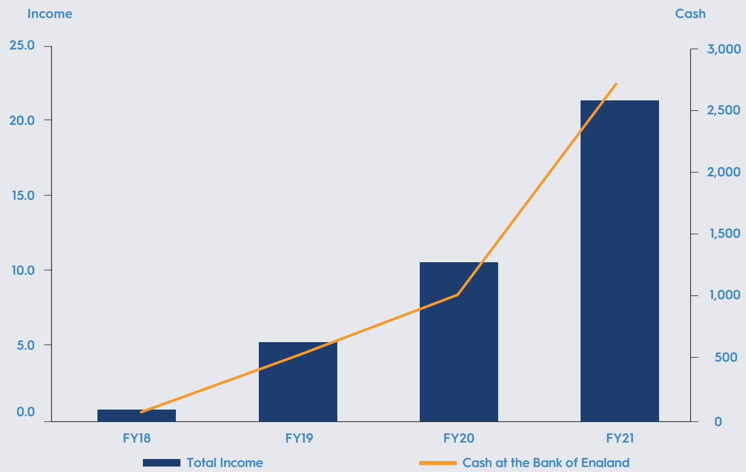
In this unprecedented economic climate, the UK base rate remained at all-time lows for most of 2021, but ended the year with a hike in December. The market is starting to see signs of recovery and there is a strong expectation that rates will rise again through 2022. Base rate reductions impact our earnings potential, however the Bank's net interest income significantly increased year-on-year driven by the substantial growth in our balance sheet with partner deposits exceeding £2.5bn after a second straight financial year of more than 100% year-on-year growth in balances.

As with previous years, we have maintained our policy of holding our UK customer funds overnight at the Bank of England. This strategy demonstrates our focus on our core business as well as insulating the Bank, and our partners, from commercial credit related risk.

Our proposition is proving to be increasingly attractive in the UK marketplace as more partners seek to benefit from our cloud based, API fluent infrastructure to underpin their product innovations. Financial Institution partner numbers have increased by 52% year-on-year, ending 2021 with 176 active partners. These partners now include other UK banks, UK branches of non-UK banks, building societies, an array of fintechs and Credit Unions.

Additionally, through our embedded banking proposition we have integrated with a second partner, Chip, complementing our existing relationship with Tide. The pipeline of additional opportunities to further expand this business area is healthy. Through our collaborative partnership with Tide, supported by the BCR grants, we are now able to serve around 7% of the UK's SME market.

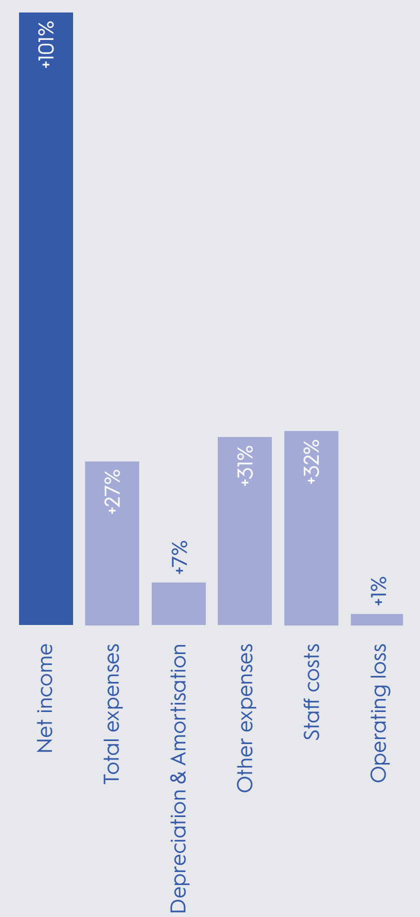
INCOME AND CASH BALANCE GROWTH (£'M)



FINANCIAL KEY PERFORMANCE INDICATORS (KPIs)

	2021 £'000	2020 £'000
Net income	**21,394**	10,618
Staff costs	**(27,719)**	(20,995)
Depreciation & Amortisation	**(8,273)**	(7,731)
Other expenses	**(16,447)**	(12,557)
Total expenses	**(52,439)**	(41,283)
Operating loss	**(31,045)**	(30,665)

PERCENTAGE INCREASE FY21 Vs. FY20



INCOME

Income has grown by over 100% for the second straight year as we have built our partner numbers and enhanced our product offering. Income momentum is strong as we enter 2022 and we head towards profitability.

A key foundation of our income momentum is the growth in monthly partner transaction volumes, which were 107% higher in December 2021 compared to a year earlier. Total annual scheme transactions increased 243%. As a result, transaction fee income for the financial year climbed to £8.0m (FY2020: £2.5m).

Similarly, recurring platform fees for FY2021 rose to £10.6m, almost 70% higher from the previous period (FY2020: £6.3m). The accelerated shift towards digital payments during the COVID-19 pandemic coupled with our resilient, seamless onboarding capabilities have contributed towards this robust performance.

Net interest income benefited from higher partner balances and totalled £1.8m for the year (FY2020: £0.9m). The Bank's deposits earn interest based on the prevailing Bank of England base rate; a 25 basis points increase in the Bank of England rate would have a significant positive annualised impact of £4.3m on 2021 performance.

Additionally, there was £0.9 million (2020: £0.9 million) R&D tax credit income from HMRC, reflecting our continuing investment in developing and innovating our products.

COSTS

In 2020 we mitigated the impacts of COVID-19 and the economic uncertainty that followed by taking near term cost actions. In 2021 we were able to return many of these cost actions to their pre-pandemic levels as well as maintain investment in our growing business. As a result, while income grew by 101%, total expenses were only 27% higher, resulting in strong improvements to our operating leverage. The most significant component of expenses were staff costs which rose by 32%, as we increased our investment in our teams driving forward our product innovation, delivering on our BCR commitments and supporting our expanding partner base and transactional volume.

CAPITAL, LIQUIDITY AND BALANCE SHEET

We strengthened our regulatory metrics even further this year. Our High Quality Liquid Assets of £2,719m (2020: £1,012m) are all held as cash at the Bank of England.

Our investors have continued to support the growth in our business. During the year our investors injected a further £34.5m, taking the total injected capital to date to £191.8m.

140% CET 1 Ratio

FY 2020: 114%

186% LCR

FY 2020: 186%

11701% NSFR

FY 2020: 3298%

OUTLOOK

With our income momentum continuing through the year, a close control of costs, a healthy partner pipeline and an expanding deposit base, we are on track towards profitability and delivering our first cash break-even month in 2022.

This is highlighted in the strong growth of our key KPI's including net income growth of over 100%, 170% year on year increase in deposits at Bank of England and 243% year-on-year growth in scheme transaction volumes. This will be a fantastic landmark on our journey and will provide the launch pad for our continuing development and expansion.

OTHER KEY PERFORMANCE INDICATORS ('KPIs')

£2.7bn
(+170% YoY)
DEPOSITS AT BANK OF ENGLAND

£21.4m
(+101% YoY)
NET REVENUE IN FY2021

4.9m
(+107% YoY)
DEC'21 SCHEME TRANSACTION VOLUME Vs DEC '20

48m
(+243% YoY)
FY'21 SCHEME TRANSACTION VOLUME Vs FY'20

PROTECTING AND ADDING

KEY HIGHLIGHTS OF 2021

In 2021, we have experienced strong growth and further development of our product and service offering, which the enhancements to our risk management approach have supported, and where continued improvements are expected to ensure that our risk management remains proportionate and fit for purpose.

Safety and scalability have been the key areas of focus whilst developing the controls, processes and procedures to manage our risk profile. With the increase in transaction numbers and values and the onboarding of new partners, one key focus area has been financial crime, where we have made further enhancements to the control environment and the overall framework across due diligence, screening and transaction monitoring. This is allowing us to grow whilst staying in line with, or ahead of, an ever-changing external environment.

We have further strengthened our risk management function through a dedicated formal testing team, which throughout 2021 has carried out thematic reviews and overseen the effectiveness of control testing in support of our enterprise risk management framework ('ERMF').

Improvements have also been made to our approach to policies where the governance of the Bank's policies is now more closely aligned to the materiality of the policy. This has enabled us to be more efficient and agile through both our governance structure and across the business more broadly.

All of these activities have helped us in delivering against the strategic objectives for 2021, ensuring that our control environment and our risk management framework remain commensurate with the growth and strategic initiatives of the Bank.

AREAS OF FOCUS FOR 2022

Key areas of focus for 2022 will be:

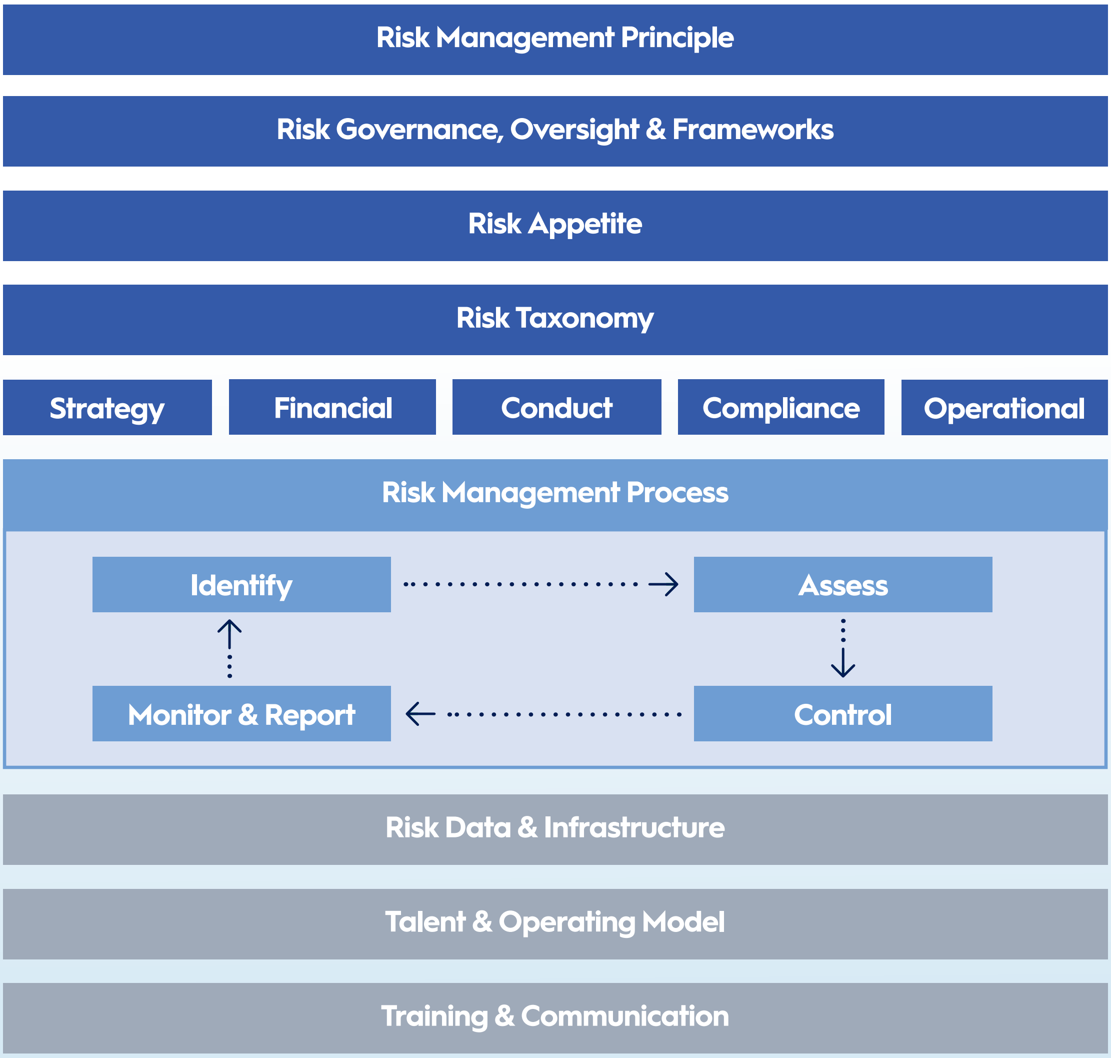
- The continued embedding of the ERMF to support the Bank's business strategy.
- Further maturing of the risk and control-based culture through the Risk and Control Self-Assessment ('RCSA') and control testing programme.
- Continued strengthening of the systems and controls relating to financial crime.
- Supporting new initiatives, products and services in line with our risk management approach.
- Engaging on industry consultations to provide input given our unique market position.
- Delivering on regulatory changes being implemented, for example around outsourcing and operational resilience.

ENTERPRISE RISK MANAGEMENT FRAMEWORK ('ERMF')

To support a consistent, coherent and clear approach to our risk management we have designed and embedded our ERMF.

The ERMF enables us to create and maintain a strong risk culture and further embed effective risk management practices allowing us to safely deliver against the Bank's overall strategy and goals. The ERMF is supported by the 3 Lines Model focusing on the contribution our effective risk management makes to achieving our goals and creating value for the Bank as well as protecting it.

The structure of the ERMF comprises of eight key components:



RISK MANAGEMENT CONTINUED

RISK MANAGEMENT PRINCIPLES
Our risk management principles are aligned to the ISO Risk Management Principles.

THE 3 LINES MODEL
Supporting our risk management and the ERMF we operate a 3 Lines Model to not only protect value but to create value and support us in achieving our strategic objectives.

This model emphasises collaboration between the first and second lines, and drives greater accountability and ownership for delivering the right outcomes. It also supports efficiency and scalability, as we grow and drives dynamic and proactive risk management. The model is aligned to industry practices and the CIIA model.

RISK CULTURE
Our risk culture is a principal supporting factor of our risk management framework. It has been established and is maintained through a set of values, risk principles and the correct 'tone at the top' from our executive leadership, who provide clear and consistent messaging of our commitment to the management of risk through all levels of the Bank.

The Senior Managers and Certification Regime framework supports risk informed decisions to be made, with regular risk training and development provided to staff to ensure risk awareness is embedded and maintained within their daily roles.

To help our staff to understand the boundaries in which they are expected to operate we have our Code of Conduct. The Code of Conduct explains that our staff have to take personal responsibility for how they behave, the decisions they make, and for speaking up when they see something which they believe falls short of our Code of Conduct or any other of our policies.

To further support us in achieving the risk culture we seek to achieve, we ensure that all staff understand and focus on the following key drivers of culture:

- **Purpose** – having a clear purpose of what success looks like in a way which strives for positive partner outcomes and ensures that all business activities, including products and services, are consistent with that purpose.
- **Leadership** – having leadership which is competent, capable with clear accountabilities and areas of responsibility, and that this leadership speaks and acts in a way which is consistent with our purpose, vision and values and expects the same of its people.
- **Approach to rewarding and managing people** – ensuring that all people related processes, including recruitment, objectives setting, performance management and remuneration incentives are aligned with achieving our risk culture.
- **Governance arrangements** – having a clear and well-articulated framework of responsibility that oversees how we operate on a day-to-day basis, including the principle of effective challenge in our decision making processes.

We also ensure we have an inclusive and diverse culture that supports our purpose, vision and values, which are underpinned by the commitment from the Board through the broader organisation as well as our risk culture and risk management framework.

RISK REPORTING AND GOVERNANCE
In line with our governance structure we produce regular risk reporting aligned to our taxonomy covering the five key risks that ClearBank is exposed to. We establish our risk appetite, which is approved and annually reviewed by the Board and report our risks against our risk appetite status in line with our taxonomy.

↑ Improving ↓ Worsening ↔ Stable

KEY RISKS	2021 – CHANGE IN RISK PROFILE	2022 – RISK OUTLOOK	HOW KEY RISKS ARE MITIGATED	COMMENTARY
Compliance Risk – includes financial crime compliance and regulatory compliance risks	↔	↑	Mitigated in a number of ways including horizon scanning for changes in regulatory and money laundering requirements, tracking actions to closure ensuring we are and do remain compliant and customers protected	Regulatory and financial crime compliance have remained fairly static during 2021, with a number of initiatives to be delivered in 2022, which will improve our overall compliance risk status
Conduct Risk – includes culture, behaviours and partner risks, as well as governance and product risks	↔	↑	Mitigated through regular communication to ensure consistent and appropriate "tone from the top", training to support staff in understanding what good conduct looks like, and effective and timely handling of complaints both in our agency portfolio and through oversight of our BaaS partners	Conduct risk has remained a key area of focus as we continue to grow and onboard more partners. As we continue to grow through 2022, providing excellent customer service will remain core to our values
Financial Risk – Includes capital, liquidity and funding risks, and also includes credit, interest rate and market risks	↔	↔	Mitigated by ensuring that we understand our sources of risk and place limits on specific types of risk taking to remain within tolerance levels and supported by our capital and liquidity planning processes which also stress test our assumptions. We also ensure we maintain sufficient levels of capital and liquidity above regulatory requirements.	Financial risk has remained stable with the main focus on capital and liquidity risks, the positions for which will be further consolidated in 2022
Operational Risk – Includes information, technology, transaction processing and execution risks, as well as people, fraud, financial reporting and model risks. Also includes legal, outsourcing, physical security and business continuity risks	↔	↔	Mitigated through regular and comprehensive risk and control self assessments which ensure that we understand and take actions on risks where required to establish further risk mitigation. We also have robust frameworks in place across operational risk supported by other forms of testing such as business continuity tests.	Operational risk has remained stable with notable improvements across business continuity, technology and transaction processing and execution. These together with legal, people and outsourcing will form the key focus for operational risk into 2022
Strategic Risk – Includes environmental and social, political and economic risks as well as business and competition risks	↑	↔	Mitigated through a regular and comprehensive review of our strategy and ensuring that our financial plans and yearly objectives are aligned to the achievement of this strategy. This includes tracking of our customer pipeline, adherence to budget and also includes our plans around diversity and inclusion and climate risk.	Good progress has been made in delivering the Bank's strategic objectives in 2021 which has led to an improvement in the strategic risk position. Going into 2022, gender and diversity in the workforce will remain a key focus

OUTLOOK AND EMERGING RISKS

The risk landscape has continued to shift significantly through 2021 and into 2022 given the changing nature of the pandemic and, in recent weeks, related to the geo-political changes and the risks created as a result of the conflict in Ukraine. We continue to operate a dynamic approach to risk to ensure that we are effectively prioritising our areas of heightened focus to address risks such as changes in sanctions, increased information security risk and operational resilience. During the year there has also been greater focus on climate change and environmental sustainability. This will be a longer term goal, aligned to others in the industry, where we will continue to make progress on our approach and targets over the years to come.

The UK economic situation remains unstable due to the exit from the EU and the effect and longer terms changes that COVID-19 is having on the global economy, such as the increased inflation rate and changes in base rates. Consequently we will remain vigilant of the effects these may have on us and our partners throughout 2022. The ever-changing landscape of cyber and data security will continue being a focus for us, identifying new and emerging risks in order to prevent data and digital disruption. We will also maintain and enhance our business continuity, crisis management and disaster response frameworks beyond the risks being faced.

This aligns to a number of key deliverables in 2022, including the successful delivery of:

- The operational resilience impact tolerances for important business services, per the PRA Supervisory Statement SS1/21
- The requirement for outsourcing and third party risk management processes to be compliant with the Supervisory Statement SS2/21

Another shift in our risk landscape is the human capital focus, including but not limited to ways of working, talent retention and diversity and inclusion. The Bank's new Ways of Working and the effect that it may be having on our members of staff, with productivity noted as being higher, and how sustainable this is, will continue to be closely monitored. With the employment market increase in open vacancies and uplift in salaries, we will ensure we are in the best position to keep our best people. Finally, diversity and inclusion within our workforce being facilitated and encouraged will continue to be a priority.

SECTION 172

Statement by the Directors in performance of their statutory duties in accordance with s172(1) Companies Act 2006 – 'Duty to promote the success of the company'.

As a Board of Directors we consider, both collectively and individually, that we have acted in the way we consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole (having regard to the stakeholders and matters set out in s172(1)(a-f) of the Act) in the decisions taken during the year ended 31 December 2021. In particular, by reference to the approval of our multi-year strategy, as set out on pages 18-19, our consideration of this and other principal decisions is detailed below.

As a Board of Directors, we have always taken decisions for the long term. Our aim is always to uphold the highest standards of conduct and to behave responsibly to ensure that management also operate the business in a responsible manner. We understand that our business can only grow and prosper over the long term if we understand and respect the views and needs of our key stakeholders: our regulators, partners, colleagues and the communities in which we operate, as well as our suppliers, the environment and the shareholders to whom we are accountable. This is reflected in our purpose, values and behaviours, and our People and Culture section sets out more detail on how we manage our relationships with some stakeholders. A values based code of ethical business conduct takes account of all of ClearBank's stakeholders, and the need to foster constructive and respectful relationships with them.

ClearBank aims to be a Group in which people want to invest, from which people want to procure services, with which people want to partner and for which people want to work. This requires the Board, executive committee, senior managers, and other employees to maintain an approach to strategic, financial and operational decision-making that is values-based and sustainable in approach, and therefore aligned to the requirements and expectations of Section 172.

Sustainable success and delivery of our strategy is dependent on the skills, talent and values of employees. ClearBank is committed to being a responsible employer in our approach to the pay and benefits our employees receive. The health, safety and well-being of our employees is one of our primary considerations in the way we do business.

Decision-making requires a long term perspective, and this is typified by our continued investment in building the Group's IT infrastructure to drive long-term value whilst minimising the impact of our business operations on the environment. We aspire to be responsible members of our community as it reflects our principle to do the right thing, as set out in our Code of Conduct. Our strategy takes into account the impact of the Group's operations on the community and environment and our wider social responsibilities, and in particular how we operate in the payment infrastructure landscape.

As the Board of Directors, our intention is to behave responsibly toward our shareholders and treat them fairly and equally, so they too may benefit from the successful delivery of our strategy.

Continued access to capital is important for our business. We work to ensure that our shareholders, potential shareholders and their representatives have a good understanding of our strategy, business model, opportunity and culture. We achieve this by regular and active engagement through the Company Secretary, the AGM, the Annual Report and Accounts, the corporate website, quarterly results and direct communication between some shareholders and management.

PRINCIPAL DECISIONS

We define principal decisions as both those that are material to the Group, but also those that are significant to any of our key stakeholder groups. In making the following principal decisions the Board considered the outcome from its stakeholder engagement as well as the need to maintain a reputation for high standards of business conduct and the need to act fairly between the members of the Group.

We developed our purpose, vision and values and ran initiatives to promote these across the company. We understand the material importance to the future success of our business of establishing our business purpose, vision and values to align our key behaviours, as this impacts all of our stakeholders. We also approved our climate change ambitions and environmental strategy, a key pillar of our ESG agenda.

BRIEF SUMMARY OF THE DECISIONS

We focused on embedding our purpose, vision and values for ClearBank, something that will unite and inspire us all and maximise the potential of our people in order to fully realise our vision and drive long term sustainable value. Under our environmental strategy, we reviewed our carbon footprint and established our carbon neutral and net zero targets of 2025 and 2030, respectively. We believe that our wider role in society and realising the impact that we have on the environment is core to our purpose and values.

IMPACTS ON THE LONG TERM SUSTAINABLE SUCCESS OF THE GROUP INCLUDE

I. Clear guiding purpose that underpins everything we do

II. Impact on the Group's reputation for high standards of behaviour, business conduct, and sustainability

III. Impact on the culture of our people and unites us in a common goal

ACTIONS THE GROUP PLANS TO/HAS IMPLEMENTED TO MITIGATE ANY POTENTIAL NEGATIVE IMPACT ON THE LONG TERM SUCCESS OF THE COMPANY

We delegated responsibility for establishing the Group's ESG framework to James Hopkinson, CFO and member of the executive team. This involved establishing ESG project teams to take in the views of Board members, senior management, and representation from all departments across the Bank. A clear purpose, vision and values, guided by our ESG priorities, will strengthen our brand, better distinguishing us in our market. We also continued enhancing our Enterprise Risk Management Framework and investing further in our financial crime policies and processes which will strengthen the Group's resilience.

