Clear.Bank

Annual Report and Accounts
2022

Innovate.
Differentiate.
Grow.

Our purpose

At ClearBank, our purpose is to provide great technology that unlocks our clients' 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 clients 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 payments faster, safer, more reliable and accessible to all?"

Strategic Report

Governance

Financial Statements

ClearBank at a glance

Driven by technology Powered by people

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

Who we are

ClearBank is a purpose built, technology enabled clearing bank. We were built on the belief that banking and payments infrastructure should no longer slow down innovators in the market. Instead, it's the catalyst that unlocks the potential to innovate. That's why our clients leverage our API to power their banking infrastructure and provide best-in-class service for their customers, allowing the business to stay relevant in a fast paced market.

What we do

Through our banking licence and innovative financial technology, we enable financial institutions to offer secure accounts, clear payments in real-time and enhance their banking propositions with embedded banking for their customers. As such, we are committed to being a responsible business, driving forward the transformation of payment services.

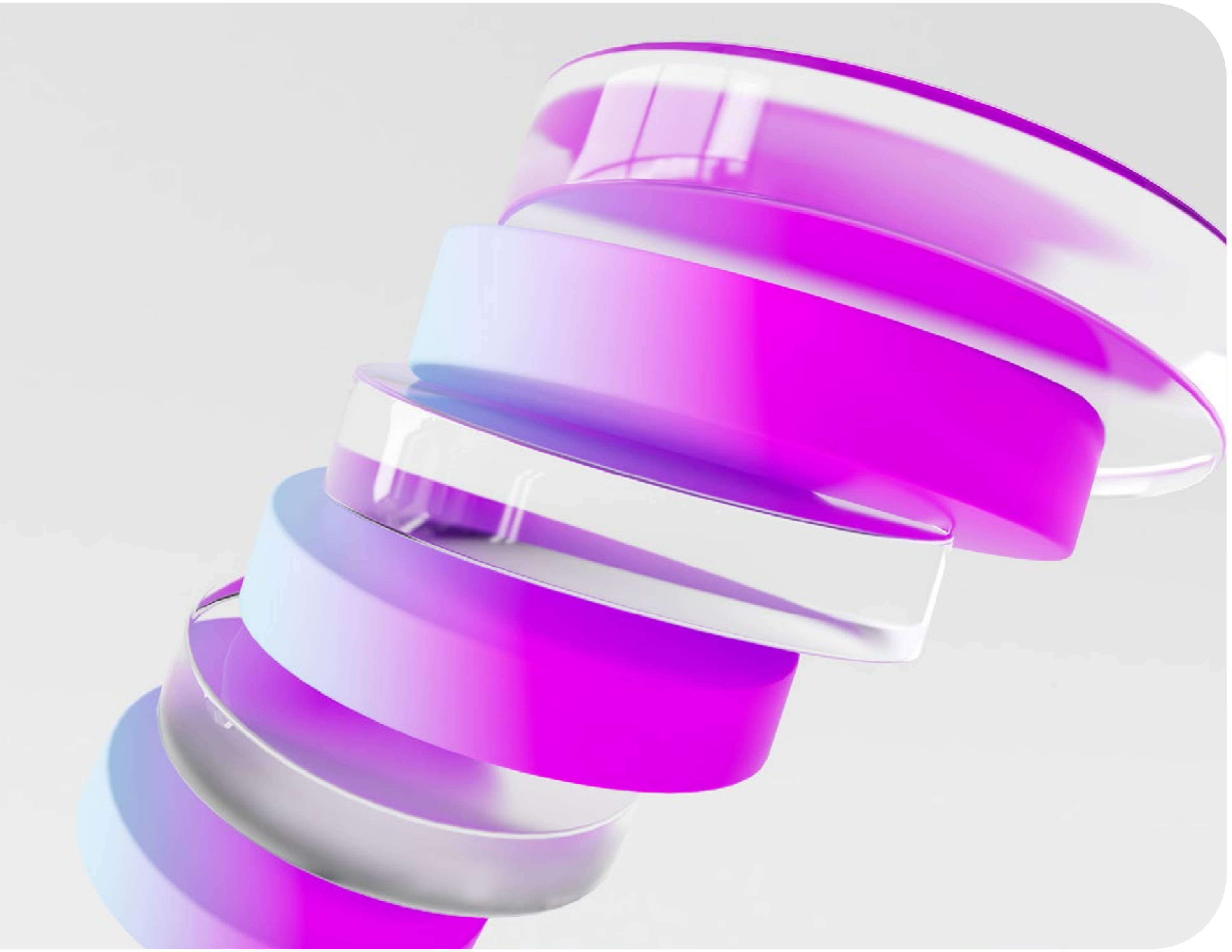
Who our clients are

Financial institutions — from fintechs and crypto platforms, to banks and credit unions — use our API to offer their customers fully regulated banking infrastructure and real-time clearing access.

For more info **see pages** 14–21

Why ClearBank?

Unlocking the potential to innovate



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's why all UK sterling 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're also dual regulated by the FCA and PRA in the UK, giving added confidence to our clients.

Operational resilience

Our clients 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 clients.

People

We're 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 client service excellence, our people are key to everything we do.

Customer 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 clients are looking to satisfy. That's why we support our clients 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 client preferences, potential developments in the UK payments schemes, recent technological innovations and upcoming banking and regulatory changes. This ensures that our clients' 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 client 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 clients 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 clients' growth.

Chair's overview

> Operational resilience and reliability of service remain central to our strategy as we scale."

David Gagie
Chair

A pivotal year

In my time with ClearBank, this has been the most pivotal year. We demonstrated the financial viability of our business model by achieving profitability in the final quarter of 2022, just five years after acquiring our banking licence. We scaled our business admirably with a 46% increase in annual transaction volumes and almost trebled annual income.

We also secured the additional backing of our investors to take our agile technology and client-focused services overseas through new corporate entities, unlocking potential and bringing about meaningful change just as we have done in the UK.

Importantly, we progressed our Diversity and Inclusion ('D&I') agenda this year, including surpassing our Women in Finance charter target with 39% of leadership positions now held by female colleagues. More details are on pages 24-25.

All this success has been underpinned by the hard work and ingenuity of our people, the attractiveness of our API platform and the stability of our capital. The latest equity investment by Apax Digital alongside our incumbent investors into the group is an endorsement of what ClearBank has built to date but, also, of the possibilities which lie ahead as we look internationally.

As the world contends against renewed economic challenges, with the ongoing war in Ukraine and the cost-