HOW IMPACTS ON STAKEHOLDERS HAVE BEEN CONSIDERED

Our purpose, vision and values will act to clarify our mission and goals, where employees may otherwise lack a unifying focus. Our climate goals will encourage our employees and our suppliers to consider the environmental impact of their business practices and decisions, and beyond.

This report was approved by the Board of Directors on 28 March 2022 and signed on its behalf by

Charles McManus
Chief Executive Officer

OUR GOVERNANCE

Governance

MEET THE BOARD OF DIRECTORS

The Board recognises that exemplary standards of corporate governance throughout are essential for the delivery of ClearBank's strategic objectives, regulatory compliance and stakeholder value.

It is recognised that good governance should emanate from the Board but disseminate through the entire organisation, being reflected in its culture, committees, policies and procedures.

As a non-listed entity, ClearBank is not required to apply the principles set out in the UK Corporate Governance Code (published July 2018) (the 'Code'); however, the Bank uses the Code as guidance for its corporate governance wherever practicable and appropriate, having regard to its ownership structure, size and scope of operations.

David Gagie
Chair of the Board and Nomination Committee

Appointed
September 2018

Background
A globally experienced professional in banking, payments and risk management and was a Senior Advisor on regulatory conduct issues relating to retail banking, consumer credit and payments at the Financial Conduct Authority and the Payments Systems Regulator. David was appointed as Chair on 10 January 2019.

Charles McManus
CEO and Executive Director

Appointed
December 2015

Background
An experienced international banking professional with over 30 years of experience in global investment banking, wealth management and retail banking. Prior to joining ClearBank, Charles was the Group CFO of RBS Ulster Bank Group.

Shonaid Jemmett-Page
Senior Independent Director, Chair of Audit and Remuneration Committees

Appointed
July 2016

Background
An experienced finance professional with over 30 years of experience. Shonaid Jemmett-Page currently holds a number of Non-Executive appointments across a variety of financial services, public and private businesses.

Phil Kenworthy
Independent Non-Executive Director

Appointed
June 2017

Background
With over 20 years of senior executive experience in the payments and settlement industry, Phil's previous executive roles include Chief Executive at CHAPS Clearing Company Ltd and Director of Operations at CLS.

James Hopkinson
CFO and Executive Director

Appointed
June 2020

Background
An international financial professional with over 20 years of experience in financial services. Whilst at Standard Chartered Bank, James co-led the global finance function and acted as the Chief Financial Officer for the Group's regions and segments.

Marcus Treacher
Investor Director

Appointed
April 2021

Background
Marcus has over 35 years of experience in transaction banking and payment technology, including 12 years in global leadership roles at HSBC. Marcus also works with industry communities, organisations and governments to help shape new payment practices.

Stan Spavold
Investor Director

Appointed
April 2016

Background
A corporate executive with 40 years of international experience in senior leadership roles including extensive Board experience in private, public and not-for-profit sectors. Stan is and has been Chair of a number of public companies and president of the holding company CFFI Ventures Inc., a company with over $1 billion dollars under active management.

Catherine Doran
Independent Non-Executive Director and Chair of Risk Committee

Appointed
February 2020

Background
An executive with over 40 years of experience. Catherine served as the CIO of Royal Mail plc and has held senior roles in a number of blue-chip companies including NatWest and Capital One. She is also on the Board of the Coventry Building Society.

Mel Carvill
Investor Director

Appointed
April 2016

Background
A finance professional with many years of experience as a Director of financial services companies. Mel is a member of PPF Group's executive team and Home Credit B.V.'s Board. Mel is Chair of Aviva Life and Pensions UK and has other senior Board roles.

COMMITTEES

- Board Audit Committee
- Board Risk Committee
- Nomination Committee
- Remuneration Committee

* John Risley is an alternate Investor Director for Stan Spavold.

BOARD AND COMMITTEE STRUCTURE

BOARD FUNCTION

The Board is responsible for the promotion of the long-term sustainable success of ClearBank. In formulating, reviewing and approving the strategy and risk appetites, the Board is cognisant not only of the regulatory obligations but also of its obligations to all stakeholders, including partners, suppliers, employees and the wider community.

The Board has responsibility to maintain a system of internal controls, which provide assurance over the effectiveness and efficiency of operations, internal financial controls and compliance with all applicable laws and regulations. Additionally, the Board is responsible for ensuring that the executive members maintain an effective risk management and oversight process across ClearBank to enable delivery of the strategy and business performance within the approved risk appetite and risk control framework.

The Board's terms of reference include a formal schedule of matters specifically reserved for the Board's decision, which is reviewed at least annually.

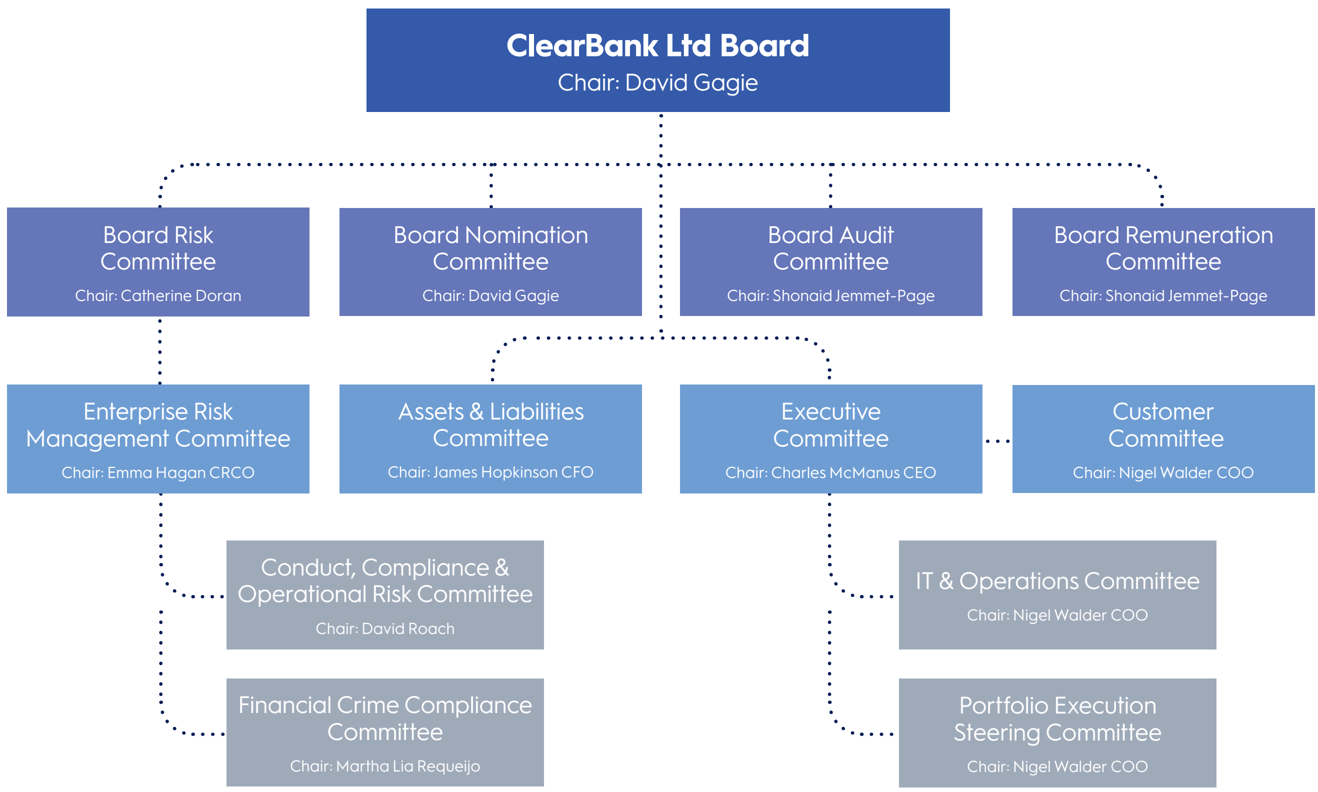
BOARD COMMITTEES

As further illustrated in the diagram below, the Board has established a number of Board Committees and delegated responsibility for certain matters to its Committees, in order to provide effective oversight and leadership. The Committee structure is shown in the diagram below. Each Committee has written terms of reference which are reviewed annually. These terms of reference outline each Committee's role and responsibilities and the extent of the authority delegated by the Board.

Matters are considered in a more detailed fashion by appropriate members of senior leadership and, where appropriate, the Committee Chairs make recommendations to the Board for consideration and approval. The Board receives updates for each of its Committee meetings and all Directors can access and review the respective Committee meeting minutes. Reports for the Board's Committees are set out later in this report and they include further detail on each Committee's role and responsibilities, and the activities undertaken during the year.

BOARD AUDIT COMMITTEE ('BAC')

The BAC's responsibilities include the monitoring of the integrity of the financial statements and the involvement of the external auditors in that process, as well as review and assurance provision over the internal controls and risk management systems. In particular, external audit focuses on compliance with accounting policies and accounting estimates and ensuring that an effective system of internal financial control is maintained. Internal audit also provides assurance over financial systems and controls, in addition to completing a comprehensive review (via the audit universe) of all operating systems and controls, including but not limited to IT security, IT operations and partner onboarding. The ultimate responsibility for reviewing and approving the Annual Report and Accounts remains with the Board. The BAC is chaired by Shonaid Jemmett-Page.



BOARD RISK COMMITTEE ('BRC')

The BRC's responsibilities include the development and maintenance of the ERMF, ensuring that its strategy, principles, policies and resources are aligned to the risk appetite, as well as to regulatory and industry best practices. The BRC also monitors and reviews the formal arrangements established by the Board in respect of internal controls and the ERMF and reviews the effectiveness of ClearBank's systems for risk management and compliance with financial services legislation and regulatory requirements. The BRC is chaired by Catherine Doran.

REMUNERATION COMMITTEE ('REMCO')

The RemCo's main responsibilities include agreeing the framework and policy for remuneration, terms of employment and any changes, including service contracts, remuneration, pension arrangements, bonus awards linked to clear and transparent objectives and participation in incentive and benefit plans available to employees. The RemCo is chaired by Shonaid Jemmett-Page.

NOMINATION COMMITTEE ('NOMCO')

The NomCo's responsibilities include the review of the structure, size and composition (including the knowledge and experience) of the Board to ensure that it retains an appropriate balance of skills to support the strategic objectives of ClearBank and consideration of succession planning for Directors and senior executives. The NomCo is responsible for identifying and nominating for Board approval candidates to fill vacancies as and when they arise on the Board, as well the memberships of the Board Committee. The NomCo has recommended the reappointment of the existing executive and non-executive members to the appropriate Committees; in addition, details of the appointment of new members are set out in the Report of Directors. The NomCo is chaired by David Gagie.

EXECUTIVE COMMITTEES

The Board is supported by the executive sub-committees including the ExCo and ERMC, in turn supported by their own sub-committees including the Assets & Liabilities Committee ('ALCO'), Customer Committee ('CC') and IT & Operations Committee ('ITOC'). Each Committee meets on at least a monthly basis and then reports up to the Board where appropriate, with each executive also responsible for compiling departmental reports to the Board Committees.

THE BOARD AGENDA IN 2021

The Board uses it meetings to provide governance and oversight for business activities and as a mechanism for discharging its duties under s.172 of the Companies Act. Each Board meeting follows a carefully tailored agenda agreed in advance by the Chair, Chief Executive Officer and Company Secretary. Each Director may review the agenda and propose items for discussion, with the Chair's agreement. An annual calendar of scheduled Board meetings is structured to allow the Board to review cyclical and ad-hoc agenda items, which are scheduled to coincide with relevant key dates and events and ensures that all matters are given due consideration and are reviewed at the appropriate point in the financial and regulatory cycle.

The Directors receive detailed papers, including relevant updates on business performance and regulatory interactions, in advance of each Board meeting. Meetings are structured to ensure that there is sufficient time for consideration and debate of all matters. In addition to scheduled or routine items, the Board also considers key issues that impact the Group, as they arise. Details of individual Directors' attendance at the scheduled meetings that took place in the year can be found on page 38.

KEY BOARD ACTIVITIES DURING THE YEAR

The Board has spent time on the following material items, during the year:

- Considering the strategic aims and performance of the business.
- Reviewing the competitive landscape and assessing commercial opportunities, including how to transition to being a remote-first business.
- Partner matters, including the Group's partner onboarding, partner experience and partnerships.
- The ongoing development of the Group's enterprise risk management framework.
- Strategic projects affecting the Group, including the foreign exchange and multi-currency programme.
- Updates on the progress of discrete workstreams arising out of the Board's annual strategy days.
- IT, cyber, disaster recovery and business continuity planning, and associated projects.
- The Group's Purpose, Vision, and Code of Conduct which sets out key behaviours for our people to apply across the Group in all business practices.
- Diversity & Inclusion review and initiatives, including formalising the D&I framework, policy and plan for 2022.
- Oversight of development of ESG initiatives, strategy and framework.
- Discussing the results of the Group's employee opinion surveys and follow-up actions proposed by management.
- Employee wellbeing in lockdown including maintaining a high level of communication and engagement with employees and rolling out mental health sessions.
- Engagement with regulators and regulatory developments during the year.
- The review and approval of the Group's Recovery and Resolution Plans and Solvent Wind Down plans.
- Capital planning and considering and approving the Internal Capital Adequacy Assessment Process ('ICAAP') and the Internal Liquidity Adequacy Assessment Process ('ILAAP').
- The annual review of Group risk appetite statements and risk management strategy.
- The external Board and Committee effectiveness evaluation.

STANDING ITEMS

At every meeting, the Board receives and discusses updates from the Chief Executive Officer and Chief Financial Officer on the results of the Bank. In addition, the Chief Operating Officer updates the Board on operational performance, operational resilience and strategic developments. The Chief Risk and Compliance Officer and Chief Governance and Legal Officer have standing invitations and provide updates on their respective functions, including legal matters. The Board also receives regular reports from the Group's human resources, client management and internal audit functions.

DIRECTORS' ROLES & PROCESSES

DIRECTORS

During this reporting period ClearBank updated the composition of its Board of Directors with the appointment of Marcus Treacher as Investor Director on 29 April 2021. Nick Ogden's directorship ceased with effect from 2 August 2021.

At the end of the reporting period, the Board was composed of nine Directors, being the Chair, two Executive Directors, three independent Non-Executive Directors and three Investor Directors.

BOARD MEETINGS

A month-by-month annual governance calendar is maintained to ensure that all relevant matters are considered at appropriate times in the financial and regulatory cycle. 16 Board meetings were held during 2021 (2020: 15).

BOARD AND COMMITTEE ATTENDANCE

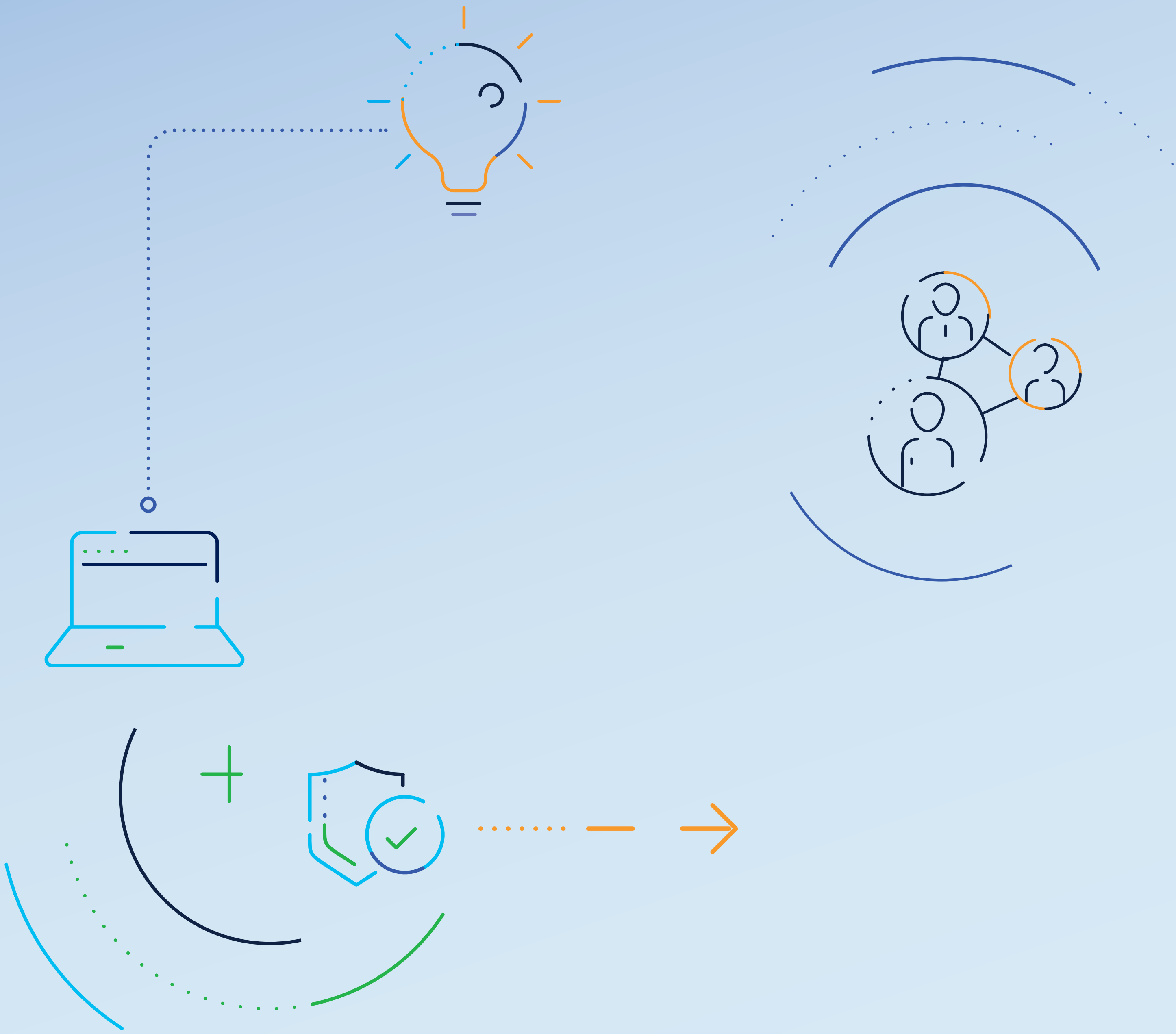
The table below shows each Director's attendance at scheduled Board and Board Committee meetings, and ad-hoc meetings when these are required, held in the year.

Attendance	Board[1]	Board Audit Committee	Board Risk Committee	Remuneration Committee	Nomination Committee
David Gagie	16/16	5/5	15/15	3/3	3/3
Charles McManus	15/16	5/5	15/15	3/3	3/3
James Hopkinson	16/16	5/5	14/15	–	–
Nick Ogden	5/10	-	-	-	-
Shonaid Jemmett-Page	16/16	5/5	14/15	3/3	3/3
Phil Kenworthy	16/16	5/5	15/15	3/3	2/3
Catherine Doran	16/16	5/5	15/15	3/3	3/3
Stan Spavold	8/9	1/3	1/9	3/3	2/2
Mel Carvill	15/16	2/5	6/15	2/3	2/3
Marcus Treacher	10/12	3/3	8/11	–	2/2

1 This includes seven ad-hoc Board meetings.

Approved by the Board of Directors and signed on behalf of the Board on 28 March 2022.

Phil House
Chief Governance and Legal Officer



BOARD AUDIT COMMITTEE REPORT

MAINTAINING INTEGRITY

The BAC is a key element of the Group's corporate governance. It monitors the integrity of the financial statements and the effectiveness of internal controls. It oversees internal and external audit.

CHAIR'S OVERVIEW

Our focus continues on the development of a robust internal control framework and risk management systems to keep pace with the ambition of ClearBank. We have seen increased focus in this area with the Business, Energy and Industrial Strategy ('BEIS') consultation 'Restoring Trust in Audit and Corporate Governance'. These proposed enhancements to corporate governance and controls are welcomed and align to our development programme. This programme will see continuous enhancement of our systems, controls, processes and reporting, readying us as we become increasingly important for our partners and become a significant participant in the payments market.

We remain firmly committed to the quality of our financial reporting. The Audit Committee has been closely involved in the oversight of the year end reporting process, particularly with respect to the messaging and developments in our financial statements as well as the key judgements which underpin them.

The BAC has supported our Chief Executive Officer, Chief Financial Officer, and our other finance professionals, by providing independent challenge and expertise to help deliver a robust set of financial statements and accounting records, enhance the effectiveness of internal controls and maximise the benefits of both internal and external audits.

BDO LLP continue as our auditors and have completed six statutory audits with the conclusion of this Annual Report and Accounts. We welcome Matt Hopkins as our new audit partner for this audit and would like to thank Dan Taylor for all his contributions as audit partner since we launched. We continue to assess the quality and performance of BDO LLP in their delivery of the external audit.

COMMITTEE'S ROLES AND RESPONSIBILITIES

The principal roles and responsibilities of the Committee continue to be:

- Assessing the integrity of the Group's financial reporting.
- Reviewing the effectiveness of its internal controls and Speak up process.
- Monitoring and reviewing the activities and performance of the internal and external auditors.
- Advising on the appointment of the external auditors.

The Committee reports to the Board on its activities and makes recommendations, all of which have been accepted and actioned during the year.

MEMBERSHIP AND MEETINGS

The BAC acts independently of the executive to ensure that the interests of the shareholders and other stakeholders are properly protected in relation to financial reporting and internal control.

The Committee held six meetings during the year. The Committee comprises the Non-executive Directors. The Chair, Investor Directors and Chief Executive Officer may also attend meetings as agreed with the Chair of the Committee. The Chief Financial Officer, Head of Financial Control, Chief Internal Auditor, Chief Risk and Compliance Officer and the external auditor also attend meetings of the Committee as appropriate. Finally, the Investor Directors have standing invites to the meetings.

THE EXPERIENCE OF COMMITTEE MEMBERS

The Board has confirmed that it is satisfied that Committee members possess an appropriate level of independence and offer a depth of financial and commercial experience across the industry. Committee members attend training and seminars to maintain comprehensive knowledge in order to discharge their duties.

Detailed information on the experience and skills of all BAC members can be found in the Corporate Governance section.

KEY TOPICS DISCUSSED BY THE COMMITTEE IN 2021

FINANCIAL REPORTING

The Committee undertook the following core activities, which were considered and approved during the year:

- To assess the integrity of the annual financial statements, with a focus on key accounting policies and judgements of the Group and its subsidiaries.
- To review the clarity and completeness of disclosures in the financial statements to ensure compliance with accounting standards, legal requirements and regulations.
- To review the statement in the Annual Report and Accounts on the internal controls and to assess the scope and effectiveness of the systems established by management to identify, assess, manage and monitor financial and non-financial risks.
- To review the Board and management's approach to, and assessment of, the ability to remain as a going concern.
- To review, assess and advise the Board on whether to accept the recommendations from the annual balance sheet impairment review.
- To review monthly finance and performance review reports.
- To review the annual budget, five-year business plan, internal capital adequacy assessment process ('ICAAP') and internal liquidity adequacy assessment process ('ILAAP').
- Horizon scanning for upcoming accounting changes that may impact financial operations and planning .
- To review the effectiveness of the BAC and its terms of reference.

In addition, the Committee undertook the following non-core activities, which were considered and approved during the year:

- Oversee the enhancement of the internal control environment across the Bank including the development of IT and automation of manual processes in Finance and Treasury that impact the integrity of the financial statements.
- Review the administration of the BCR grant.

INTERNAL AUDIT

The Board Audit Committee undertook the following core activities during the year:

- Ensuring the independence and objectivity of the Internal Audit function.
- Approving the role and remit of the Internal Audit function via the annual review of the Audit Charter.
- Approving the annual Audit Plan and any changes proposed subsequently.
- Reviewing progress against the annual Audit Plan together with the results of other assurance work performed by the function.
- Reviewing Internal Audit reports and assessing the adequacy and effectiveness of the company's internal systems and controls.
- Reviewing management's responsiveness in remediating Internal Audit findings and actions.
- Assessing the overall quality and effectiveness of the Internal Audit function.
- Meeting regularly with the Chief Internal Auditor, in the absence of management, to further discuss any issues of relevance to the Committee or the Board.

Further to the above, the Board Audit Committee undertook the following additional activities:

- Reviewing the Chief Internal Auditor's regular programme of insights presented to the Committee.
- Overseeing the extensive transformation programme ('Internal Audit 2.0') established by the Chief Internal Auditor to evolve the function to the next level of effectiveness and maturity – this included enhancements to audit report ratings and reporting, methodology and tools, as well as the skills and capabilities of the function.
- Implementing a 'Combined Assurance' approach between Second and Third Lines.
- Receiving a self-assessment by the Chief Internal Auditor of the function's compliance with core internal auditing standards.

EXTERNAL AUDIT

The Committee undertook the following activities in relation to the external audit during the year:

- To review and assess the effectiveness of the external audit and to recommend the re- appointment of the external auditor.
- To oversee the relationship with the external auditor and to approve the terms of engagement and their remuneration in respect of the services provided.
- To review and approve the supply of non-audit services in line with policy and to ensure that the provision of such services does not impair the external auditors' independence or objectivity.
- To discuss with the external auditor, before the audit commences, the nature and scope of the audit, and after the audit to review the findings of their work, including any major issues that arose during the course of the audit and which have subsequently been resolved or remain unresolved.
- Agreeing fees for the 2021 audit for the Group at £192k.
- Considered the suitability of the external auditors and ongoing arrangements.

KEY SOURCES OF ESTIMATION UNCERTAINTY AND CRITICAL ACCOUNTING JUDGEMENTS

We reviewed the significant issues set out below in relation to the Group's financial statements for the year ended 31 December 2021. We discussed these issues at various stages with management during the financial year and during the preparation and approval of the financial statements.

We are satisfied that the financial statements appropriately address the critical judgements and key estimates, in respect of both the amounts reported and the disclosures made, following review and consideration of the presentations and reports presented by management.

We also reviewed these issues with the auditors during the audit planning process and at the conclusion of the year end audit.

Key audit matter	KSEU and/ or CAJ*	Issue	Key considerations	Role of the Committee	Conclusion
Yes	CAJ	IAS 12: Deferred tax asset	Determining the likelihood of meeting the necessary future performance to recognise a deferred tax asset on our taxable trading losses.	We considered management's paper explaining the assumptions for the recognition of a deferred tax asset, reviewed and challenged management's forecasts and assessed the likelihood of meeting future performance conditions.	We concluded that the assumptions and judgements used in determining the future utilisation of the deferred tax asset were appropriate.
Yes	CAJ	IAS 38: Capitalisation of intangible assets	Appropriate application of the recognition criteria including assessing whether future economic benefits derived from the asset are sufficient to recover the costs capitalised. Assessing methodologies, controls and processes governing the estimates used in determining the amount of time spent directly on development.	We considered management's capitalisation policy and we satisfied ourselves that the procedures performed by management to apply the recognition requirements for internally developed intangibles were robust and comprehensive. We note the recommendation from our auditor to enhance our capitalisation processes. This year we have enhanced the level of automation utilising dedicated functionality to enhance the process and controls around this key area.	We concluded that the capitalised assets were appropriate and accurate at the year end, and the procedures in place were sufficiently robust to ensure the correct application of the IFRS.
Yes	CAJ	IAS 1: Going concern	Assessing the appropriateness of the adoption of the going concern basis of preparing the financial statements.	We considered management's assessment of the Group's going concern status, reviewed and challenged management's forecasts and assessed the likelihood of meeting future performance, capital and liquidity conditions.	We concluded that the assumptions and judgements used in determining the future viability of the Group to be robust and appropriate.
No		IFRS 15: Revenue recognition	The international standards on auditing presume that there are fraud risks in relation to revenue recognition. These risks may arise from the use of inappropriate accounting policies, failure to apply the Group's stated accounting policies or from an inappropriate use of estimates in calculating and recognising revenue.	We considered management's paper on revenue recognition, the revenue internal control environment and the Bank's accounting policies and whether the policies correctly apply the requirements of IFRS 15.	We concluded that the accounting policies are compliant with IFRS 15, they have been correctly applied during the period and the internal controls are operating effectively.
No	CAJ	IAS36: Impairment of internally developed intangible assets	Assessing the judgements on the obsolescence of the internally developed software and its ability to generate positive cash flows for the business.	We considered management's paper on the internal and external indicators of impairment and satisfied ourselves that the procedures performed by management to identify these indicators was robust.	We concluded that the determination of the indicators of impairment were sufficient and appropriate.
No		Management override	Management has the ability to manipulate accounting records and override controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur, it is a risk of material misstatement due to fraud and thus also considered a significant risk.	We considered management's paper on the internal control environment, reviewed reports on the testing of controls and internal audit reports on the finance function to assess any areas that require improvements. We reviewed estimates, assumptions and judgements applied by management in the financial statements to assess their appropriateness and the existence of any bias. We reviewed the unadjusted audit differences for indications of bias or deliberate misstatement.	We concluded that the estimates, assumptions and judgements used in preparing the financial statements are appropriate. Further, internal controls over financial reporting appear to have operated effectively throughout the period.

* Key Source of Estimation Uncertainty ('KSEU') and Critical Accounting Judgement ('CAJ').

I would particularly like to thank the entire finance team for the outstanding work they have done over this year and look forward to tackling new challenges and opportunities together in 2022, in order to drive ClearBank's success.

Shonaid Jemmett-Page
Chair of the Board Audit Committee

OPERATIONAL RESILIENCY

CHAIR'S OVERVIEW

On behalf of the Committee, I am pleased to present the Risk Committee Report for 2021.

Scalability, operational resilience, financial crime and cyber security remain at the top of our agenda as we continue to grow and ensure our state-of-the-art technology supports the requirements of our partners, the market and the regulators. The Committee has spent a large proportion of time reviewing and monitoring the implementation of our Enterprise Risk Management Framework ('ERMF'), the results of the independent review of the ERMF and our risk appetite.

COMMITTEE'S ROLES AND RESPONSIBILITIES

The BRC's purpose is to assist the Board in carrying out its responsibilities in relation to the oversight of risk within the Bank. It is the responsibility of the Committee to provide advice to the Board on risk strategy, including the oversight of current risk exposure of the Bank through the Bank's risk appetite, risk profile and overall effectiveness of the ERMF.

The Committee also provides oversight and challenge to the Bank's stress and scenario testing, reviewing the impact of risk on capital requirements, specifically in relation to ICAAP and ILAAP.

The Committee reviews the methodologies by which the Bank identifies and measures risk across all principal risk types and works to ensure risk management throughout the 3 Lines aligns to the Bank's risk appetite and risk culture.

MEMBERSHIP AND MEETINGS

The Committee is an appointed committee, with delegated authority from the Board. The membership is made up of four independent Non-Executive Directors, with standing invitations to the Investor Directors, Chief Executive Officer, Chief Financial Officer, Chief Risk and Compliance Officer, Chief Operating Officer and Chief Internal Auditor.

The Committee had 15 scheduled meetings through the year.

EXPERIENCE OF THE COMMITTEE'S MEMBERS

All of the Committee's members who served during the year are considered by the Board to be appropriately experienced and qualified to fulfil their duties. Details of their experience, qualifications and attendance at Committee meetings during the year are shown within the Corporate Governance section.

KEY TOPICS DISCUSSED BY THE COMMITTEE IN 2021

The core activities undertaken and approved by the Committee during the year were as follows:

RISK STRATEGY

- The 2021 Risk Strategy.
- The annual review and recommendation to the Board of the enterprise risk management and risk appetite frameworks and the go/no-go policy and policy framework.
- The refreshed Board risk appetite statements for approval to the Board.
- The second line oversight plan and policy.
- The approval of new products such as Confirmation of Payee and multi-currency and FX and the on-boarding of new embedded banking partners.
- The Bank's Ways of Working.

RISK APPETITE AND CULTURE

- Overseeing that the Bank's risk appetite and risk culture are at the core of all risk based decision making and are ingrained in the Bank's practices, policies and procedures.
- Providing challenge to the risk appetite measures and metrics, overseeing the Bank's adherence to them through MI reporting, making recommendations to the Board, and where appropriate taking into account internal and external factors.

CONDUCT AND COMPLIANCE REPORTING

- The annual approval and recommendation to the Board of the conduct risk and financial crime compliance policies.
- Review and approval of material regulatory focussed papers including FCA briefing papers and "Dear CEO..." letters relating to regulatory change across conduct and financial crime.
- The Annual MLRO report.
- Discussion, challenge and review of periodic oversight reviews and associated action plans.

OPERATIONAL AND INFORMATION TECHNOLOGY RISK

- Annual approval and recommendation to the Board of the information security and data privacy policies.
- Reviewing the information security roadmap.
- Operational resilience and business continuity, including providing discussion, challenge and approval to actions plans for the supervisory statements for outsourcing and third party risk management and impact tolerances for important business services.
- Operational and IT related incidents.

FINANCIAL REPORTING

- Policies and scenario testing for Internal Capital Adequacy Assessment Process ('ICAAP') and Internal Liquidity Adequacy Assessment Process ('ILAAP').
- Capital and liquidity plans and matters arising from ALCO.

RISK AND CONTROL MANAGEMENT

- Oversee compliance to the ERMF through the risk and control policies, procedures and methodologies, ensuring it is working effectively and aligns to the Bank's risk culture.
- Provide oversight and challenge to the day-to-day material risk issues.

Catherine Doran
Chair of the Board Risk Committee

INCLUSIVE CULTURE

The Remuneration Committee ensures that remuneration arrangements support the strategic aims of the business and enable the recruitment, motivation and retention of all staff within the required regulatory framework.

CHAIR'S OVERVIEW

On behalf of the Committee, I am pleased to present the Remuneration Committee Report for 2021. In the year, the Committee has overseen the appointment of a Chief Internal Auditor, Phil Hart to the Bank.

In line with previous years our remuneration arrangements are designed to be clear and transparent, linked to performance and aligned to the business strategy, values and culture. This is to ensure that we continue to retain and attract motivated and talented individuals whilst driving the right individual behaviours.

COMMITTEE'S ROLES AND RESPONSIBILITIES

- Agree the framework and policy for terms of employment and remuneration.
- Seek periodic internal assurances that the remuneration processes and principles as set out in its remuneration policy are being implemented.
- Work with and seek advice from the Board Audit Committee, Board Risk Committee and other relevant internal and external parties on the management of remuneration risk.
- When setting remuneration packages for individuals subject to the FCA's SMCR, the Committee is authorised to obtain information about remuneration in other companies of comparable scale and complexity.

MEMBERSHIP AND MEETINGS

The Remuneration Committee's membership is made up of three independent Non-Executive Directors and the Chair. A standing invitation exists to the Investor Directors to attend at any time. In addition, the Chief Executive Officer and the Head of Human Resources may be invited to attend meetings on an ad-hoc basis, although neither have the mandate to determine policy for any matter brought before the Committee for approval.

The Remuneration Committee met on three occasions through the course of the year.

THE EXPERIENCE OF COMMITTEE MEMBERS

All of the Committee's members who served during the year are considered by the Board to be appropriately experienced and qualified to fulfil their duties.

ACTIVITIES IN 2021

The Committee undertook the following core activities, which were considered and approved during the year:

- Review remuneration policies to ensure ClearBank attracts, motivates and retains high calibre employees.
- Promote the alignment and achievement of the annual plans, longer-term strategic objectives and ongoing incentivisation.
- Review all incentive plans across the Management Team and Executive to ensure they remain fit for purpose.
- Review the overall employee proposition and approve any relevant changes in light of COVID-19 to support the Bank's 2021 strategy.
- Support appropriate risk management, conduct and culture.
- Review risk incidents and consider the appropriateness of performance-related bonus adjustments.

CESSATION OF EMPLOYMENT

- Agree terms for cessation of employment (in line with the Remuneration Policy) and ensure that any payments made are fair to the individual and ClearBank, that failure is not rewarded and that the duty to mitigate loss is fully recognised.

PROMOTE LONG-TERM RESILIENCE, STABILITY AND SUCCESS

- Exercise judgement in the application of the remuneration policy so as to promote the long-term success.
- Ensure management does not permit reward for failure or conduct that is not in line with our values and behaviours.

DISCLOSURE

- Ensure that all provisions regarding disclosure of remuneration and benefits (including pensions) are fulfilled.

REMUNERATION POLICY

- Remuneration policy and approach to remuneration are designed to support the delivery of our corporate strategy and align remuneration with the long-term interests of our shareholders in a manner that is compliant with the requirements and frameworks of the FCA and PRA.

Shonaid Jemmett-Page
Chair of the Remuneration Committee

NOMINATION COMMITTEE REPORT

DIVERSE TALENT

> The Committee has spent considerable time this year considering the composition of the Board, with a particular focus on further strengthening the composition and succession plans for the Board and its Committees."

David Gagie,
Chair of the Nomination Committee

The Nomination Committee ensures the Board and the senior executive team retain an appropriate balance of skills to support ClearBank's strategic objectives and discharge its regulatory responsibilities.

CHAIR'S OVERVIEW

The Committee has spent considerable time this year considering the composition of the Board and the senior executive, with a particular focus on further strengthening succession plans. Ensuring we have a diverse range of perspectives, experiences, knowledge and skills is key to our continuing effectiveness. .

The Board was refreshed during the year with the appointment of Marcus Treacher as a new Non-Executive Investor Director. Marcus has added his global commercial experience in banking and payments to the Board. Talent management and succession planning for roles below Board-level has been an important topic of discussion, and the Committee has continued to monitor activities and initiatives to develop the Group's talent pipeline. During the year, John Salter was promoted to Chief Customer Officer having been an integral part of ClearBank's success so far, and Phil Hart joined the Bank as its new Chief Internal Auditor.

COMMITTEE'S ROLES AND RESPONSIBILITIES

The Committee has responsibility for keeping the size, structure and composition of the Board and its Committees under review. It also considers the leadership needs of the Group and succession planning for Directors and senior executives having regard for the Group's strategy and future challenges, and makes recommendations to the Board in respect to any adjustments to the Board's composition.

MEMBERSHIP AND MEETINGS

The Nomination Committee's membership is made up of the Chair and the three independent Non-Executive Directors. A standing invitation exists to the Investor Directors to join the Committee or to attend at any time. In addition, the Chief Executive Officer may be invited to attend meetings on an ad-hoc basis. Throughout the course of 2021, the Nomination Committee met on two occasions.

KEY TOPICS DISCUSSED BY THE COMMITTEE IN 2021

The Committee undertook the following core activities, which were considered and approved during the year:

- Consideration and approval of the Succession Plan for all Directors on the ClearBank Board, Executive Members and SMF holders.
- Recruitment strategy for senior-level appointments.
- Executive and Board-level appointments.
- Assessing the independent Non-Executive Directors' skill sets, knowledge, suitability and experience to ensure that an appropriate balance of skills, knowledge and experience has been maintained.
- Oversight of the Board Effectiveness Review.

The Committee also keeps under review:

- The leadership needs, and succession plans, for the Group in relation to both Executive Directors and other senior executives.
- The skills and experience of the Board and its Committee members.
- Oversight of the Board effectiveness and performance evaluation reviews by which the Board, its Committees and individual Directors assess their effectiveness.
- The diversity of the Board and progress towards achieving its objectives in this area.
- Potential situational conflicts of interest declared by our Board members.
- The impact of material changes to corporate governance regulation and legislation affecting the Group, and oversight of the Group's approach to subsidiary corporate governance.

The Committee reports to the Board on its activities and makes recommendations, all of which have been accepted during the year. The Group has in place succession plans for the Board and senior management to ensure there is an appropriate future mix of skills and experience.

EXPERIENCE OF THE COMMITTEE'S MEMBERS

All of the Committee's members who served during the year are considered by the Board to be appropriately experienced and qualified to fulfil their duties. The Nomination Committee has recommended the reappointment of the existing executive and Non-Executive members to the appropriate Committees. Details of the appointment of new members are set out in the Report of the Directors.

David Gagie
Chair of the Nomination Committee

REPORT OF THE DIRECTORS

THE DIRECTORS PRESENT THEIR REPORT AND THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

The consolidated financial statements have been prepared in accordance with UK adopted international accounting standards.

PRINCIPAL ACTIVITIES

The principal activities during the year continued to be the development of a clearing bank platform and provision of business banking services to support financially regulated and fintech businesses in the UK.

RESULTS AND DIVIDENDS

The results of the Group for the year are set out in the Consolidated Statement of Comprehensive Income on page 60. No dividend was declared or paid during 2021 (2020: £nil).

2021 KEY EVENTS

In March, October and December 2021, an additional £18.0m, £12.5m and £4.0m of capital, respectively, was injected by the existing shareholders. In January, June and July 2021 the Company granted 43,461, 7,428 and 7,763 share options, respectively. The award is subject to the service-based vesting condition that the employees remain in the employment of the Company until the end of the agreed vesting period. The total estimated fair value of options granted is £5.9m.

We do not see any material impact, either directly as a business or indirectly through our partners, from the current crisis in Ukraine. We continue to work closely with our staff, our partners and regulators.

SHARE CAPITAL

Details of the Share Capital, together with details of shares allotted during the year, is disclosed in Note 21 to the financial statements on page 88.

GOING CONCERN STATEMENT

The financial statements are prepared on a going concern basis, as the Directors are satisfied that the Group and Parent Company have the resources to continue in business for the foreseeable future (taken as 12 months from the date of approval of the financial statements). In making this assessment, the Directors have considered a wide range of information relating to present and future conditions, including the current situation in Russia and Ukraine where we do not see any material impact, either directly as a business or indirectly through our partners, the current state of the balance sheet, projections of profitability, cash flows, capital resources and the longer-term strategy of the business. The capital and liquidity plans, including stress tests, have been reviewed by the Directors. The forecasts and projections show that it will be able to operate at adequate levels of both liquidity and capital for the foreseeable future, including under a range of stressed scenarios. After making due enquiries and following receipt of a further of £34.5 million of capital from investors through 2021, the Directors believe that ClearBank has sufficient resources to continue its activities for the foreseeable future and to continue its expansion, and has sufficient capital to enable it to continue to meet its regulatory capital requirements as set out by the Prudential Regulation Authority.

POST BALANCE SHEET EVENTS

In February 2022, ClearBank signed a legally binding agreement with each of Apax Digital, CFFI and PPF for several related primary and secondary transactions up to £175 million, subject to regulatory approval.

FUTURE DEVELOPMENTS IN THE BUSINESS, RESEARCH AND DEVELOPMENT AND DETAILS OF EXPANSION OUTSIDE THE UK

We have established ClearBank as a key player in UK clearing and continue to attract more partners by enhancing our products and services and looking to form innovative partnerships. In 2022 we will look to continue the momentum, executing our strategy of providing Embedded Banking products to the financial services market. In conjunction with our Strategic Partner, Tide, we will utilise the Pool A and E BCR grants to provide UK SMEs with a dedicated and focused banking partner. We have launched our multicurrency and FX solutions product which we will continue to develop and offer to more of our partners.

DIRECTORS

The Directors holding office during the year ended 31 December 2021 were as follows:

David Gagie	Catherine Doran
Charles McManus	Nick Ogden^
James Hopkinson	Stan Spavold
Shonaid Jemmett-Page	Mel Carvill
Philip Kenworthy	John Risley^
Marcus Treacher	

^ Director resigned during the year.

Further details relating to the Directors are provided in the Corporate Governance section and on the Company's website.

DIRECTORS' STATEMENT ON AUDITORS

So far as the Directors at the date of approving this report are all aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow Directors and the Group's auditor, each Director has taken the steps that they ought to have as a Director to make themselves aware of any relevant audit information, and to establish that the auditor is aware of that information.

FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The Group primarily finances its activities by the issue of ordinary share capital to investors. It also holds other financial instruments on its balance sheet, including cash deposits held at the Bank of England, short term receivables and amounts due to customers classified as financial liabilities. Please refer to Note 23 for further details. None of these financial instruments are used for the purposes of financial risk management, and the majority are held at amortised cost which therefore does not cause exposure to price risk. See Note 24 for more details on financial risk management.

The Group has assessed there is no credit risk associated with the financial assets held at amortised cost and has recognised no ECL under IFRS 9. At the year end the Group held a currency swap exposure with an external financial institution which unwound the next day at fixed settlement amounts with no corresponding exchange or liquidity risk due to its short-term nature. The Group's banking deposits are subject to variable interest rates and it has assessed a 25 basis point increase or decrease in the Bank of England base rate would have had a £4.3 million (2020: £1.4 million) annualised impact on 2021 performance. This is based on the assumption of no management action being taken, such as passing the interest impact onto the Group's customers.

BRANCHES

ClearBank does not have any branches inside or outside of the UK.

POLICIES CONCERNING PEOPLE WITH DISABILITIES

ClearBank seeks to ensure all employees are treated equally, fairly and in line with the Equality Act 2010. We ensure all employees can realise their full potential and our policies and procedures fully support our disabled colleagues. We actively take positive measures by way of reasonable adjustments and processes to ensure employees are fully supported.

As an employer, we are responsive to the needs of our employees. As such, should any employee become disabled during their time with us, we will actively support them and make reasonable adjustments to their working environment where possible, to keep the employee with the business. It is ClearBank's policy that the recruitment, training, career development and promotion of disabled persons should, as far as possible, be identical to those of other employees

APPROACH TO EMPLOYEE INVOLVEMENT

ClearBank places great importance on employee involvement, with our people at the heart of everything we do. We hold weekly company-wide meetings where a range of issues and topics impacting our employees are presented, and where they can share their views and ask questions to management through different channels. We also circulate a weekly company newsletter with contributions from various departments, provide real-time updates on new customer outcomes, and issue monthly reports about our pipeline performance together with our sales and market updates.

In addition we have a monthly pulse engagement survey enabling employees to share their feedback, the results of which are discussed by the Executive and Senior Leaders, as well as by department leads with their team. We continue to provide a range of employee incentives including the ClearBank share-option scheme to enable our employees to benefit from the future success of the company.

DIRECTORS' INDEMNITIES

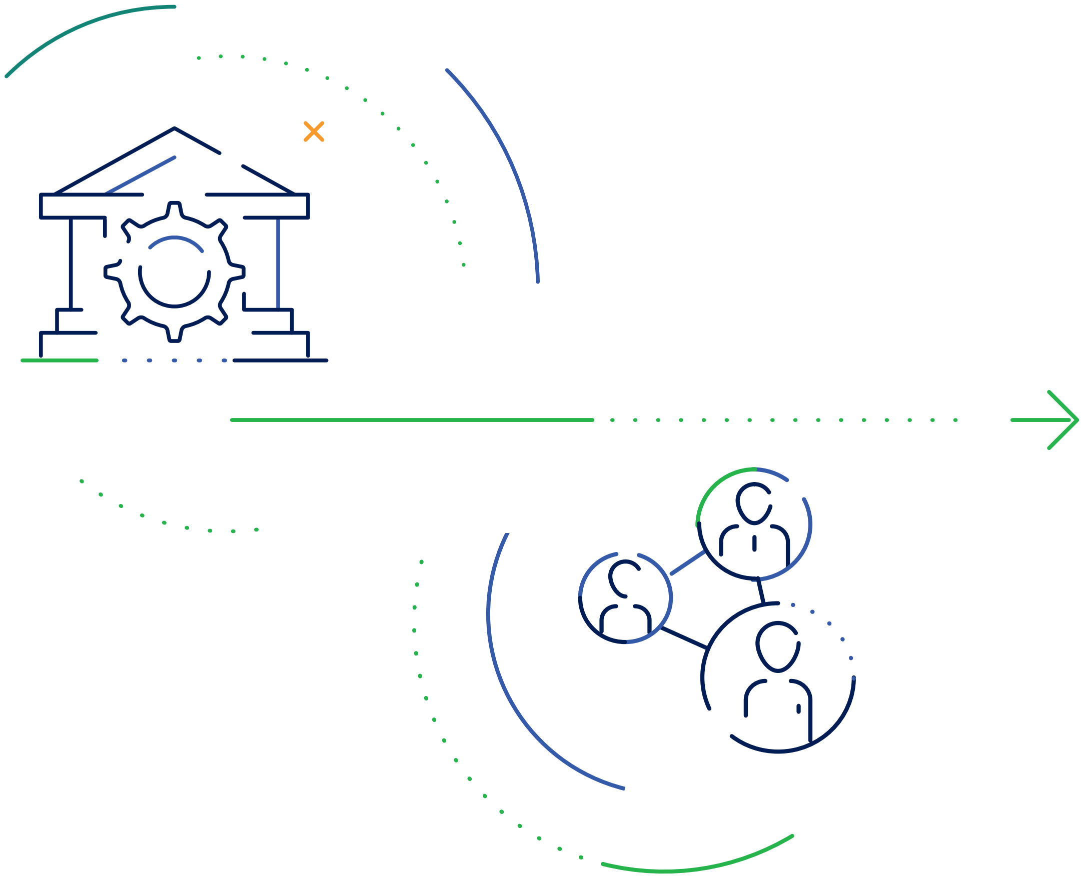
The Directors who served on the Board up to the date of this report have benefited from qualifying third-party indemnity provisions by virtue of deeds of indemnity entered into by the Directors and the Company. The deeds indemnify the Directors to the maximum extent permitted by law and by the Articles of Association of the Company, in respect of liabilities (and associated costs and expenses) incurred in connection with the performance of their duties as a Director of ClearBank and any associated company, as defined by section 256 of the Companies Act 2006. ClearBank also maintains Directors' and Officers' liability insurance which provides appropriate cover for legal actions brought against its Directors. The Directors intend to keep the level of cover provided under annual or more frequent review if appropriate.

AUDITOR

The auditor, BDO LLP, has expressed its willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the forthcoming annual general meeting.

Approved by the Board of Directors and signed on behalf of the Board on 28 March 2022.

Charles McManus
Chief Executive Officer



STATEMENT OF DIRECTORS' RESPONSIBILITIES

THE DIRECTORS ARE RESPONSIBLE FOR PREPARING THE ANNUAL REPORT AND ACCOUNTS IN ACCORDANCE WITH APPLICABLE LAWS AND REGULATIONS

Company law requires the Directors to prepare Group and Parent Company financial statements for each financial year. Under that law they are required to prepare both the Group and the Parent Company financial statements in accordance with UK adopted international accounting standards.

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 Group and Parent Company and of the profit or loss of the Group for that period. In preparing each of the Group and Parent Company financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently.
- Make judgements and estimates that are reasonable and prudent.
- State whether they have been prepared in accordance with UK adopted international accounting standards.
- Assess the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern.

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 the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

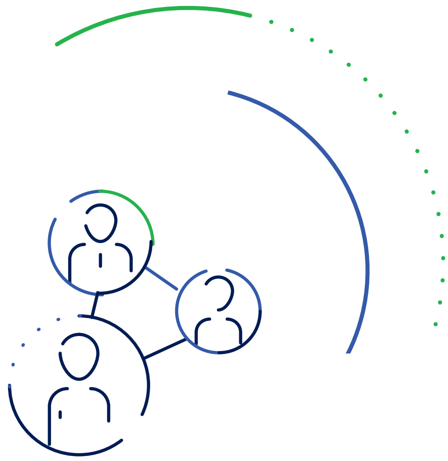
The Directors are responsible for the maintenance and integrity of the corporate and financial information included on ClearBank's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

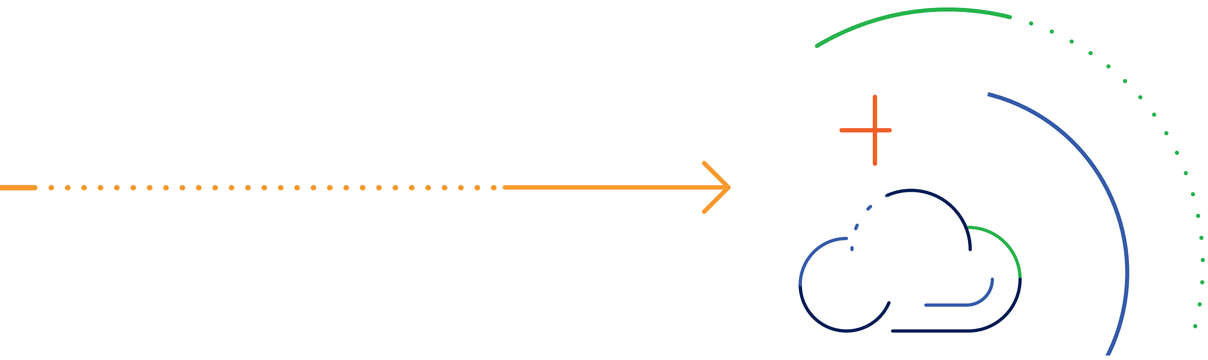
The Directors confirm that so far as they are aware, there is no relevant audit information (as defined by section 418(3) of the Companies Act 2006) of which the Company's auditors are unaware. The Directors have taken all the steps that they ought to have taken as Directors to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

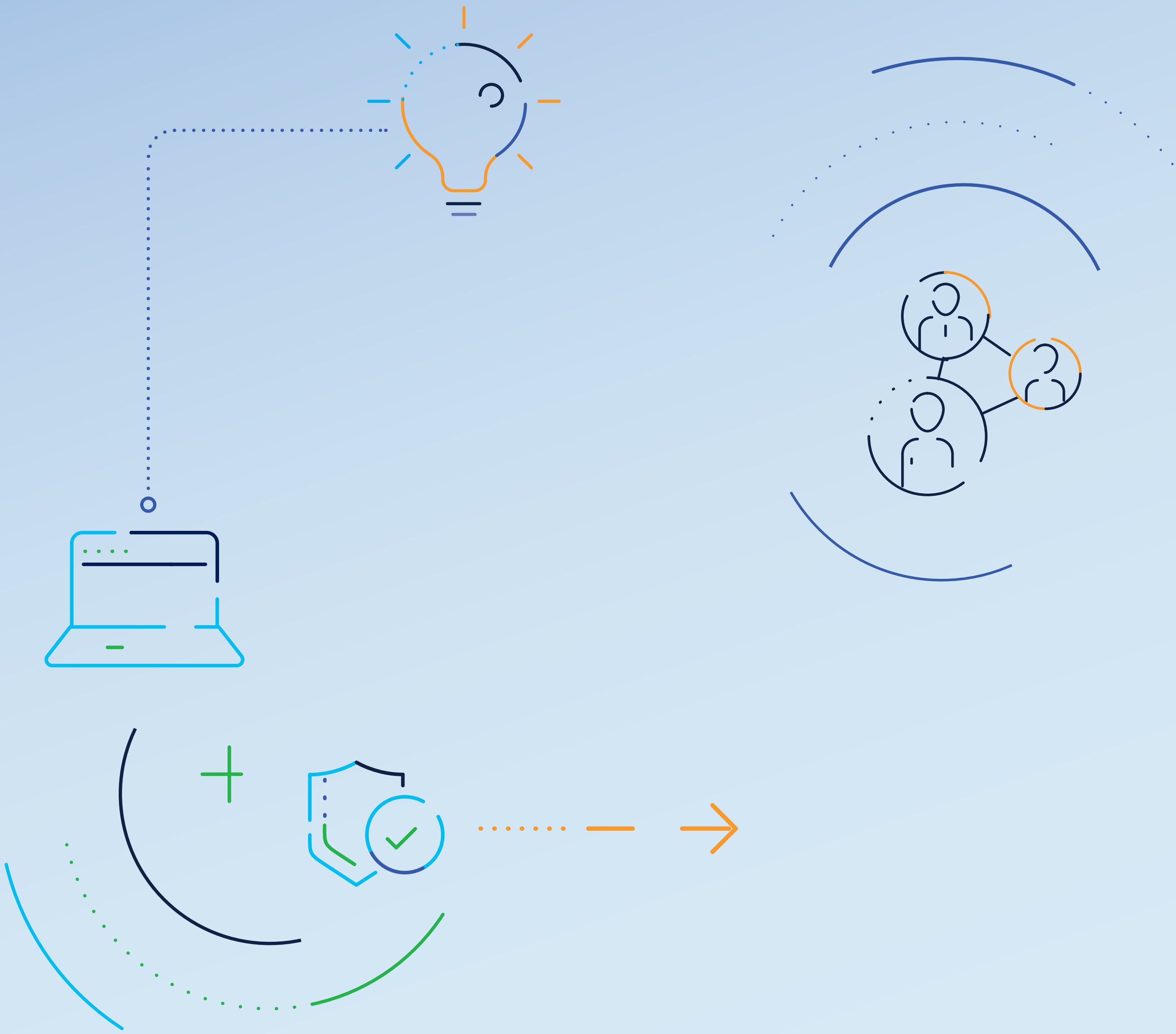
Approved by the Board of Directors and signed on behalf of the Board on 28 March 2022.

CAMcManus

Charles McManus
Chief Executive Officer







INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF CLEARBANK LIMITED

OPINION ON THE FINANCIAL STATEMENTS

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2021 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of ClearBank Limited (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2021 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statements of Financial Position, the Consolidated and Company Statements of Changes in Equity, the Consolidated Statement of Cash Flows, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the Group's financial statements is applicable law and UK adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the Parent Company's financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 *Reduced Disclosure Framework* (United Kingdom Generally Accepted Accounting Practice).

BASIS FOR OPINION

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

INDEPENDENCE

Following the recommendation of the Audit Committee, we were appointed by members of the Parent Company to audit the financial statements for the year ended 31 December 2016 and subsequent financial periods. Following recommendation of the Audit Committee, we were reappointed by members of the Parent Company on 24 June 2021 to audit the financial statements for the year ending 31 December 2021 and subsequent financial periods. The period of total uninterrupted engagement including reappointments is 6 years, covering the years ended 31 December 2016 to 31 December 2021.

We remain independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

The non-audit services prohibited by that standard were not provided to the Group or the Parent Company.

CONCLUSIONS RELATING TO GOING CONCERN

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

Going concern was considered to be a key audit matter based on our assessment of the risk and the effect on our audit, driven by the losses made since incorporation and historic reliance on capital injections from investors. Our evaluation of the Directors' assessment of the Group and the Parent Company's ability to continue to adopt the going concern basis of accounting is included in the Key Audit Matters section of the report.

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

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

OVERVIEW

Coverage	*99.80% (2020: 98.68%) of Group loss before tax* *99.96% (2020: 99.99%) of Group revenue* *99.98% (2020: 99.95%) of Group total assets*		
Key audit matters		2021	2020
	Going concern	√	√
	Capitalisation of software development costs	√	√
	Recognition of deferred tax asset	√	√
Materiality	*Group financial statements as a whole* £817k (2020: £652k) based on approximately 1.5% (2020: 1.5%) of total expenses.		

AN OVERVIEW OF THE SCOPE OF OUR AUDIT

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

The Group is comprised of the Parent Company and other subsidiaries. The Parent Company was considered to be the only significant component, and was subject to a full scope audit performed by the Group audit team. The financial information of the remaining non-significant components were subject to desktop reviews performed by the Group audit team.

KEY AUDIT MATTERS

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

KEY AUDIT MATTER		HOW THE SCOPE OF OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
CAPITALISATION OF SOFTWARE DEVELOPMENT COSTS – £11 MILLION (2020: £7.8 MILLION) The estimates and judgements and the accounting policy, in respect of the capitalisation of the software development expense, are disclosed in Note 2.1 and in Note 6.3 respectively, of the consolidated financial statements. Further information on the balance is included in Note 14 to the financial statements.	Software development costs in respect of internally generated software is recognised as an intangible asset only if it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably. There is a risk that the software development costs, which include staff and contractor costs, are not capitalised appropriately in accordance with the criteria of the applicable accounting standards.	We obtained a breakdown of the software costs capitalised and reviewed the Group's methodology and accounting policy for capitalisation of these costs. We have assessed whether these were in line with the capitalisation requirements of the applicable accounting standards. We engaged our internal IT specialists to obtain an understanding of controls related to software development, specifically the requirement for management approval for development of work items therefore indicating the existence of projects included in capitalised costs. For contractor and supplier costs capitalised, we have agreed a sample of costs to invoices, and where relevant, workings supporting the percentage of the costs capitalised. We have traced these costs to bank transaction listings. For staff costs, we have audited the Group's payroll costs and obtained evidence that for a sample of payroll costs capitalised, these were in line with the actual time spent on the projects. For Azure costs, we agreed a sample of costs to invoices and its allocation to the internally developed intangibles based on Azure usage relating specifically to project development as set out in the breakdown of the invoice. For the samples tested above, we assessed whether the costs capitalised met the capitalisation requirements of the applicable accounting standards. We have assessed future economic benefits attributable to the capitalised software development costs based on the forecasts used to support the going concern assumption and the deferred tax asset recoverability, as well as revenues generated to date. We have challenged management's assessment of impairment indicators relating to intangible assets by reviewing projects in development to which no costs were incurred in the year and assessing why this is not indicative of a requirement for impairment through discussions with management and consideration of the business rationale for no costs being incurred. **KEY OBSERVATION:** Based on the work performed, we did not identify any matters to suggest that the capitalisation of the software development costs was inappropriate.

KEY AUDIT MATTER		HOW THE SCOPE OF OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
RECOVERABILITY OF DEFERRED TAX ASSET - £12.5 MILLION (2020: £9.5 MILLION) The estimates and judgements and the accounting policy, in respect of the recognition of the deferred tax asset, are disclosed in Note 2.3 and Note 6.2 respectively, of the consolidated financial statements. Further information on the balance is included in Note 18 to the financial statements.	In prior years, a deferred tax asset was recognised for the carry-forward balance of unused tax losses and unused tax credits to the extent that these can be utilised. £2.875m of additional deferred tax assets were recognised in the current year because of the change in tax rate from 19% to 25%, in addition to recognition for Research & Development tax credits. There is a risk that the deferred tax asset is not fully recoverable as these are based on management's assessed forecasts of performance, and that sufficient future taxable profit will not be available to utilise the deferred tax asset.	We have assessed the recoverability of the deferred tax asset recognised at year end, with reference to the 5-year forecast prepared by management which has been approved by the Board. As part of the forecast review, we have considered the historical accuracy of management's forecasts as well as management's future plans, and our knowledge of the business. The forecast was further compared to those used in justifying the going concern basis for the preparation of the financial statements of the Group to ensure the consistency of projections. Refer to the going concern key audit matter below for further procedures performed over the forecast. We have performed independent sensitivity analysis on the forecast prepared by management based on various scenarios to assess the impact of these on the future taxable profits supporting the deferred taxation asset recognised on the balance sheet. We have engaged our internal tax specialists to assess the reasonableness of the underlying taxation calculations supporting the deferred tax assets recognised. **KEY OBSERVATION:** Based on the work performed, we considered the judgement made by management in recognising the deferred tax asset to be appropriate.
GOING CONCERN The estimates and judgements and the accounting policy, in respect of the going concern assumption, are disclosed in Note 1.5 and Note 2.2 respectively of the consolidated financial statements.	The Group and Parent Company have been loss making since incorporation in 2015 and have been relying on capital injections from investors. There is a risk that the Group and Parent Company do not have sufficient funds for its operations, or to maintain minimum regulatory capital requirements, which may cast significant doubt on their ability to continue as a going concern.	We have obtained Directors' assessment of the going concern assumption applied in the financial statements and evaluated the appropriateness of Directors' method of assessing going concern in light of COVID-19, as well as the wider current macroeconomic environment, inflationary pressures, the impact of the challenger market, as well as our understanding of the Group's strategy, forecasts, Internal Capital Adequacy Assessment Process and Internal Liquidity Adequacy Assessment Process submissions and PRA minimum capital requirements. We have challenged Directors' assumptions and judgements (for example, budgeted revenues and costs) applied within the forecast for consistency with our understanding of the business, observations of historic trends, and other corroborative information (for example, customer pipeline reports). We have tested the sensitivity of certain assumptions applied in the forecast through independent sensitivity analysis. We have checked the arithmetical accuracy of the forecasts and the historical accuracy through comparison with prior years. We have assessed whether additional funds are required to execute the base assumptions in the Company's business plan, sensitised those assumptions in consideration of subsequent events, and have agreed fundraisings executed to date to supporting documentation.

OUR APPLICATION OF MATERIALITY

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

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

	Group financial statements		Parent Company financial statements	
	2021 £k	2020 £k	**2021 £k**	2020 £k
Materiality	**817**	652	**807**	646
Basis for determining materiality	Approximately 1.5% of total expenses.			
Rationale for the benchmark applied	We consider this to be one of the principal considerations for members of the Group and Parent Company in assessing the financial performance of the Group and Parent Company at this stage of its development.			
Performance materiality	**612**	489	**605**	484
Basis for determining performance materiality	75% of the above materiality levels based on our risk assessment together with our assessment of the Group's and Parent Company's overall control environment and history of misstatements.			

REPORTING THRESHOLD

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £16k (2020: £13k). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

OTHER INFORMATION

The Directors are responsible for the other information. The other information comprises the information included in the annual report and accounts other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

OTHER COMPANIES ACT 2006 REPORTING

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described overleaf.

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 the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and ▪ the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements. In the light of the knowledge and understanding of the Group and Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.
Matters on which we are required to report by exception	We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion: ▪ adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or ▪ the Parent Company financial statements are not in agreement with the accounting records and returns; or ▪ certain disclosures of Directors' remuneration specified by law are not made; or ▪ we have not received all the information and explanations we require for our audit.

RESPONSIBILITIES OF DIRECTORS

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

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent 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 Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

EXTENT TO WHICH THE AUDIT WAS CAPABLE OF DETECTING IRREGULARITIES, INCLUDING FRAUD

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

We gained an understanding of the legal and regulatory framework applicable to the Group and the industry in which it operates, and considered the risk of acts which were contrary to applicable laws and regulations, including fraud. We considered the significant laws and regulations to be the Companies Act 2006, UK tax legislation, UK adopted International Accounting Standards and UK Generally Accepted Accounting Practice. We also considered the Parent Company's compliance with the licence conditions and supervisory requirements of the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA).

Our procedures included:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management, the Audit Committee, and the Board of Directors of their knowledge of actual or suspected fraud or instances of non-compliance with laws and regulations;
- reading minutes of meetings of those charged with governance, reviewing legal correspondence and correspondence with regulators to identify any irregularities or instances of non-compliance with laws and regulations; and
- obtaining an understanding and considering the effectiveness of the control environment related to monitoring compliance with laws and regulations.

We assessed the susceptibility of the financial statements to material misstatement including how fraud might occur. As part of this, we identified the potential for fraud in relation to management override of controls, revenue recognition and the capitalisation of software development expenses. Our procedures included:

- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- in addressing the risk of fraud through management override of controls, testing the appropriateness of a sample of journal entries and other adjustments against attributes to ensure that they were correctly approved, posted to correct general ledger accounts, related to the correct period, and that there was a valid purpose for the entry. Supporting documentation was obtained in each circumstance and was inspected;
- obtaining an understanding of the revenue process and performing detailed testing on the various revenue streams by agreeing to supporting documentation such as customer contracts and recalculating revenue either in full or on a sample basis for the varying streams;
- understanding all relevant systems and processes, including the design and implementation of key controls, and performing IT General Controls testing in areas carrying a significant risk of material misstatement;
- in response to the risk of fraud in the capitalisation of software development expenses, the procedures performed in the key audit matter section above;
- assessing whether the key judgements made in making accounting estimates are indicative of a potential bias (refer to key audit matter section above); and
- evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business, if any.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that 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, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed 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 are to become aware of it.

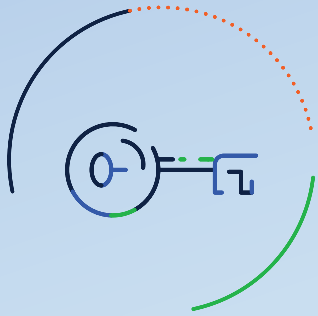
A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

USE OF OUR REPORT

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

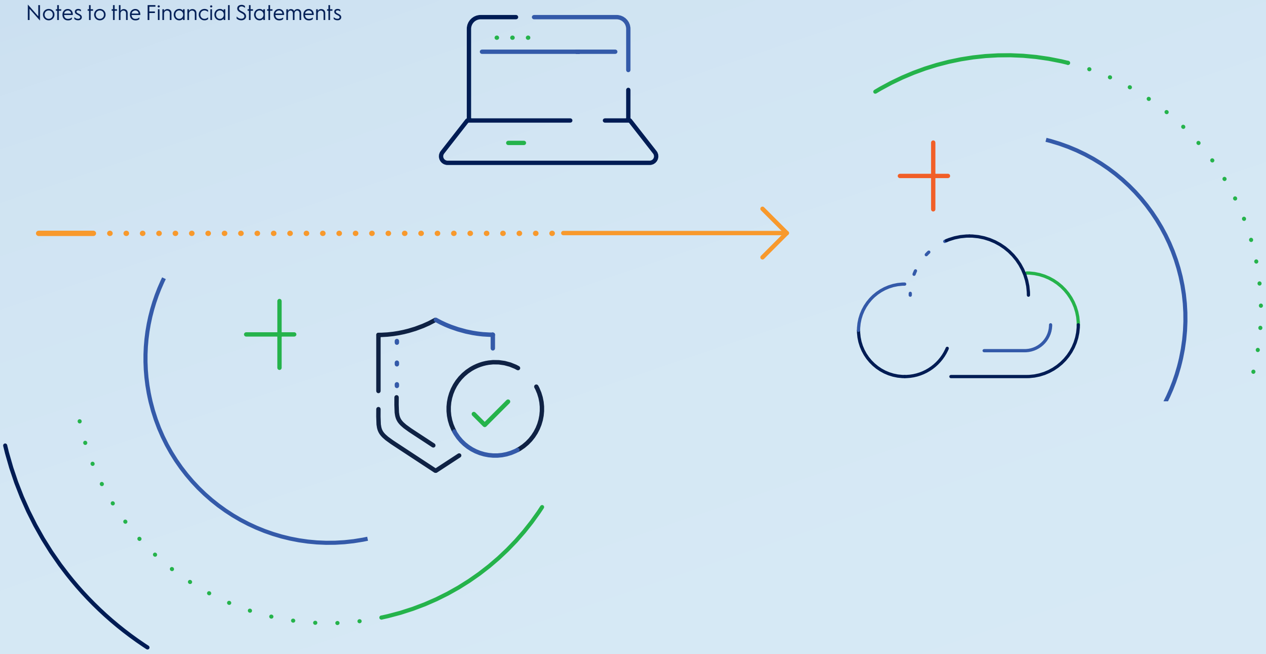
Matthew Hopkins (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, UK
28 March 2022

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).



OUR FINANCIALS

Financial Statements



CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Year ended 31 Dec 2021 £'000	Year ended 31 Dec 2020 £'000
Net Interest income	7	**1,842**	900
Net Fee income	7	**18,614**	8,785
Other income	7	**938**	933
Total income		**21,394**	10,618
Staff costs	9	**(27,719)**	(20,995)
Depreciation	15, 16	**(2,145)**	(3,432)
Amortisation of intangibles	14	**(5,791)**	(3,750)
Impairments		**(337)**	(549)
Other operating expenses		**(16,447)**	(12,557)
Operating expenses		**(52,439)**	(41,283)
Operating loss		**(31,045)**	(30,665)
Other gains		**5**	3
Finance costs		**(34)**	(115)
Loss for the year before taxation		**(31,074)**	(30,777)
Income tax credit	11	**2,874**	981
Loss for the year after taxation		**(28,200)**	(29,796)
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss			
Foreign currency translation differences		**(1)**	(107)
Total other comprehensive loss		**(1)**	(107)
Total comprehensive loss for the year		**(28,201)**	(29,903)

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**As at 31 Dec 2021 £'000**	As at 31 Dec 2020 £'000
Assets			
Cash and cash equivalents	12	**2,720,797**	1,013,224
Loans and advances to banks	17	**5,962**	–
Collateral placed with schemes	17	**406**	370
Receivables	17	**4,478**	4,565
Intangible assets	14	**27,479**	22,475
Property, plant and equipment	15	**451**	673
Right-of-use assets	16	**510**	2,180
Deferred tax asset	18	**12,525**	9,484
Total assets		**2,772,608**	1,052,971
Liabilities			
Customer deposits		**2,644,756**	925,890
Other payables	19	**9,897**	6,591
Lease obligations	16	**509**	2,483
Deferred income	20	**45,229**	59,760
Total liabilities		**2,700,391**	994,724
Equity			
Called up share capital	21	**–**	–
Share premium	21	**191,816**	157,316
Treasury shares		**(204)**	(204)
Share-based payment reserve		**17,190**	9,519
Retained losses		**(136,468)**	(108,268)
Translation reserve		**(117)**	(116)
Total equity		**72,217**	58,247
Total equity and liabilities		**2,772,608**	1,052,971

The accompanying notes form an integral part of these consolidated financial statements. The financial statements were approved by the Board on 28 March 2022.

Charles McManus
Chief Executive Officer
28 March 2022

James Hopkinson
Chief Financial Officer
28 March 2022

COMPANY STATEMENT OF FINANCIAL POSITION

CLEARBANK LIMITED COMPANY NUMBER: 09736376

	Notes	As at 31 Dec 2021 £'000	As at 31 Dec 2020 £'000
Assets			
Cash and cash equivalents	12	**2,720,797**	1,013,223
Loans and advances to banks	17	**5,962**	–
Collateral placed with schemes	17	**406**	370
Receivables	17	**4,478**	4,555
Investment in subsidiary undertakings	13	**–**	–
Intangible assets	14	**26,994**	21,991
Property, plant and equipment	15	**451**	674
Right-of-use assets	16	**510**	2,180
Deferred tax asset	18	**12,525**	9,484
Total assets		**2,772,123**	1,052,477
Liabilities			
Customer deposits		**2,644,756**	925,890
Other payables	19	**9,849**	6,501
Lease obligations	16	**509**	2,483
Deferred income	20	**45,229**	59,760
Total liabilities		**2,700,343**	994,634
Equity			
Called up share capital	21	**–**	–
Share premium	21	**191,612**	157,112
Share-based payment reserve		**17,190**	9,519
Retained losses		**(137,022)**	(108,788)
Total equity		**71,780**	57,843
Total equity and liabilities		**2,772,123**	1,052,477

The Company has taken exemption under Companies Act Section 408 (4) to not disclose the Company Statement of Comprehensive Income. The accompanying notes form an integral part of these consolidated financial statements.

The financial statements were approved by the Board on 28 March 2022.

Charles McManus
Chief Executive Officer
28 March 2022

James Hopkinson
Chief Financial Officer
28 March 2022

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital £'000	Share premium £'000	Treasury shares £'000	Share-based payments reserve £'000	Accumulated losses £'000	Translation reserve £'000	Total Equity £'000
Balance at 1 January 2020	–	113,204	(204)	5,723	(78,472)	(9)	40,242
Loss for the year	–	–	–	–	(29,796)	–	(29,796)
Other comprehensive income for the year	–	–	–	–	–	(107)	(107)
Issue of share capital	–	44,112	–	–	–	–	44,112
Share-based payments	–	–	–	3,796	–	–	3,796
Other movements	–	–	–	–	–	–	–
Balance at 31 December 2020	**–**	**157,316**	**(204)**	**9,519**	**(108,268)**	**(116)**	**58,247**
Loss for the year	**–**	**–**	**–**	**–**	**(28,200)**	**–**	**(28,200)**
Other comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**(1)**	**(1)**
Issue of share capital	**–**	**34,500**	**–**	**–**	**–**	**–**	**34,500**
Share-based payments	**–**	**–**	**–**	**7,671**	**–**	**–**	**7,671**
Balance at 31 December 2021	**–**	**191,816**	**(204)**	**17,190**	**(136,468)**	**(117)**	**72,217**

The accompanying notes form an integral part of these consolidated financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY

	Share capital £'000	Share premium £'000	Share-based payments reserve £'000	Accumulated losses £'000	Total equity £'000
Balance at 1 January 2020	–	112,999	5,723	(76,949)	41,773
Loss for the year	–	–	–	(31,839)	(31,839)
Issue of share capital	–	44,113	–	–	44,113
Share-based payments	–	–	3,796	–	3,796
Balance at 31 December 2020	**–**	**157,112**	**9,519**	**(108,788)**	**57,843**
Loss for the year	**–**	**–**	**–**	**(28,234)**	**(28,234)**
Issue of share capital	**–**	**34,500**	**–**	**–**	**34,500**
Share-based payments	**–**	**–**	**7,671**	**–**	**7,671**
Balance at 31 December 2021	**–**	**191,612**	**17,190**	**(137,022)**	**71,780**

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

	As at 31 Dec 2021 £'000	As at 31 Dec 2020 £'000
Cash flows from operating activities		
Loss for the year after tax	**(28,200)**	(29,796)
Adjustments		
Depreciation of property, plant and equipment	**475**	462
Loss on disposals of property, plant and equipment	**15**	26
Impairment of property, plant and equipment	**–**	9
Depreciation of right-of-use assets	**1,670**	2,969
Amortisation of intangibles	**5,791**	3,723
Impairments of intangibles	**337**	549
Share-based payment expense	**7,671**	3,796
Recognition of right-of-use assets	**34**	110
Tax benefit	**(2,874)**	(981)
Finance costs	**10**	108
Net interest income	**(1,842)**	(900)
Foreign currency differences	**(1)**	(107)
Operating cash flows before changes in working capital	**(16,914)**	(20,248)
Net changes in working capital		
Increase in collateral	**(36)**	(6)
Increase in loans and advances to banks	**(5,962)**	–
Increase in receivables	**(294)**	(842)
(Decrease)/Increase in payables	**3,306**	(2,143)
(Decrease)/Increase in deferred income	**(17,307)**	8,045
Increase in amounts due to customers	**1,718,866**	467,909
Cash generated by operations	**1,681,659**	452,715
Interest received	**2,056**	909
Net cash generated from operating activities	**1,683,715**	453,624
Cash flows used in investing activities		
Purchase of property, plant and equipment	**(268)**	(800)
Purchase of intangible assets	**(8,356)**	(7,648)
Net cash used in investing activities	**(8,624)**	(8,448)
Cash flows from financing activities		
Proceeds from issue of Ordinary Shares	**34,500**	44,112
Principal paid on lease liabilities	**(1,974)**	(2,650)
Interest paid on lease liabilities	**(34)**	–
Net cash generated from financing activities	**32,492**	41,462
Net increase in cash and cash equivalents	**1,707,583**	486,638
Cash and cash equivalents at beginning of the year	**1,013,224**	526,594
Effect of foreign exchange rate changes	**(10)**	(8)
Cash and cash equivalents at end of the year	**2,720,797**	1,013,224

The accompanying notes form an integral part of these consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

1.1. GENERAL INFORMATION

These financial statements are the consolidated financial statements of ClearBank Limited (the 'Company') and its subsidiaries (together, the 'Group'). The separate financial statements of the Company are also reported. The Company provides banking services in the United Kingdom.

The Company is a private limited company which is registered in England and Wales and incorporated under the Companies Act 2006. The address of the registered office is ClearBank, 4th Floor, Prologue Works, 25 Marsh Street, Bristol BS1 4AX.

1.2. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with UK adopted international accounting standards.

The consolidated financial statements are presented in pounds sterling, the functional currency of the Company and presentation currency of the Group, rounded to the nearest thousand pounds (£'000) except where otherwise indicated.

The consolidated financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments. Historical cost is generally based on the fair value of the consideration given in exchange for the goods and services.

In accordance with Section 408 of the Companies Act 2006, the Company has taken advantage of the legal dispensation not to present its own Statement of Comprehensive Income or Income Statement. The amount of loss for the financial year dealt with in the financial statements of the Company is disclosed in the Company Statement of Changes in Equity.

1.3. STATEMENT OF COMPLIANCE

These Company financial statements are prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ('FRS 101'). The Company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- the requirements of paragraph 17 of IAS 24 Related Party disclosures;
- the requirements in IAS 24 Related Party disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member; and
- the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d)–134(f) and 135(c)–135(e) of IAS 36 Impairment of Assets.

The Directors have approved these disclosure exemptions for the Company.

1.4. BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries which are entities controlled by the Company made up to 31 December each year.

CONTROL IS ACHIEVED WHEN THE COMPANY:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect returns.

If facts and circumstances indicate that there are changes to one or more of the three elements of control listed above, the Company reassesses whether or not it controls an investee. Subsidiaries are consolidated when the Company obtains control and are deconsolidated from the date that control ceases. Uniform accounting policies are applied consistently across the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

1.5. GOING CONCERN

In assessing going concern, the Directors have considered the current Statement of Financial Position, the financial projections, longer-term strategy of the business and the capital and liquidity plans, including stress tests and plans for future capital injections from principal shareholders. The Directors have also considered the minimum capital requirements set by the Prudential Regulation Authority ('PRA') and are satisfied that the Group will be able to meet its ongoing capital obligations. The Directors have also considered the current market uncertainty as a result of the current situation in Russia and Ukraine where we do not see any material impact, either directly as a business or indirectly through our partners, or COVID-19, and do not consider this will have a significant impact on the Group other than access to funding is likely to be more difficult.

The Group's business model remains unchanged and all customer funds continue to be held at the Bank of England. The effectiveness of the Group's remote operations has been demonstrated, ensuring the uninterrupted delivery of services to our partners to date.

The Company has prepared the financial statements on a going concern basis.

The Company is the only cash generating unit within the Group.

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with IFRS requires management to exercise judgement in applying accounting policies and make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements. Critical accounting estimates and judgements are those that involve the most complex or subjective assessments and assumptions. Management uses its knowledge of current facts and circumstances and applies estimation and assumption setting techniques that are aligned with relevant actuarial and accounting guidance to make predictions about future actions and events. Actual results may differ significantly from those estimates.

The Board Audit Committee reviews the reasonableness of judgements and assumptions applied and the appropriateness of significant accounting policies adopted in the preparation of these financial statements. The areas where judgements, estimates and assumptions have the most significant effect on the amounts recognised in the consolidated financial statements are discussed below:

A. JUDGEMENTS

2.1. CAPITALISATION OF INTANGIBLE ASSETS

Development expenditure represents expenditure incurred in relation to the internal development of the banking platform to support the services and products of the Group. Management exercises judgement in determining which platform development costs meet the IAS 38 Intangible Assets criteria for capitalisation and lead to future economic benefits sufficient to recover the costs capitalised. This includes estimates as to the amount of time spent directly on development of new software or significant improvement of the existing systems. The capitalised assets are amortised over the useful economic lives of these assets.

2.2. GOING CONCERN

The Directors have judged that the company has sufficient resources for at least 12 months from the date of signing of the financial statements. Consequently, the going concern basis of accounting has been used to prepare these financial statements. The Group's expectations as to the level of future profits and funding are based on the Group's long-term financial and strategic plans. See the Directors' Report on page 50 for further details on the going concern assessment.

2.3. DEFERRED TAX

The calculation and recognition of temporary differences resulting in deferred tax balances includes judgement as to the extent to which future taxable profits are available against which temporary differences can be utilised. Estimation of income taxes includes the assessment of recoverability of deferred tax assets. Deferred tax assets are only recognised to the extent they are considered more likely than not to be recoverable based on existing tax laws and forecasts of future taxable profits against which the underlying tax deductions can be utilised.

The Group's expectations as to the level of future taxable profits take into account the Group's long-term financial and strategic plans and anticipated future tax-adjusting items. In making this assessment, account is taken of business plans, the Board-approved operating plan and the expected future economic outlook, as well as the risks associated with future regulatory change. Further information can be found in Note 18.

2.4. IMPAIRMENT OF INTERNALLY DEVELOPED INTANGIBLE ASSETS

Management make judgements on the obsolescence of the internally developed software and its ability to generate positive cash flows for the business. This assessment considers the internal and external indicators of impairment that could indicate the carrying value of internally developed software intangibles is materially misstated.

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS CONTINUED

B. ESTIMATES

2.5. SHARE-BASED PAYMENTS

The fair value of the share awards is calculated using statistical models. The inputs to these models require management judgement to estimate the probability and timings of events taking place in the future. The significant inputs used in the models include the exercise price, share price, expected volatility, expected life, the risk-free rate and estimates of meeting certain service conditions. The share-based payment recognised can be materially affected by these assumptions. The Directors consider that Share-based awards are qualitatively material. The charge for the year was £7.7 million (2020:£3.8 million). If all of the performance conditions were assumed to be met the charge for the year would increase by £nil (2020: £nil); an increase of 20% in the number of share options expected to vest would increase the charge for the year by £0.1 million (2020: £0.1 million). Further information on the key assumptions can be found in Note 25.

2.6. AMORTISATION OF INTERNALLY DEVELOPED SOFTWARE

The useful economic life over which internally developed software is amortised is determined by the expected duration of the internally developed software which is determined with reference to past experience, and our future expectation of developments in technology in the financial payments landscape. During the year, internally developed software was amortised over five years from going live. The amortisation for the year was £5.8 million (2020: £3.8 million). A reduction in the average amortisation period by one year would increase the amortisation expense for the year by £2.5 million (2020:£0.6 million).

3. NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ADOPTED IN THE 2021 FINANCIAL STATEMENTS

There are no new standards, amendments and interpretations issued by the IASB that are effective for the first time for periods beginning on or after 1 January 2021 that have a material effect on the Group, as they are either not relevant to the Group's activities or require accounting which is consistent with the Group's current accounting policies so have not been discussed in detail in the notes to the financial statements.

4. FUTURE STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS NOT EARLY ADOPTED IN THESE FINANCIAL STATEMENTS

Certain new standards, interpretations and amendments to existing standards have been published by the IASB that are mandatory for the Group's annual accounting periods beginning after 1 January 2022. The Group has not early adopted these standards, amendments and interpretations. Although there are other new standards, interpretations and amendments to existing standards that have been published, they are not expected to have a significant impact on the consolidated financial statements of the Group.

5. CHANGES IN ACCOUNTING POLICIES

The Group has consistently applied the accounting policies as set out in Note 6 to all periods presented in these consolidated financial statements.

6. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in the preparation of these consolidated financial statements, as set out below, have been applied consistently to all periods presented in these consolidated financial statements, unless otherwise stated.

6.1. REVENUE RECOGNITION

PERFORMANCE OBLIGATIONS AND TIMING OF REVENUE RECOGNITION

Revenue is recognised as the control of services are transferred to the customer, using the amount that the Group expects to be entitled to in exchange for the services. Depending on whether performance obligations expressed in the customer contracts are fulfilled, revenue is recognised either over time, in a manner that best reflects the entity's performance of those obligations, or at a point in time, when control of the services is transferred to the customer. The Group recognise revenue for fees on an 'over time' basis if any of the following criteria are met:

- the customer concurrently receives and consumes the benefits provided by the entity's performance as the entity performs its obligation;
- the entity's performance creates or enhances a customer-controlled asset; and
- the entity's performance does not create an asset with an alternative use, and the entity has a right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time (when control transfers) for performance obligations that do not meet the criteria for recognition of revenue over time.

INCOME STREAMS
Revenue from customer contracts is split into three main income streams:

TRANSACTION FEE INCOME (IFRS 15)
Transactional fee income is recognised at the point in time when transactional banking services, i.e. in and out-bound transactions and foreign exchange transactions, are successfully completed, i.e. the point in time the service is transferred to the customer.

NON-TRANSACTION FEE INCOME (IFRS 15)
MONTHLY FEES
This includes a fixed monthly charge for the use of banking services provided by the Company such as actual and virtual account fees and access to online banking services and variable monthly charges for the number of active and virtual accounts added in the month. Monthly fee income is recognised as revenue over the period the customers' account services are provided, i.e. on an 'over time' or a pro-rata basis.

IMPLEMENTATION FEES
One-off 'implementation' fees are charged to customers for set up and on-boarding, based on transaction prices set out in the customers' contract. On-boarding fees are recognised 'over time' on a pro-rata basis.

DUE DILIGENCE FEES
'Due diligence' services including risk assessments, know-your-client, anti-money laundering and politically exposed person checks. These fees are charged to the customer at the point in time which the checks have been completed.

INTEREST INCOME (IFRS 9)
Interest income and expense are recognised in the Statement of Comprehensive Income for all interest-bearing financial instruments using the effective interest method in accordance with IFRS 9, except for those classified at fair value through profit or loss. The effective interest method is a method of calculating the amortised cost of a financial asset or liability and of allocating the interest income or interest expense over the expected life of the financial instrument. The effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability, including premiums and discounts that are an integral part of the overall return.

Summary of revenue recognition and the applicable treatment under IFRS 15.

Fee type	Point in time	Over time
Transaction fee income		
Transaction charge (inbound)	✓	
Transaction charge (outbound)	✓	
Foreign exchange fee	✓	
Non-transaction fee income		
Monthly fees (scheduled)		✓
Monthly fees (event)		✓
Implementation fees		✓
Due diligence fees	✓	

Where fees are received in advance of providing the contracted services, the income is deferred and recognised as a contract liability on the Statement of Financial Position and released to the Statement of Comprehensive Income as services are provided over the relevant contracted period.

Where fees are received in arrears of providing the contracted services, the income is accrued in the Statement of Comprehensive Income as services are provided over the relevant contracted period and recognised as accrued income on the statement of financial position. The accrued income is derecognised from the Statement of Financial Position when the fees are received.

DETERMINING THE TRANSACTION PRICE
Most of the Group's revenue is derived from contracts which specify fixed fees for services and therefore the amount of revenue to be earned from each contract is determined by reference to those fixed fees.

ALLOCATING AMOUNTS TO PERFORMANCE OBLIGATIONS
For all partner contracts, each service type has a fee attached. Therefore, there is no judgement involved in allocating the contract price to each service provided in such contracts.

6. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

PRACTICAL EXEMPTIONS
The Group has taken advantage of the practical exemptions:

- not to account for significant financing components where the time difference between receiving consideration and transferring control of services to its customer is one year or less; and
- to expense the incremental costs of obtaining a contract when the amortisation period of the asset otherwise recognised would have been one year or less.

6.2. TAX

CURRENT TAX
Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date and any adjustment to income tax payable in respect of previous years. Current tax is charged or credited to the income statement, except when it relates to items recognised directly in equity or in other comprehensive income.

Research and Development ('R&D') tax credits are recognised as other income or against the R&D expense in line with the requirements of IAS 20: Government Grants in the period that there is reasonable assurance that the funds are received from the relevant tax authority.

DEFERRED TAX
Deferred taxes are calculated according to the balance sheet method and are measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflect uncertainty related to income taxes, if any.

Deferred tax assets are recognised for unused tax losses and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves. Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is charged or credited to the Statement of Comprehensive Income, except when it relates to items recognised directly in equity or in other comprehensive income. In certain circumstances, as permitted by accounting guidance, deferred tax balances are not recognised. In particular, where the liability relates to the initial recognition of goodwill, or transactions that are not a business combination and at the time of their occurrence affect neither accounting nor taxable profit. Notes 11 and 18 include further detail of circumstances in which the Group does not recognise temporary differences. Deferred tax assets and liabilities are offset only if certain criteria are met.

6.3. GOODWILL AND INTANGIBLE ASSETS

The recognition of goodwill arises on the acquisition of a business and represents the premium paid over the fair value of the Group's share of the identifiable asset and liabilities acquired at the date of acquisition. Intangible assets include both purchased intangible assets initially recognised as part of a business combination and internally generated assets, such as software development costs related to amounts recognised for in-house systems development.

GOODWILL IMPAIRMENT
Goodwill arising on the Group's investments in subsidiaries is shown as a separate asset, while 'goodwill' on associates where it arises is included within the carrying value of those investments. Goodwill is recognised as an asset at cost at the date that control is achieved (the acquisition date) and is subsequently measured at cost less any accumulated impairment losses. Goodwill is not amortised but is subject to annual impairment reviews.

Goodwill is allocated to one or more cash-generating units ('CGUs') expected to benefit from the synergies of the combination, where the CGU represents the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets. Goodwill is reviewed for impairment at least once annually, as a matter of course even if there is no indication of impairment, and whenever an event or change in circumstances occurs which indicates a potential impairment. For impairment testing, the carrying value of goodwill is compared to the recoverable amount, which is the higher of value-in-use and the fair value less costs of disposal. Any impairment loss is recognised immediately in Statement of Comprehensive Income and is not subsequently reversed.

On disposal of an operation within a group of CGUs to which goodwill has been allocated, the goodwill associated with that operation is included in the carrying amount of the operation when determining the gain or loss on disposal. It is measured based on the relative values of the operation disposed of and the portion of the CGU retained.

INTANGIBLE ASSETS ACQUIRED AS PART OF A BUSINESS COMBINATION
Intangible assets acquired as part of a business combination are recognised where they are separable and can be measured reliably. Acquired intangible assets consist primarily of contractual relationships such as partner relationships and distribution channels. Such items are capitalised at their fair value, represented by the estimated net present value of the future cash flows from the relevant relationships acquired at the date of acquisition. Brands and similar items acquired as part of a business combination are capitalised at their fair value.

After initial recognition acquired intangible assets are measured at cost less amortisation and any recognised impairment losses. Amortisation is provided at rates calculated to write off the cost or valuation less estimated residual value, using a straight-line method over their estimated useful lives. The amortisation period is re-evaluated at least at the end of each financial year end.

INTERNALLY DEVELOPED SOFTWARE
Several factors are taken into account when considering whether internally developed software meets the recognition criteria in IAS 38 Intangible Assets. Where for example a third-party provider retains ownership of the software, this will not meet the control criterion in the standard (i.e. the power to obtain benefits from the asset) and the costs will be expensed as incurred.

Where it is capitalised, internally developed software is held at cost less accumulated amortisation and impairment losses. Such software is recognised in the Statement of Financial Position if, and only if, it is probable that the relevant future economic benefits attributable to the software will flow to the Group and its cost can be measured reliably.

Costs incurred in the research phase are expensed, whereas costs incurred in the development phase are capitalised, subject to meeting specific criteria, as set out in the relevant accounting guidance, the main one being that future economic benefits can be identified as a result of the development expenditure. Amortisation is charged to the Statement of Comprehensive Income on a straight-line basis over the estimated useful life of the relevant software.

Amortisation is charged on the following basis:	
Banking software	Straight line over 5 years
Software licences	Licence period

SUBSEQUENT EXPENDITURE
Subsequent expenditure on intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

IMPAIRMENT TESTING FOR INTANGIBLE ASSETS
For intangible assets with finite lives, impairment charges are recognised where evidence of impairment is observed. If an indication of impairment exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). The recoverable amount is calculated as the higher of fair value less costs to sell and value-in-use. If the recoverable amount of an intangible asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense in the Statement of Comprehensive Income immediately.

6.4. PROPERTY, PLANT AND EQUIPMENT
Property, plant and equipment consists principally of computer equipment, office equipment, fixtures and fittings, and is stated at cost less accumulated depreciation and any recognised impairment losses. Cost includes the original purchase price of the asset and the costs of bringing the asset to its working condition for its intended use. Depreciation is charged to Statement of Comprehensive Income on a straight-line basis to write down the cost of the asset to its residual value over its estimated useful life.

Depreciation is charged on the following basis:	
Computer equipment	Straight line over 3 years
Office equipment	Straight line over 3 years
Fixtures and fittings	Straight line over 5 years
Leasehold improvements	Straight line over the expected lease term

Management determines useful lives and residual values for assets when they are acquired, based on experience of similar assets and taking into account other relevant factors such as any expected changes in technology. The Group assesses and adjusts (if required) the useful life, residual value and depreciation method for property, plant and equipment on an annual basis.

6. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Items of property, plant and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. For assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows. Where the carrying amount of an asset is greater than its estimated recoverable amount, which represents the higher of the asset's fair value less costs of disposal and value in use, it is written down immediately to its recoverable amount and an impairment loss is recognised in the Statement of Comprehensive Income. Impaired non-financial assets, except goodwill, are reviewed for possible reversal of the impairment at each reporting date. On de-recognition of an item of equipment, any gain or loss on disposal, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is included in statement of comprehensive income in the period of the de-recognition. Items of property and equipment that are not owned by the Group, but are held under lease arrangements are accounted for in accordance with the accounting policy on leases.

6.5. FOREIGN CURRENCY TRANSLATION

FUNCTIONAL AND PRESENTATION CURRENCY

Items included in the financial statements are measured using pounds sterling, the currency of the U.K., which is the primary economic environment in which the entity operates (the 'functional currency'). The financial statements are presented in pounds sterling, which is the presentation currency.

TRANSACTIONS AND BALANCES

Transactions in a foreign currency are translated into the functional currency using the exchange rates prevailing at the date of the transaction.

Monetary items denominated in a foreign currency are translated using the closing rate as at the reporting date. Non-monetary items measured at historical cost denominated in a foreign currency are translated with the exchange rate as at the date of initial recognition; non-monetary items in a foreign currency that are measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Foreign currency differences arising on translation are recognised in other income. Gains and losses arising from foreign currency transactions offered to partners are also recognised in other income.

6.6. FINANCIAL INSTRUMENTS

FINANCIAL INSTRUMENTS (OTHER THAN DERIVATIVES)

Financial instruments cover a wide range of financial assets, including financial investments, trade receivables, other assets including cash and cash equivalents and loans and advances to banks and financial liabilities, including trade payables and borrowings.

Financial assets and financial liabilities are recognised in the Group's Statement of Financial Position when the Group becomes party to the contractual provisions of the instrument. The Group derecognises a financial asset when the contractual rights to receive cash flows have expired or been forfeited by the Group. A financial liability is derecognised when, and only when the liability is extinguished.

CLASSIFICATION AND MEASUREMENT OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

INITIAL MEASUREMENT

A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at fair value through the profit or loss ('FVTPL'), transaction costs that are directly attributable to its acquisition.

SUBSEQUENT MEASUREMENT

Under IFRS 9, for the purpose of subsequent measurement, a financial asset is classified, on initial recognition, as measured at: amortised cost; fair value through other comprehensive income ('FVOCI')-debt instrument; FVOCI-equity investment; or FVTPL. The classification of financial assets depends on (i) the purpose for which they were acquired, (ii) the business model in which a financial asset is managed, and (iii) its contractual cash flow characteristics. This classification determines the subsequent measurement basis.

The following accounting policies apply to the subsequent measurement of financial assets.

Category	Accounting policies
Financial assets at FVTPL	These financial assets are subsequently measured at fair value. Net gains and losses, including interest and dividend income, are recognised in Statement of Comprehensive Income.
Amortised cost	These financial assets are subsequently measured at amortised cost using the effective interest rate method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in statement of comprehensive income. Any gain or loss on de-recognition is recognised in Statement of Comprehensive Income.
Debt investments at FVOCI	These financial assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in Statement of Comprehensive Income. Other net gains and losses are recognised in other comprehensive income ('OCI'). On de-recognition, gains and losses accumulated in OCI are reclassified to Statement of Comprehensive Income.
Equity investments at FVOCI	These financial assets are subsequently measured at fair value. Dividends are recognised as income in Statement of Comprehensive Income unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to Statement of Comprehensive Income.

BUSINESS MODEL ASSESSMENT
The Group assesses the objective of a business model in which an asset is held at a portfolio level because this best represents the way the business is managed and information is reported to management. The assessment considers the stated portfolio policies and objectives. It is important to determine whether management's strategy in holding the financial asset is to earn contractual interest revenue, for example to match the duration of financial assets to the duration of liabilities that are funding those assets or to realise cash flows through the sale of the assets. The frequency, volume and timing of sales in prior periods may be reviewed, along with the reasons for such sales and expectations about future sales activity. This helps management determine whether financial assets should be measured at fair value.

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Group changes its business model for managing financial assets. Reclassifications are expected to occur infrequently.

ASSESSMENT WHETHER CONTRACTUAL CASH FLOWS ARE SOLELY PAYMENTS OF PRINCIPAL AND INTEREST
For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

AMORTISED COST
A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest ('SPPI') on the principal amount outstanding on specified dates.

For the purposes of this assessment, principal is defined as the fair value of the financial asset on initial recognition. Interest is defined as consideration of the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

6. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

FINANCIAL ASSETS AT FVOCI
A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise to cash flows that are SPPI on the principal amount outstanding on specified dates.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis.

FINANCIAL ASSETS AT FVTPL
All other financial assets that are not measured at amortised cost or FVOCI are classified as measured at FVTPL. In addition, on initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI, at FVTPL, if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets that are held for trading or whose performance is evaluated on a fair value basis are measured at FVTPL because this best reflects the way they are managed and they do not satisfy the qualifying conditions for the other two business models.

The Group's interests in equity securities are designated at FVTPL, as they are part of groups of financial assets which are managed and whose performance is evaluated on a fair value basis. These investments are recognised at fair value initially and subsequently, with changes in fair value recognised in investment return in the Consolidated Statement of Comprehensive Income.

The fair value of quoted financial investments is based on the value within the bid-offer spread that is most representative of fair value. If the market for a financial investment is not active, the Group establishes fair value by using valuation techniques such as recent arm's length transactions, reference to similar listed investments, discounted cash flow or option pricing models.

The Group recognises purchases and sales of financial investments on trade date, which is the date that the Group commits to purchase or sell the assets. The costs associated with investment transactions are included within expenses in the Statement of Comprehensive Income.

CASH AND CASH EQUIVALENTS
Cash and cash equivalents comprise cash on hand and demand deposits that are readily convertible to a known amount of cash. All cash and cash equivalents are classified as at amortised cost which means they are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method and are subject to the impairment requirements outlined overleaf.

The Group considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The cash and cash equivalents on the Statement of Financial Position consists solely of cash.

FINANCIAL LIABILITIES AND EQUITY
Management also determines the classification of financial liabilities at initial recognition. The Group classifies its financial liabilities, as measured at either amortised cost or FVTPL.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. Financial liabilities are measured at amortised cost using the effective interest method.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

TRADE PAYABLES AND RECEIVABLES
Due to the short-term nature of trade payables and receivables, their carrying amount is considered to be the same as their fair value.

INVESTMENTS IN SUBSIDIARIES
Parent Company investments in subsidiary undertakings are initially stated at cost. Subsequently, investments in subsidiary undertakings are stated at cost less provision for impairment. An investment in a subsidiary is deemed to be impaired when its carrying amount is greater than its estimated recoverable amount, and there is evidence to suggest that the impairment occurred subsequent to the initial recognition of the asset in the financial statements. All impairments are recognised in the Statement of Comprehensive Income as they occur. The carrying cost is reviewed at each Statement of Financial Position date by reference to the income that is projected to arise there from. At 31 December 2021, there were no income streams projected to arise from any of the investment and as a result they remain fully impaired.

IMPAIRMENT OF FINANCIAL ASSETS
IFRS 9 requires the use of an 'expected loss' accounting model for credit losses and results in earlier recognition of expected credit losses ('ECL'). The impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Financial assets at amortised cost include trade receivables, cash and cash equivalents and corporate debt securities. Under IFRS 9, credit loss allowances are measured on each reporting date according to a three stage ECL impairment model.

APPLICATION OF THE IMPAIRMENT MODEL
The Group applies IFRS 9's ECL model using the simplified approach to trade receivables, lease receivables and contract assets. The simplified approach requires the recognition of a lifetime ECL allowance on day one. The IFRS 9 ECL model is also applied to cash and cash equivalents, loans and advances to banks and collateral placed with schemes, using internal risk modelling weightings for the likelihood of and exposure at default. None of these assets have a history of credit risk or expected future recoverability issues and the Group has determined the ECL to be immaterial.

ECLs for financial assets at the reporting date are measured as the difference between the gross carrying amount and the present value of estimated future cash flows. ECLs are discounted at the effective interest rate of the financial asset. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

The measurement of ECLs considers information about past events and current conditions, as well as supportable information about future events and economic conditions. The Group's impairment methodology for estimating the ECLs takes into account forward-looking information in determining the appropriate level of allowance.

PRESENTATION OF IMPAIRMENT
Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

WRITE-OFF
Financial assets are written off (either partially or in full) when there is no realistic prospect of the amount being recovered. This is generally the case when the Group concludes that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

6.7. IMPAIRMENT OF NON-FINANCIAL ASSETS
Non-financial assets are assessed for indications of impairment at each reporting date, or more frequently where required by events or changes in circumstances. If indications of impairment are found, these assets are subject to an impairment review. The impairment review compares the carrying value of the assets with their recoverable amount, which are defined as the higher of the fair value less costs to sell and their value in use. Fair value less costs to sell is the amount at which the asset could be sold in a binding agreement in an arm's length transaction. Value in use is calculated as the discounted cash flows generated as a result of the asset's continued use including those generated by its ultimate disposal, discounted at a market rate of interest on a pre-tax basis.

Where impairments are indicated, the carrying values of fixed assets are written down by the amount of the impairment and the charge is recognised in the Statement of Comprehensive Income in the period in which it occurs. A previously recognised impairment charge on an asset may be reversed in full or in part through the Statement of Comprehensive Income where a change in circumstances leads to a change in the estimates used to determine its recoverable amount. The carrying value will only be increased to the value at which it would have been held had the impairment not been recognised.

6.8. COLLATERAL PLEDGED AND RECEIVED
The Group has pledged cash collateral for the Visa card and SWIFT payment schemes. This is identified separately in the Statement of Financial Position and not included as a component of cash and cash equivalents.

The Group receives and accepts collateral in the form of cash and is recognised when placed with the Group. The cash is held in a Mandated Minimum Balance ('MMB') account and is a requirement of becoming a partner of the Bank. The MMB account is held separately from other operational partner funds and is held throughout the term of the contract. The collateral received from partners is disclosed as part of deposits from customers in the Statement of Financial Position.

6. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

6.9. DEPOSITS FROM CUSTOMERS

Deposits from customers are initially measured at fair value, which is normally the proceeds received net of any directly attributable transaction costs incurred. Subsequent measurement is at amortised cost, using the effective interest rate method. Amounts represent cash held on account to support customer transactions and the MMB balance. A corresponding asset in connection to these amounts is maintained within 'cash and cash equivalents'.

6.10. SHARE CAPITAL

EQUITY INSTRUMENTS

Shares are classified as equity instruments when there is no contractual obligation to deliver cash or other assets to another entity on terms that may be unfavourable. The value of the Company's share capital consists of the number of Ordinary Shares in issue multiplied by their nominal value. The difference between the proceeds received on issue of the shares and the nominal value of the shares issued is recorded in share premium.

SHARE ISSUE COSTS

Incremental external costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds of the issue and disclosed where material.

SHARES HELD BY TRUSTS

Shares in the Parent Company that are held by the Employee Benefit Trust ('EBT') are treated as 'own shares' or Treasury shares. The EBT purchases shares in the Parent Company for delivery to employees under employee incentive plans. Purchased shares are recognised as a deduction from equity at the price paid for them.

TREASURY SHARES

Where the Company or its subsidiaries purchase the Company's share capital or obtain rights to purchase its share capital, the consideration paid (including any attributable transaction costs net of income taxes) is shown as a deduction from total shareholders' equity. Gains and losses on own shares are charged or credited to the treasury share account in equity, apart from when treasury shares are subsequently issued at a premium, in this case the Share premium will be credited.

6.11. PROVISIONS

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the Statement of Financial Position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Where some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that the reimbursement will be received, and the amount receivable can be measured reliably.

6.12. SEGMENTAL REPORTING

All of the Group's activities are in the United Kingdom. The Group had a subsidiary company incorporated in the Republic of Ireland. As there are currently no trading activities in this company, no segmental analysis is presented on an operating or geographical basis.

6.13. EMPLOYEE BENEFITS

DEFINED CONTRIBUTION PENSION

The Group operates a defined contribution scheme which has been established for eligible employees of the Group. The Group makes contributions to members' pension plans but has no further payment obligations once the contributions have been paid.

Under a defined contribution plan, the Group's legal or constructive obligation is limited to the amount it agrees to contribute to a pension fund and there is no obligation to pay further contributions if the fund does not hold sufficient assets to pay benefits. Contributions in respect of defined contribution schemes for current service are expensed in the Statement of Comprehensive Income as staff costs and other employee-related costs when incurred.

EMPLOYEE SHARE-BASED PAYMENTS

The Company operates equity-settled share-based remuneration plans for its employees. This involves an award of shares or options in the Group. None of the Group's plans are cash-settled.

The Company accounts for these plans in accordance with the requirements of IFRS 2. All goods and services received in exchange for the grant of any share-based payment are measured at their fair values.

Where employees are rewarded using share-based payments, the fair value of employees' services is determined indirectly by reference to the fair value of the equity instruments granted. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions (for example profitability and sales growth targets and performance conditions).

All share-based remuneration is ultimately recognised as an expense in the Statement of Comprehensive Income with a corresponding credit to a share-based payment reserve in equity. If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest.

Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any adjustment to cumulative share-based compensation resulting from a revision is recognised in the current period. The number of vested options ultimately exercised by holders does not affect the expense recorded in any period.

Upon exercise of share options, the proceeds received, net of any directly attributable transaction costs, are allocated to share capital up to the nominal (or par) value of the shares issued with any excess being recorded as share premium.

6.14. GOVERNMENT GRANTS

Recognition of the Capability and Innovation Fund grant income in the Statement of Comprehensive Income is dependent on the Group satisfying certain criteria. Where the criteria hasn't been satisfied, the grant is initially recognised as deferred income on the Statement of Financial Position. When the criteria for retention have been satisfied, the deferred income balance is released to the Statement of Comprehensive Income and set against the relevant associated costs, or set against the internally developed software intangible asset purchased.

CAPITAL APPROACH

Capability and Innovation Fund grants received on capital expenditure are deducted in arriving at the carrying amount of eligible assets purchased. The benefit of the grant income is recognised in the Statement of Comprehensive Income as the asset is amortised over its useful life.

INCOME APPROACH

Grants for revenue expenditure are netted against the cost incurred by the Group and are included in Other operating expenses in the Statement of Comprehensive Income.

7. INCOME

NET INTEREST INCOME

	Year ended 31 Dec 2021 £'000	Year ended 31 Dec 2020 £'000
Interest received on cash and cash equivalents	**2,095**	1,238
Interest paid on customer deposits	**(253)**	(338)
Total net interest income	**1,842**	900

NET FEE INCOME

Net fee income represents fees receivable from transactional and agency banking services provided to partners less fee expenses. Net fee income relates to services provided to partners in the UK and is stated net of value added tax.

	Year ended 31 Dec 2021 £'000	Year ended 31 Dec 2020 £'000
Transaction fee income	**8,692**	2,819
Non-transaction fee income	**10,581**	6,253
Total fee income	**19,273**	9,072
Fee expenses	**(659)**	(287)
Net fee income	**18,614**	8,785

7. INCOME CONTINUED

OTHER INCOME

	Year ended 31 Dec 2021 £'000	Year ended 31 Dec 2020 £'000
R&D tax credits	**878**	889
Other income	**60**	44
Total other income	**938**	933
Timing of revenue recognition		
Over time	**12,813**	6,887
At a point in time	**6,520**	2,220
Total	**19,333**	9,116

8. LOSS FOR THE YEAR

Loss for the year has been arrived at after charging/(crediting):

	Year ended 31 Dec 2021 £'000	Year ended 31 Dec 2020 £'000
Staff costs	**27,719**	20,995
Professional fees	**5,652**	3,973
Depreciation	**2,145**	3,432
Amortisation of intangibles	**5,791**	3,750
Impairments of intangibles	**337**	549
Gain on foreign exchange	**(8)**	(119)
Irrecoverable VAT	**3,000**	2,521
Grant income[1]	**(11,751)**	(16,574)
Loss on disposal of property, plant and equipment	**2**	33

1 For further details refer to Note 20.

9. STAFF COSTS

The aggregate remuneration of employees and Directors during the year was:

	Year ended 31 Dec 2021 £'000	Year ended 31 Dec 2020 £'000
Salaries and wages	**16,389**	14,053
Social security costs	**2,087**	1,703
Retirement obligations	**1,573**	1,483
Share-based payments	**7,670**	3,756
Total staff costs	**27,719**	20,995

EMPLOYEE NUMBERS

The average number of persons employed by the Group (including Directors) during the year was:

	Year ended 31 Dec 2021	Year ended 31 Dec 2020
Executives[1]	**13**	13
Legal and Regulatory	**10**	11
Risk and Compliance	**19**	11
Programme management	**6**	5
Sales and Marketing	**26**	19
Finance and Treasury	**17**	18
Technology	**113**	98
Human resources and administration	**11**	6
Operations	**62**	55
Internal audit	**4**	2
Total average number of employees during the year	**281**	238

1 Includes Non-Executive Directors.

10. AUDITOR'S REMUNERATION

Included in operating expenses are fees paid to the Group's auditors. These can be categorised as follows (excluding VAT):

	Year ended 31 Dec 2021 £'000	Year ended 31 Dec 2020 £'000
Fees for audit services		
Fees for audit of the Group's financial statements	**178**	156
Fees for audit of the Company's subsidiary financial statements	**14**	13
Total Group auditor's remuneration	**192**	169

11. TAX

This note analyses the income tax credit recognised in Statement of Comprehensive Income for the year and the various factors that have contributed to the composition of the credit.

A) TAX CREDITED TO THE STATEMENT OF COMPREHENSIVE INCOME

The total tax credit for the year comprises:

	Year ended 31 Dec 2021 £'000	Year ended 31 Dec 2020 £'000
Current tax		
Current tax on loss for the year	**–**	–
Adjustments in respect of prior years	**(167)**	(169)
Total current tax	**(167)**	(169)
Deferred tax		
Origination and reversal of timing differences	**(2)**	61
Adjustments in respect of prior years	**168**	97
Effect on deferred tax of changes in tax rates	**2,875**	992
Total tax credited to Statement of Comprehensive Income	**2,874**	981

B) RECONCILIATION OF THE TOTAL INCOME TAX CREDIT/(CHARGE)

The tax credit shown in the Statement of Comprehensive Income differs from the tax credit that would apply if all accounting losses had been taxed at the UK corporation tax rate.

A reconciliation between the tax credit and the accounting loss multiplied by the UK corporation tax rate for the years ended 31 December 2021 and 2020 is as follows:

	Year ended 31 Dec 2021 £'000	Year ended 31 Dec 2020 £'000
Loss on ordinary activities before tax	**(31,074)**	(30,777)
Tax at UK standard rate of 19% (2020: 19%)	**5,904**	5,848
Effects of:		
Adjustments in respect of prior years	**2**	(72)
Non-deductible expenses	**(1,545)**	(906)
Non-taxable income	**167**	169
Current year temporary differences for which no deferred tax was recognised	**(1,723)**	(4,028)
Current year losses for which no deferred tax was recognised	**(4,345)**	(5,047)
Other temporary differences on which deferred tax not previously recognised	**1,537**	3,892
Effect of rate changes	**2,875**	(992)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**2**	133
Total tax credited to income statement	**2,874**	981

There are no material uncertainties within the calculation of corporation tax. The tax provisions are based on tax legislations in the relevant jurisdictions and have not required any judgements or material estimates.

During the year the Company made claims for R&D tax relief in respect of the accounting periods ended 31 December 2020. The claim resulted in a net credit of £0.7 million (2020: £0.7 million) being paid by HMRC to the Company. A gross R&D credit of £0.9m million (2020: £0.9 million) is recognised as other income in the Statement of Comprehensive Income in line with the requirements of IAS 20: Government Grants and £0.7 million (2020: £nil) remains outstanding at the year end.

12. CASH AND CASH EQUIVALENTS

	Group as at 31 Dec 2021 £'000	Group as at 31 Dec 2020 £'000	Company as at 31 Dec 2021 £'000	Company as at 31 Dec 2020 £'000
Cash and cash equivalents	**2,720,797**	1,013,224	**2,720,797**	1,013,223

The relevant amount of High-Quality Liquid Assets ('HQLA') at the balance sheet date was £2,719 million (2020: £1,013 million) all of which was held at the Bank of England. Of this amount, £2,645 million (2020: £926 million) relates to customer deposits. Cash and cash equivalents exclude cash collateral pledged as part of access to schemes. These are included under collateral placed with schemes. Included in cash and balances at central banks is £45.2 million (2020: £59.8 million) relating to restricted funds, see Note 20 for further details.

13. INVESTMENT IN SUBSIDIARY UNDERTAKINGS

COMPANY

	Total £'000
Costs	
As at 1 January 2020	191
Additions	–
As at 31 December 2020	**191**
Additions	**–**
As at 31 December 2021	**191**
Provision for impairment	
As at 1 January 2020	191
Written off	–
As at 31 December 2020	**191**
Written off	**–**
As at 31 December 2021	**191**
Net book value	
As at 31 December 2021	**–**
As at 31 December 2020	–

The principal subsidiaries of the Company as at 31 December 2021 all of which have been included in the consolidated financial statements are:

Name of subsidiary	Principal activity	Jurisdiction	Ownership
Abele Technologies Limited	IT consultancy	England and Wales[2]	100%
CB Infrastructure Limited	Software development	England and Wales[2]	100%
ClearBank Europe DAC	Business banking	Republic of Ireland[3]	100%
CloudZync Limited[1]	Software development	England and Wales[2]	100%
Tapsley Limited[1]	IT service	England and Wales[2]	100%

1 Shares held by Abele Technologies Limited.

Registered office:
2 4th Floor, Prologue Works, 25 Marsh Street, Bristol BS1 4AX.
3 Riverside One, Sir John Rogerson Quay, Dublin 2, DO2 X576.

The Employee Benefit Trust is consolidated within the Group. See Note 25 for further details.

14. GOODWILL AND INTANGIBLE ASSETS

GROUP

	Goodwill £'000	Software costs £'000	Other intangibles £'000	Total £'000
Costs				
As at 1 January 2020	575	23,130	281	23,986
Additions	–	7,767	248	8,015
Impairment	–	(549)	–	(549)
Disposals	–	(97)	–	(97)
As at 31 December 2020	**575**	**30,251**	**529**	**31,355**
Additions	**–**	**10,985**	**147**	**11,132**
Impairment	**–**	**(337)**	**–**	**(337)**
Disposals	**–**	**–**	**(5)**	**(5)**
As at 31 December 2021	**575**	**40,899**	**671**	**42,145**
Accumulated impairments/amortisation				
As at 1 January 2020	92	4,946	197	5,235
Charge for the year	–	3,683	67	3,750
Other movements	–	(26)	(1)	(27)
Disposals	–	(78)	–	(78)
As at 31 December 2020	**92**	**8,525**	**263**	**8,880**
Charge for the year	**–**	**5,676**	**115**	**5,791**
Disposals	**–**	**–**	**(5)**	**(5)**
As at 31 December 2021	**92**	**14,201**	**373**	**14,666**
Net book value				
As at 31 December 2021	**483**	**26,698**	**298**	**27,479**
As at 31 December 2020	483	21,726	266	22,475

ALLOCATION OF GOODWILL TO CASH-GENERATING UNITS ('CGUS') AND IMPAIRMENT TESTING

Goodwill is allocated to the Group's CGUs that are expected to benefit from the synergies of the combination. The lowest level of CGU is considered to be ClearBank.

Goodwill is tested for impairment by comparing the carrying value of the CGU to which the goodwill relates, to the recoverable value of the CGU. In accordance with the requirements of IAS 36 Impairment of Assets, goodwill is tested annually for impairment for each CGU, by comparing the carrying amount of the CGU to its recoverable amount, being the higher of that CGU's value-in-use or fair value less costs to sell. An impairment charge is recognised when the recoverable amount is less than the carrying value.

As at 31 December 2021, the recoverable amount was considered to be the value-in-use derived by assessing the estimated future cash flows expected to be derived from the Company's operations, discounted to their present value. These cash flows were based on strategic plans and financial models approved by the Board of Directors. The forecasts considered various aspects of the Company's operations over the next five years, including maintaining sufficient CET1 capital in line with the proposed growth of the Statement of Financial Position. Based on this, the recoverable amount exceeded the carrying amount and goodwill remained un-impaired.

SENSITIVITY ANALYSIS OF THE KEY ASSUMPTIONS

The CGU has sufficient headroom (i.e. where the recoverable amount of the CGU is in excess of the carrying value), such that it is insensitive to all reasonable possible changes in the value of ClearBank used for the purpose of goodwill impairment testing.

14. GOODWILL AND INTANGIBLE ASSETS CONTINUED

COMPANY

	Software costs £'000	Other intangibles £'000	Total £'000
Costs			
As at 1 January 2020	23,130	165	23,295
Additions	7,767	248	8,015
Impairment	(549)	–	(549)
Other movements	(97)	–	(97)
As at 31 December 2020	**30,251**	**413**	**30,664**
Additions	**10,985**	**146**	**11,131**
Impairment	**(337)**	**–**	**(337)**
As at 31 December 2021	**40,899**	**559**	**41,458**
Accumulated amortisation			
As at 1 January 2020	4,946	84	5,030
Charge for the year	3,658	63	3,721
Other movements	(78)	–	(78)
As at 31 December 2020	**8,526**	**147**	**8,673**
Charge for the year	**5,676**	**115**	**5,791**
As at 31 December 2021	**14,202**	**262**	**14,464**
Net book value			
As at 31 December 2021	**26,697**	**297**	**26,994**
As at 31 December 2020	21,725	266	21,991

The following table splits out the significant intangible assets:

Name	Amortisation period remaining (months)	Cost £'000	Accumulated amortisation £'000	Carrying value £'000
Core banking infrastructure	**57**	**9,751**	**4,504**	**5,247**
Multi-currency functionality	**55**	**5,134**	**469**	**4,665**
Embedded Banking	**46**	**3,027**	**733**	**2,294**
Cloud infrastructure	**40**	**1,180**	**440**	**740**
Billing system	**23**	**1,257**	**784**	**473**
CRM functionality	**48**	**827**	**178**	**649**
Total		**21,176**	**7,108**	**14,068**

GRANT INCOME
Included in the cost of internally developed software is £5.6 million (2020: £2.8 million) of grant income from the Capability and Innovation Fund. During the year £0.6 million (2020: £0.06 million) was released to the Statement of Comprehensive Income as amortisation on internally developed software. £5.0 million (2020: £2.8 million) is still to be amortised over the remaining useful lives of the relevant internally developed software assets. For further details see Note 20.

IMPAIRMENT LOSSES RECOGNISED IN THE YEAR
During the year, an impairment review was performed over the existing IT infrastructure and software, and as a result of a re-prioritisation of the Group's development strategy some intangibles were identified as no longer having future economic benefit. The recoverable amounts were calculated as £nil based on their value in use. This review led to the recognition of an impairment charge of £0.3 million (2020: £0.5 million) in the Statement of Comprehensive Income.

15. PROPERTY, PLANT AND EQUIPMENT

GROUP

	Computer equipment £'000	Office equipment £'000	Leasehold improvements £'000	Total £'000
Cost				
As at 1 January 2020	2,052	68	11	2,131
Additions	362	5	433	800
Disposal	(9)	(11)	–	(20)
Impairments	(647)	(5)	–	(652)
As at 31 December 2020	**1,758**	**57**	**444**	**2,259**
Additions	**133**	**135**	**–**	**268**
Disposals	**(531)**	**(8)**	**(9)**	**(548)**
As at 31 December 2021	**1,360**	**184**	**435**	**1,979**
Accumulated depreciation				
As at 1 January 2020	1,742	36	2	1,780
Depreciation charge for the year	274	20	168	462
Disposals	(7)	(6)	–	(13)
Impairments	(639)	(4)	–	(643)
As at 31 December 2020	**1,370**	**46**	**170**	**1,586**
Depreciation charge for the year	**212**	**23**	**240**	**475**
Disposals	**(516)**	**(8)**	**(9)**	**(533)**
As at 31 December 2021	**1,066**	**61**	**401**	**1,528**
Net book value				
As at 31 December 2021	**294**	**123**	**34**	**451**
As at 31 December 2020	388	11	274	673

COMPANY

	Computer equipment £'000	Office equipment £'000	Leasehold improvements £'000	Total £'000
Cost				
As at 1 January 2020	2,056	69	2	2,127
Additions	362	5	432	799
Disposals	(8)	(11)	–	(19)
Impairments	(647)	(5)	–	(652)
As at 31 December 2020	**1,763**	**58**	**434**	**2,255**
Additions	**133**	**135**	**–**	**268**
Disposals	**(532)**	**(8)**	**–**	**(540)**
As at 31 December 2021	**1,364**	**185**	**434**	**1,983**
Accumulated depreciation				
As at 1 January 2020	1,747	36	–	1,783
Depreciation charge for the year	274	20	160	454
Disposals	(7)	(6)	–	(13)
Impairments	(639)	(4)	–	(643)
As at 31 December 2020	**1,375**	**46**	**160**	**1,581**
Depreciation charge for the year	**212**	**23**	**240**	**475**
Disposals	**(516)**	**(8)**	**–**	**(524)**
As at 31 December 2021	**1,071**	**61**	**400**	**1,532**
Net book value				
As at 31 December 2021	**293**	**124**	**34**	**451**
As at 31 December 2020	388	12	274	674

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

16. LEASES

RIGHT-OF-USE ASSETS

	Buildings Group £'000	Buildings Company £'000
As at 1 January 2020	4,530	4,394
Additions	1,077	1,069
Reassessments	4	–
Depreciation charge	(2,969)	(2,865)
Derecognition of right-of-use assets	(462)	(418)
At 31 December 2020	**2,180**	**2,180**
Depreciation charge	**(1,670)**	**(1,670)**
At 31 December 2021	**510**	**510**

LEASE OBLIGATIONS

	Buildings Group £'000	Buildings Company £'000
As at 1 January 2020	4,520	4,390
Additions	1,086	1,045
Reassessments to the lease liabilities	4	–
Interest expense	116	113
Lease payments	(2,766)	(2,634)
Derecognition of lease liabilities	(477)	(431)
At 31 December 2020	**2,483**	**2,483**
Interest expense	**34**	**34**
Lease payments	**(2,008)**	**(2,008)**
At 31 December 2021	**509**	**509**

	Buildings Group Year ended 31 Dec 2021 £'000	**Buildings Company Year ended 31 Dec 2021 £'000**	Buildings Group Year ended 31 Dec 2020 £'000	Buildings Company Year ended 31 Dec 2020 £'000
Lease liabilities:				
Not later than 1 year	**256**	**256**	1,989	1,989
Later than 1 year and not later than 5 years	**253**	**253**	494	494
Later than 5 years	**–**	**–**	–	–
	509	**509**	2,483	2,483
Analysed as:				
Amounts due for settlement within 12 months	**256**	**256**	1,989	1,989
Amounts due for settlement after 12 months	**253**	**253**	494	494
	509	**509**	2,483	2,483

The Group does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are managed by the Group finance functions. The Company's lease liabilities as of December 2021 comprise leases entered into for office premises. Leases typically run for a period between one and three years, with options to automatically renew the lease at the end of the relevant lease term. The average remaining lease term is 2.23 years. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options and reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control. Some leases of office premises contain extension options exercisable up to one year before the end of the non-cancellable contract period. The Group has estimated that the potential future lease payments, should it exercise the extension option, would result in an increase in lease liability of £0.3 million (2020: £0.2 million). The Company's obligation under leases are secured by the lessor's rights over the leased premise.

The Group leases IT equipment with contract terms of less than one year to three years. These leases are short term and/or leases of low-value items. The Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

Lease liabilities are calculated at the present value of the lease payments that are not paid at the commencement date. The present value of the Company's lease obligations as at 31 December 2021 is estimated to be £0.5 million (2020: £2.5 million), using the incremental borrowing rate as the interest rate implicit in the lease is not readily determinable. The Company's incremental borrowing rate is 3 percent per annum, which reflects the fixed rate at which the Company could borrow an amount similar to the value of the right-of-use asset, in the same currency, for a similar term, and with similar collateral. The discount rate based on a quoted swap rate and adding a credit margin that reflects the secured nature of the lease obligation.

All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. Interest rates are fixed at the contract date, unless certain modifications or reassessment occur. Interest expense on lease liabilities amount to £nil in 2021 (2020: £0.1 million). The total cash outflow for leases amount to £2.0 million (2020: £2.8 million). The expense relating to short-term leases recognised in the Statement of Comprehensive Income during the year was £nil (2020: £nil).

Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets recognised in the Statement of Comprehensive Income during the year was £9k (2020: £14k). As at 31 December 2021 the Group had £nil (2020: £nil) lease commitments for short-term leases and £nil (2020: £nil) obligations relating to short-term leases.

17. RECEIVABLES AND OTHER ASSETS

	Group Year ended 31 Dec 2021 £'000	Group Year ended 31 Dec 2020 £'000	**Company Year ended 31 Dec 2021 £'000**	Company Year ended 31 Dec 2020 £'000
Receivables				
Trade receivables	**115**	500	**115**	500
Prepayments	**2,400**	2,683	**2,400**	2,682
Accrued income	**360**	85	**360**	86
Employee loans	**8**	10	**8**	10
Other receivables	**1,595**	1,287	**1,595**	1,278
Total receivables	**4,478**	4,565	**4,478**	4,556
Other assets				
Loans and advances to banks	**5,962**	–	**5,962**	–
Other assets pledged as collateral	**406**	370	**406**	370

Included in accrued income is £294k (2020: £40k) for accrued interest receivable and £54k (2020: £45k) of income due from partners relating to clearing services following the satisfaction of our performance obligations. Services rendered are billed for monthly and payment is due and typically received from partners within 30 days of fulfilling the performance obligation.

Other receivables comprises an R&D tax credit due from UK tax authorities of £711k (2020: £nil); leasehold property deposits of £103k (2020: £505k); amounts due from investors of £440k (2020: £723k); and intra-day customer balances of £307k (2020: £nil) which clear and settle on the following day.

Loans and advances to banks comprise a cash ratio deposit held at the Bank of England which is encumbered.

The carrying amounts approximate fair value. Assets pledged as collateral relate to the cash collateral paid of £87k (2020: £51k) and £319k (2020: £319k) for use of the Swift financial messaging service and Visa card payment scheme, respectively. These amounts are treated as encumbered assets that are not used for any other purpose.

18. DEFERRED TAX ASSETS AND LIABILITIES

Deferred income taxes are calculated on all temporary differences at the tax rate applicable to the jurisdiction in which the timing differences arise.

DEFERRED TAX SUMMARY

	Year ended 31 Dec 2021 £'000	Year ended 31 Dec 2020 £'000
Deferred tax asset	**14,683**	11,022
Deferred tax liability	**(2,158)**	(1,538)
Net deferred tax asset	**12,525**	9,484

Deferred tax assets are recognised for tax losses carried forward only to the extent that realisation of the related tax benefit is probable, on the basis of all available evidence it is considered more likely than not that there will be suitable taxable profits against which the reversal of the deferred tax asset can be deducted. The movement on the recognised deferred tax assets account is as follows.

	Tax losses £'000	Fixed assets £'000	Share-based payments £'000	Other temporary differences £'000	Total DTA £'000	s1308 CTA2009 claim £'000	Total DTL £'000
At 1 January 2020	8,293	207	359	166	9,025	(690)	(690)
Credit/(charge) to the income statement	1,760	24	42	171	1,997	(848)	(848)
At 31 December 2020	**10,053**	**231**	**401**	**337**	**11,022**	**(1,538)**	**(1,538)**
Credit/(charge) to the Income Statement relating to prior periods	**949**	**–**	**–**	**166**	**1,115**	**(947)**	**(947)**
Credit/(charge) to Income Statement due to changes in tax rates	**3,071**	**73**	**127**	**122**	**3,393**	**(518)**	**(518)**
(Charge)/Credit to the Income Statement	**(731)**	**–**	**–**	**(116)**	**(847)**	**845**	**845**
At 31 December 2021	**13,342**	**304**	**528**	**509**	**14,683**	**(2,158)**	**(2,158)**

At 31 December 2021, the Group had unused tax losses of £164.7 million (2020: £133.0 million) available to offset against future taxable profits. A deferred tax asset is recognised only in the event that the Directors consider it probable that sufficient future taxable profit will be generated to utilise the available losses.

On an annual basis, management reassesses the probability that sufficient future taxable profit will be generated to utilise the available losses. In making this assessment, the Board reviews the Group's expectations as to the level of future taxable profits taking into account the Group's long-term financial and strategic plans, anticipated future tax-adjusting items and a forecast consistent with the five-year operational plan, which is subject to internal review and challenge. The forecast includes projections of future taxable income based on the business plan and how timing of that income affects the rate of deferred tax is valued. Based on these forecasts and plans, the Directors consider it probable that sufficient future taxable profits will be generated to utilise the available losses and consequently continue to recognise a deferred tax asset.

DEFERRED TAX NOT RECOGNISED

A deferred tax asset has not been recognised in respect of some unused tax losses and temporary timing arising as it is not considered probable that there will be sufficient future profits available against which the Group can use the benefits there from. However, if profitability improves quicker than forecasted, then additional deferred tax assets and a related income tax benefit of up to £26.2 million (2020: £15.7 million) could be recognised. There is currently no expiration date of the Group's tax losses.

	31 Dec 2021		31 Dec 2020	
In £'000	**Gross Amount**	**Tax Effect**	Gross Amount	Tax Effect
Deductible temporary differences				
Company	**32,396**	**6,301**	24,066	4,573
UK subsidiary undertakings	**9**	**2**	9	2
Overseas subsidiary undertaking	**(22)**	**(4)**	(22)	(4)
Tax losses				
Company	**79,490**	**19,602**	56,668	10,767
UK subsidiaries undertakings	**82**	**20**	66	13
Overseas subsidiary undertaking	**2,095**	**262**	2,283	434
Unrecognised deferred tax asset	**114,050**	**26,183**	83,070	15,785

19. OTHER PAYABLES

	Group Year ended 31 Dec 2021 £'000	Group Year ended 31 Dec 2020 £'000	Company Year ended 31 Dec 2021 £'000	Company Year ended 31 Dec 2020 £'000
Other payables				
Taxes and social security costs	**892**	652	**892**	652
Accruals	**3,401**	2,878	**3,353**	2,819
VAT payable	**60**	348	**60**	219
Other payables	**5,544**	2,713	**5,544**	2,811
	9,897	6,591	**9,849**	6,501

The carrying amounts approximate fair value. Other payables of £5.5m constitute funds pending next day clearance (£2.3 million), supplier account trade payables (£1.1 million) due within 30 days, and amounts due within one year or on demand (£1.6 million).

20. DEFERRED INCOME

	Group Year ended 31 Dec 2021 £'000	Group Year ended 31 Dec 2020 £'000	Company Year ended 31 Dec 2021 £'000	Company Year ended 31 Dec 2020 £'000
Deferred income	**45,229**	59,760	**45,229**	59,760

In February 2019, in conjunction with our strategic partner Tide, the Company was successfully granted £60 million from the Alternative Remedies Package. The grant from Pool A of the Capability and Innovation Fund ('CIF') forms part of the Alternative Remedies Package, backed by the UK Government, and overseen and granted by Banking Competition Remedies Ltd. The Company, again in conjunction with Tide, was awarded a further £25 million grant from Pool E of the CIF, to further penetrate the UK SME market, to remove friction through open access, provide unparalleled access to debt and equity and support digital payments and business development amongst others. Eligible costs include those that help develop and improve the Company's capability to compete with RBS in the provision of banking services to SMEs and help develop and improve the financial products and services which are available to SMEs.

At the end of the year the Company deducted £5.6 million (2020: £2.8 million) of grant income in arriving at the carrying amount of internally developed software intangible assets purchased (see Note 14 for further details).

During the year the Company offset £11.8 million (2020: £16.6 million) of grant income against £11.8 million (2020: £16.6 million) of eligible costs resulting in a net £nil (2020: £nil) impact in other operating expenses presented in the Statement of Comprehensive Income. There are unfulfilled conditions attached to government assistance, £45.2 million (2020: £59.8 million), that is included in cash and cash equivalents and recognised as deferred income in the Statement of Financial Position as at 31 December 2021. In accordance with the terms of the grant, the Company is prohibited from utilising the entire grant until specific market share targets are met.

21. SHARE CAPITAL

COMPANY

	2021 Number	2020 Number	2021 £	2020 £
Allotted, issued and fully paid				
Class A Ordinary Shares of £0.00001 each				
At 1 January	**1,627,488**	1,378,011	**16.3**	13.8
Issued during 2020[1]	**–**	249,477	**–**	2.5
Issued during 2021[2]	**232,045**	–	**2.3**	–
At 31 December	**1,859,533**	1,627,488	**18.6**	16.3
Class B2 Ordinary Shares of £0.00001 each				
At 1 January and 31 December	**120,000**	120,000	**1.2**	1.2
Class C1 Ordinary Shares of £0.00001 each				
At 1 January and 31 December	**80,000**	80,000	**0.8**	0.8
Class C2 Ordinary Shares of £0.00001 each				
At 1 January and 31 December	**120,000**	120,000	**1.2**	1.2
Class D Ordinary Shares of £0.00001 each				
At 1 January and 31 December	**1**	1	**–**	–
Total at 31 December			**21.8**	19.5

Only A and B2 Ordinary Shares have full voting rights attached.

1 During January 2020, the Company issued 29,025 Class A Ordinary Shares of £0.00001 each for £5.1 million. In March 2020, the Company issued 107,328 Class A Ordinary Shares of £0.00001 each for £19.0 million. In August, the Company issued 113,124 Class A Ordinary Shares of £0.00001 each for £20.0 million.

2 During March 2021, the Company issued 108,090 Class A Ordinary Shares of £0.00001 each for £18.0 million. In October 2021, the Company issued 92,780 Class A Ordinary Shares of £0.00001 each for £12.5 million. In December 2021, the Company issued 31,175 of Class A Ordinary shares of £0.00001 each of £4.0m.

SHARE PREMIUM ACCOUNT
GROUP

	2021 £'000	2020 £'000
Share premium account		
At 1 January	**157,316**	113,204
Issue of shares, net of costs	**34,500**	44,112
At 31 December	**191,816**	157,316

COMPANY

	2021 £'000	2020 £'000
Share premium account		
At 1 January	**157,112**	112,999
Issue of shares, net of costs	**34,500**	44,113
At 31 December	**191,612**	157,112

22. CAPITAL MANAGEMENT

The Group's objectives when managing capital are: i) to safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; ii) to maintain a strong capital base and utilise it efficiently to support the development of its business; and iii) to comply with the regulatory capital requirements set by the PRA. Capital adequacy and the use of regulatory capital are monitored by the Group's management and Board. The Group is required to maintain appropriate levels of capital in accordance with total capital requirements issued by the PRA.

At the year end, the Company's Common Equity Tier 1 ('CET1') capital resources totalled £36.7 million (2020: £30.0 million). This CET1 capital number is comprised of the Company's net equity of £71.8 million (2020: £57.8 million), less certain capital deductions, including the intangible asset balance of £27.0 million (2020: £22.0 million).

COMPANY
CET 1 CAPITAL RESOURCES

	As at 31 Dec 2021 £'000	As at 31 Dec 2020 £'000
Share capital	**–**	–
Retained losses	**(137,022)**	(108,788)
Share premium	**191,612**	157,112
Share based payment reserve	**17,190**	9,519
Less ineligible assets:		
Intangibles	**(26,994)**	(21,991)
Deferred tax	**(8,047)**	(5,900)
Total CET1	**36,739**	29,952
Net Equity	**71,780**	57,843

23. FINANCIAL INSTRUMENTS

The Group's financial instruments principally comprise of cash and cash equivalents, receivables, customer deposits and payables. All these arise as a result of our normal operations. The Group does not enter into transactions for speculative purposes and there are no instruments held for trading. The analysis of financial assets and liabilities into their categories as defined in IFRS 9 Financial Instruments is set out in the following tables.

All gains and losses on measuring the financial assets and liabilities at each reporting date are included in the determination of Statement of Comprehensive Income for the period.

CATEGORIES OF FINANCIAL INSTRUMENTS

	Group			Company		
At 31 December 2021	Fair value mandatorily at FVTPL £'000	Amortised cost £'000	**Total £'000**	Fair value mandatorily at FVTPL £'000	Amortised cost £'000	**Total £'000**
Financial assets						
Loans and advances to bank	–	5,962	**5,962**	–	5,962	**5,962**
Receivables and other assets	87	3,397	**3,484**	87	3,397	**3,484**
Cash and cash equivalents	–	2,720,797	**2,720,797**	–	2,720,797	**2,720,797**
Total financial assets	87	2,730,156	**2,730,243**	87	2,730,156	**2,730,243**
Financial liabilities						
Customer deposits	–	2,644,756	**2,644,756**	–	2,644,756	**2,644,756**
Payables	–	6,993	**6,993**	–	6,945	**6,945**
Lease obligations	–	509	**509**	–	509	**509**
Total financial liabilities	–	2,652,258	**2,652,258**	–	2,652,210	**2,652,210**

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

23. FINANCIAL INSTRUMENTS CONTINUED

	Group			Company		
At 31 December 2020	Fair value mandatorily at FVTPL £'000	Amortised cost £'000	Total £'000	Fair value mandatorily at FVTPL £'000	Amortised cost £'000	Total £'000
Financial assets						
Loans and advances to banks	–	–	–	–	–	–
Receivables and other assets	51	2,201	2,252	51	2,192	2,243
Cash and cash equivalents	–	1,013,224	1,013,224	–	1,013,223	1,013,223
Total financial assets	51	1,015,425	1,015,476	51	1,015,415	1,015,466
Financial liabilities						
Payables	–	925,890	925,890	–	925,890	925,890
Customer deposits	–	3,755	3,755	–	3,796	3,796
Lease obligations	–	2,483	2,483	–	2,483	2,483
Total financial liabilities	–	932,128	932,128	–	932,169	932,169

The majority of the Group's financial assets and liabilities continue to be measured at amortised cost.

24. FINANCIAL RISK MANAGEMENT

Risk is an inherent part of the Group's business activities. The Group seeks to identify, assess, monitor and manage each of the various types of risk involved in its business activities in accordance with defined policies and procedures. A key component of our approach to capital management is to ensure that the Group's policies are aligned with the Group's overall strategy, business plans and risk appetite. No balances are past due or impaired at 31 December 2021 or at 31 December 2020.

The key focus of financial risk management for the Group is ensuring that the proceeds from its financial assets are sufficient to fund the obligations arising from its business banking operations. The main financial risks arising from our financial instruments are liquidity risk, credit risk and market risks (price and interest rate risk).

The Group's exposure to liquidity, credit and market risks along with management's objectives, policies and processes for managing those risks are discussed below.

LIQUIDITY RISK

Liquidity risk is the risk that the Group is not able to meet its financial obligations as they fall due, or can do so only at excessive cost.

The Group maintains adequate levels of liquidity and ensures that it maintains sufficient levels of liquidity to meet foreseeable and unexpected needs. Policies and procedures are in place to manage liquidity risk. Limits for the level, type and maturity of liquidity and deposit funding balances are set by the Board Risk Committee ('BRC'). Independently, the Finance, Treasury and Risk departments monitor compliance with these limits. The level of liquidity is monitored on a daily basis to ensure there are sufficient liquid assets at all times to cover cash flow movements and fluctuations in funding, enabling us to meet all financial obligations and to support anticipated asset growth.

The table below sets out the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

GROUP

31 December 2021	Repayable on demand £'000	Within 1 month £'000	1 to 3 months £'000	3 months to 1 year £'000	1–5 years £'000	5+ years £'000	Total financial assets/ liabilities £'000
Financial assets							
Loans and advances to banks	**–**	**–**	**–**	**5,962**	**–**	**–**	**5,962**
Receivables and other assets	**4**	**1,530**	**440**	**104**	**1,000**	**406**	**3,484**
Cash and cash equivalents	**2,693,897**	**–**	**–**	**26,900**	**–**	**–**	**2,720,797**
Total financial assets	**2,693,901**	**1,530**	**440**	**32,966**	**1,000**	**406**	**2,730,243**
Financial liabilities							
Customer deposits	**2,617,856**	**–**	**–**	**26,900**	**–**	**–**	**2,644,756**
Payables	**–**	**4,968**	**1,436**	**590**	**–**	**–**	**6,993**
Lease obligations	**–**	**11**	**52**	**193**	**253**	**–**	**509**
Total financial liabilities	**2,617,856**	**4,979**	**1,488**	**27,682**	**253**	**–**	**2,652,258**
Net financial assets	**76,045**	**(3,449)**	**(1,048)**	**5,284**	**747**	**406**	**77,985**

31 December 2020	Repayable on demand £'000	Within 1 month £'000	1 to 3 months £'000	3 months to 1 year £'000	1–5 years £'000	5+ years £'000	Total financial assets/ liabilities £'000
Financial assets							
Financial investments	–	–	–	–	–	–	–
Receivables and other assets	737	640	–	505	1,000	370	3,252
Cash and cash equivalents	988,047	–	–	25,177	–	–	1,013,224
Total financial assets	988,784	640	–	25,682	1,000	370	1,016,476
Financial liabilities							
Customer deposits	900,713	–	–	25,177	–	–	925,890
Payables	4	1,955	1,232	564	–	–	3,755
Lease obligations	–	225	477	1,307	529	–	2,538
Total financial liabilities	900,717	2,180	1,709	27,048	529	–	932,183
Net financial assets	88,067	(1,540)	(1,709)	(1,366)	471	370	84,293

24. FINANCIAL RISK MANAGEMENT CONTINUED

COMPANY

31 December 2021	Repayable on demand £'000	Within 1 month £'000	1 to 3 months £'000	3 months to 1 year £'000	1–5 years £'000	5+ years £'000	Total financial assets/ liabilities £'000
Financial assets							
Loans and advances to banks	**–**	**–**	**–**	**5,962**	**–**	**–**	**5,962**
Receivables and other assets	**2,584**	**1,530**	**440**	**103**	**1,000**	**406**	**6,063**
Cash and cash equivalents	**2,693,897**	**–**	**–**	**26,900**	**–**	**–**	**2,720,797**
Total financial assets	**2,696,481**	**1,530**	**440**	**32,965**	**1,000**	**406**	**2,732,822**
Financial liabilities							
Customer deposits	**2,617,856**	**–**	**–**	**26,900**	**–**	**–**	**2,644,756**
Payables	**2,579**	**4,961**	**1,436**	**547**	**–**	**–**	**9,523**
Lease obligations	**–**	**11**	**52**	**193**	**253**	**–**	**509**
Total financial liabilities	**2,620,435**	**4,972**	**1,488**	**27,640**	**253**	**–**	**2,654,788**
Net financial assets	**76,046**	**(3,442)**	**(1,048)**	**5,325**	**747**	**406**	**78,034**

31 December 2020	Repayable on demand £'000	Within 1 month £'000	1 to 3 months £'000	3 months to 1 year £'000	1–5 years £'000	5+ years £'000	Total financial assets/ liabilities £'000
Financial assets							
Financial investments	–	–	–	–	–	–	–
Receivables and other assets	737	640	–	497	1,000	370	3,244
Cash and cash equivalents	988,046	–	–	25,177	–	–	1,013,223
Total financial assets	988,783	640	–	25,674	1,000	370	1,016,467
Financial liabilities							
Customer deposits	900,713	–	–	25,177	–	–	925,890
Payables	–	1,898	1,358	540	–	–	3,796
Lease obligations	–	225	477	1,307	529	–	2,538
Total financial liabilities	900,713	2,123	1,835	27,024	529	–	932,224
Net financial assets	88,070	(1,483)	(1,835)	(1,350)	471	370	84,243

CREDIT RISK

Credit risk is the risk of financial loss to the Group if a partner or counterparty fails to meet its contractual obligations to repay the Group in accordance with agreed terms.

Our credit risks arise principally through our exposure to our partners that results in an increase in fees receivables. Our policy of collecting monthly fees on the second day of the following month and transactional fees as the transaction occurs from partners' deposit accounts, minimises our exposure to credit risk. The Group does not provide retail credit to partners and is therefore not exposed to retail credit risks.

The Group considers the maximum exposure to credit risk to be the carrying amount of all financial assets.

CREDIT RISK WITHIN OUR TREASURY OPERATIONS

Credit risk exists where we have acquired securities or placed cash deposits with other financial institutions as part of our treasury portfolio of assets. We consider the credit risk of treasury assets to be relatively low as the Bank places the vast majority of funds with the Bank of England. A small proportion of funds in foreign currency is held at a global credit institution which is investment-grade, and therefore also poses minimal credit risk The Bank manages and controls credit risk by setting limits on the amount of risk it's willing to accept for individual counter parties and monitoring exposures in relation to such limits. No assets are held for speculative purposes or actively traded. Certain liquid assets are held as part of our liquidity buffer.

COLLATERAL

As discussed in Note 6.8, the Group holds collateral from partners in the form of cash in a Mandated Minimum Balance ('MMB') account. The MMB is an account held separately from the partners' operational accounts and it is required to be held throughout the term of the contract. The collateral is held in the event of a customer not maintaining the Mandated Intra-Day Liquidity balance ('MILB') to cover fees and charges owed to the Group. The Group does not lend, advance funds or offer overdraft facilities to partners and therefore has no direct credit exposure to its customers.

The following table sets out the total cash held as collateral which is shown as part of deposits from partners:

	At 31 Dec 2021 £'000	At 31 Dec 2020 £'000
Customer deposits		
Mandated minimum balance account	**26,900**	25,177
Other deposits from customers	**2,617,856**	900,713
Total deposits from customers	**2,644,756**	925,890

IMPAIRMENT UNDER IFRS 9

IFRS 9 applies an 'expected credit loss' ('ECL') approach to calculating impairments of financial instruments, meaning there does not need to be a triggering event or incurred loss in order to recognise impairment losses.

This ECL approach requires an entity to recognise a loss allowance for expected credit losses on all debt-type financial assets that are not measured at fair value through profit or loss, this includes lease receivables, contract assets and loan commitments and financial guarantee contracts to which the impairment requirements of IFRS 9 apply.

This approach requires an ECL allowance to be established upon initial recognition of an asset reflecting the level of losses anticipated after having regard to the Group's historical credit loss experience, current conditions and its expectation of reasonable and supportable future economic conditions that incorporate more forward-looking information.

Credit loss allowances are measured on each reporting date according to a three stage ECL model.

Stage 1 Entities are required to recognise a 12-month expected loss allowance for assets that have not had a significant increase in credit risk since initial recognition and interest revenue is calculated on the gross carrying amount of the asset.

Stage 2 Entities are required to recognise a lifetime expected loss allowance for assets that have experienced a significant increase in credit risk since initial recognition but that do not have objective evidence of impairment; and interest income is still calculated on the gross carrying amount of the asset.

Stage 3 For assets that have objective evidence of impairment at the reporting date, lifetime ECL are recognised and interest income is calculated on the net carrying amount.

The Group applies the practical expedient permissible under IFRS 9 to use the simplified approach to determine lifetime expected credit losses for fees receivable. This is based on actual credit loss experience over the recent past and future expectations; the Group's fees receivable are short term and do not contain significant financing components.

The Group's loss provisions are driven by changes in credit risk of a financial instrument (as described below), with a provision for lifetime expected credit losses recognised where the risk of default of an instrument has increased significantly. Risk of default and expected credit losses must incorporate forward-looking and macro-economic information.

24. FINANCIAL RISK MANAGEMENT CONTINUED

SIGNIFICANT INCREASE IN CREDIT RISK

The Group considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative, qualitative or backstop criteria have been met:

1. Quantitative criteria: The remaining lifetime probability of default at the reporting date has increased, compared to the residual lifetime probability of default expected at the reporting date when the exposure was first recognised.

2. Qualitative criteria: persistent issues funding intra-day liquidity; whenever this information is available (i.e. the partner has not funded their intra-day liquidity balance).

3. Backstop: As defined in IFRS 9 where the partner is more than 30 days past due.

PARTNER DEFAULT

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit impaired. The definition of 'credit-impaired' is aligned with the Group's definition of default. The Group defines a financial asset as in default when it meets one or more of the following criteria:

1. 90 days past due.
2. The partner's outstanding balance is in excess of their Mandated Minimum Balance (their 'Collateral') and intraday-liquidity balance.

The Group writes off fees receivable against the related loss provisions when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery.

After performing a detailed analysis in calculating ECLs, the Group has determined that the application of IFRS 9's impairment requirements for fees receivables did not result in a material impairment allowance considering the credit quality of the counter parties.

MARKET AND INTEREST RATE RISK

Market risk is the risk that changes in market prices, such as interest rates, will affect income or the value of the Group's assets and liabilities. The objective of our market risk management strategy is to manage and control market risk exposures within acceptable parameters to ensure solvency while optimising the return on risk.

Interest rate risk is the risk of financial loss through un-hedged or mismatched asset and liability positions that are sensitive to interest rate changes. The Group's banking deposits are subject to variable interest rates; as a result, changes in interest rates could have an impact on the net interest income recognised in the year. A 25 basis point increase or decrease in the Bank of England base rate would have had a £4.3 million (2020: £1.4 million) annualised impact on 2021 performance. This is based on the assumption of no management action being taken, such as passing the interest impact onto the Group's customers.

CAPITAL RISK

Capital risk is the risk that the Group has insufficient capital to cover regulatory requirements and/or support its growth plans. The Group operated in line with its capital risk appetite as set by the Board and above its regulatory capital requirements throughout the year ended 31 December 2021 and 31 December 2020. Further information is provided in the Risk Management section of the Annual Report.

25. SHARE-BASED PAYMENTS

EMPLOYEE BENEFIT TRUST

In November 2020, the Group established an employee benefit trust ('EBT') to facilitate share-based payments to key employees through issuance of either share options or shares.

SHARE-BASED PAYMENTS – OPTIONS

As at 31 December 2021, the Group maintained an equity-settled share-based payment scheme for remuneration. Options under this programme allow holders to acquire Ordinary Shares in the Company upon vesting. The options will vest upon a change in control event which is considered to be the earlier of the Company being acquired by another entity or an Initial Public Offering. During 2021 no options were cancelled or lapsed (2020: None).

The following options and awards have been granted and remain outstanding, in addition the principal assumptions used in the Black-Scholes model used in determining fair value were as follows:

Scheme	Grant date	Exercise date	Volatility	Risk-free investment rate	Share price (£)	Exercise price (£)	2021 No.	2020 No.
Share option scheme:								
Tranche 1	December 2016	December 2021	36.99%	0.56%	7.14	3.74000	**2,800**	2,800
Tranche 2	December 2017	December 2021	33.48%	0.69%	209.52	34.00000	**125**	125
Tranche 2a	December 2017	October 2020	33.48%	0.69%	209.52	34.00000	**438**	438
Tranche 3	December 2017	October 2020	33.48%	0.69%	209.52	34.00000	**3,528**	3,528
Tranche 4	December 2017	October 2020	33.48%	0.69%	209.52	0.00001	**13,558**	13,558
Tranche 5	December 2018	September 2021	33.55%	0.84%	166.32	66.36000	**1,732**	1,732
Tranche 6	February 2019	December 2021	35.22%	0.49%	154.72	66.36000	**7,046**	7,046
Tranche 7	January 2019	December 2021	35.36%	0.80%	154.72	66.36000	**452**	452
Tranche 8	January 2019	December 2021	35.36%	0.80%	154.72	0.00001	**12,474**	12,474
Tranche 9	April 2019	December 2021	31.41%	0.74%	154.72	66.36000	**582**	582
Tranche 10	July 2019	December 2021	33.51%	0.55%	176.82	66.36000	**452**	452
Tranche 11	July 2019	December 2021	33.51%	0.55%	176.82	0.00001	**10,858**	10,858
Tranche 12	February 2020	December 2023	33.30%	0.38%	176.82	66.36	**3,026**	3,026
Tranche 13	March 2020	March 2023	33.40%	0.21%	176.82	66.36	**6,169**	6,169
Tranche 14	March 2020	March 2023	33.40%	0.21%	176.82	0.00001	**12,146**	12,146
Tranche 15	August 2019	August 2022	31.00%	0.34%	176.82	66.36	**452**	452
Tranche 16	August 2019	August 2022	31.00%	0.34%	176.82	0.00001	**962**	962
Tranche 17	December 2016	December 2020	30.50%	0.40%	7.14	0.00001	**82,140**	82,140
Tranche 17a	December 2016	December 2020	30.50%	0.40%	7.14	0.00001	**10,500**	10,500
Tranche 18	December 2020	December 2025	35.40%	-0.06%	176.82	0.00001	**13,370**	13,370
Tranche 19	January 2021	December 2021	29.20%	0.48%	128.31	66.41000	**1,782**	–
Tranche 20	January 2021	December 2021	29.20%	0.48%	128.31	0.00001	**19**	–
Tranche 21	January 2021	December 2022	29.20%	0.48%	128.31	66.41000	**1,782**	–
Tranche 22	January 2021	December 2022	29.20%	0.48%	128.31	0.00001	**18**	–
Tranche 23	January 2021	December 2021	29.20%	0.48%	128.31	66.41000	**3718**	–
Tranche 24	January 2021	December 2021	29.20%	0.48%	128.31	0.00001	**4,563**	–
Tranche 25	January 2021	December 2022	29.20%	0.48%	128.31	66.41000	**3,718**	–
Tranche 26	January 2021	December 2022	29.20%	0.48%	128.31	0.0001	**4,562**	–
Tranche 27	June 2021	May 2024	29.20%	0.48%	134.73	66.41000	**1,701**	–
Tranche 28	June 2021	May 2024	29.20%	0.48%	134.73	0.00001	**4,302**	–
Tranche 29	June 2021	December 2023	29.20%	0.48%	134.73	0.00001	**1,425**	–
Tranche 30	January 2021	December 2021	29.20%	0.48%	134.73	0.00001	**5,825**	–
Tranche 31	January 2021	December 2022	29.20%	0.48%	134.74	0.00001	**5,822**	–
Tranche 32	January 2021	December 2021	29.20%	0.48%	134.73	0.00001	**11,652**	–
Tranche 33	July 2021	December 2023	29.20%	0.48%	134.73	0.00001	**7,763**	
							241,462	182,810

	Weighted average exercise price 2021 £	2021 No.	Weighted average exercise price 2020 £	2020 No.
Outstanding as at 1 January	**8.05**	**182,819**	15.65	54,347
Granted	**14.38**	**58,652**	28.13	128,765
Forfeited	**–**	**–**	(66.36)	(302)
Exercised	**–**	**–**	–	–
Lapsed	**–**	**–**	–	–
Outstanding as at 31 December	**9.59**	**241,462**	8.05	182,810

25. SHARE-BASED PAYMENTS CONTINUED

SHARE-BASED PAYMENTS – OPTIONS

The exercise price of options outstanding at 31 December 2021 ranged between £0.00001 and £66.41 (2020: £0.00001 and £66.36) and their weighted average contractual life was 1.02 years (2020: 0.9 years).

The weighted average exercise price of options outstanding at the end of year was £9.59 (2020: £8.05).

The weighted average exercise price (at the date of issue) of options forfeited during the year was £nil (2020: £66.36). The weighted average fair value of each option granted during the year was £14.38 (2020: £28.13). Number of exercisable options at 31 December 2021 was 96,720 (2020: 17,524) and the weighted average exercise price of the exercisable options outstanding at 31 December 2021 was £1.52 (2020: £5.82).

The fair value of the options granted was determined using the Black-Scholes model. The charge is adjusted at each Statement of Financial Position date to reflect the actual number of forfeitures, cancellations and leavers during the period as well as the estimated period to vesting. The fair value is recognised in the Statement of Comprehensive Income on a straight- line basis over the vesting period. The total estimated cumulative fair value of options granted and outstanding at the year end is £20.7 million (2020: £14.8 million).

The underlying expected volatility was determined by reference to historical data of the Company's selected comparator's shares over a period, relevant to the remaining term of the share option grants. No special features or market-based conditions inherent to the options granted were incorporated into measurement of fair value.

During the year ended 31 December 2021, £7.7 million (2020: £3.8 million) was charged to the Statement of Comprehensive Income in relation to these options.

SHARE-BASED PAYMENTS – SHARES

During the year, the Company did not issue any shares to employees.

The EBT is consolidated into the Group accounts in accordance with IFRS 10. Any shares it holds in the Company are reclassified as treasury shares in the Statement of Financial Position of the Group accounts. Any gain or loss from the purchase, sale, issue or cancellation of these shares to the EBT is eliminated at Group level.

There are transfer restrictions on the issued shares however, this is consistent with the restrictions imposed on other shareholders.

During the year ended 31 December 2021, £nil (2020: £0.03 million) was charged to the Statement of Comprehensive Income in relation to these shares.

As at 31 December 2021, the EBT held 2.74% (2020: 4.75%) of the ordinary share capital of the Company.

26. RELATED PARTY TRANSACTIONS

During 2021, the Group provided services to and incurred costs on behalf of RTGS Global Limited, a company with common ultimate beneficial owners, totalling £nil (2020: £448,856). As at year end £439,614 (2020: £722,761) was outstanding and the balances with this related party were on an arm's length basis. None of the balance was secured. No expense has been recognised in the current year for bad or doubtful debts in respect of amounts owed by related parties, and post year end, the outstanding balance was fully repaid on 3 March 2022.

As specified in Note 1.3, the Company has taken advantage of the exemption under FRS 101 and IAS 24 Related Party Disclosures not to disclose transactions with wholly owned subsidiaries.

TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL, REMUNERATION AND OTHER COMPENSATION

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any Director. Key management personnel for the Group have been determined to be the Executive Directors and members of the Executive Committee.

KEY MANAGEMENT PERSONNEL COMPENSATION

	Year ended 31 Dec 2021 £'000	Year ended 31 Dec 2020 £'000
Salaries and wages	**2,057**	1,730
Social security costs	**256**	246
Retirement obligations	**64**	113
Share-based payments	**4,778**	2,035
Total key management costs	**7,155**	4,124

AGGREGATE DIRECTORS' REMUNERATION

	Year ended 31 Dec 2021 £'000	Year ended 31 Dec 2020 £'000
Salaries and wages	**951**	1,057
Social security costs	**110**	132
Retirement obligations	**14**	53
Share-based payments	**1,257**	761
Total Directors' remuneration	**2,332**	2,003

Two Directors (2020: three) are members of the Group's defined contribution scheme. Two Directors (2020: three) received share awards under the Group's long term incentive schemes.

REMUNERATION OF THE HIGHEST PAID DIRECTOR

	Year ended 31 Dec 2021 £'000	Year ended 31 Dec 2020 £'000
Salaries and wages	**303**	274
Social security costs	**32**	29
Retirement obligations	**14**	26
Share-based payments	**827**	269
Total highest paid Director	**1,176**	598

27. POST-EMPLOYMENT OBLIGATIONS

The Group operates a defined contribution scheme. Participants receive a monthly pension supplementary to their salaries. The Group pays contributions to a separately administered pension scheme. The Group has no further payment obligations once the contributions have been paid. The contributions are presented in staff costs in the consolidated Statement of Comprehensive Income. The pension cost charge for the year was £2.0 million (2020: £1.5 million).

28. CONTINGENT LIABILITIES AND COMMITMENTS

There are no contingent liabilities as at 31 December 2021 (2020: £2.5 million). In 2019 the Group entered into a contract to consume £10.5 million of services from a key supplier to 31 August 2022. The potential shortfall is currently estimated to be £nil (2020: £2.5 million) by the end of the contractual term following renegotiation of the contract.

29. EVENTS AFTER THE REPORTING YEAR END

In February 2022, ClearBank signed a legally binding agreement with each of Apax Digital, CFFI and PPF for several related primary and secondary transactions up to £175 million, subject to regulatory approval.

There have been no other significant events between 31 December 2021 and the date of approval of the financial statements which would require a change or additional disclosure in the financial statements.

30. ULTIMATE CONTROLLING PARTY

There is no parent undertaking or ultimate controlling party.

31. UK AUDIT EXEMPT SUBSIDIARIES

The following subsidiaries incorporated in the UK have been subject to the exemption from a statutory audit by virtue of s479A of the Companies Act 2006:

CB Infrastructure Ltd.
Abele Group Ltd.

GLOSSARY

AML	Anti-Money Laundering
ALCO	Asset and Liability Committee
API	Application program interface
BaaS	Banking-as-a-Service
BAC	Board Audit Committee
Bacs	Bankers Automated Clearing System
BRC	Board Risk Committee
CET1	Common equity tier 1
CGU	Cash-generating units
CHAPS	Clearing House Automated Payment System
ClearBank®	ClearBank Limited, unless otherwise stated means the Company and its subsidiaries
CIIA	Chartered Institute of Internal Auditors
CRCO	Chief Risk and Compliance Officer
EBT	Employee benefit trust
ECL	Expected credit losses
ERMC	Enterprise Risk Management Committee
ERMF	Enterprise Risk Management Framework
EU	European Union
EXCO	Executive Committee
FPS	Faster Payment Service
FRS 101	Financial Reporting Standard 101 Reduced Disclosure Framework
FSCS	Financial Services Compensation Scheme
FVOCI	Fair value through other comprehensive income
FVTPL	Fair value through profit or loss
GDPR	General Data Protection Regulation
IASB	International Accounting Standards Board
ICAAP	Internal Capital Adequacy Assessment Process
IFRICs	IFRS Interpretations Committee
IFRS	International Financial Reporting Standards
ILAAP	Internal Liquidity Adequacy Assessment Process
ISO	International Standards Organisation
MILB	Mandated Intra-Day Liquidity Balance
MMB	Mandated Minimum Balance
NomCo	Nomination Committee
PaaS	Platform-as-a-Service
PRA	Prudential Regulation Authority
PSD2	Payment Services Directive
RAF	Risk appetite framework
RemCo	Remuneration Committee
RMF	Risk Management Framework
ROU	Right-of-use
SMEs	Small and Medium-sized enterprises
SPPI	Solely payments of principal and interest
VAT	Value added tax

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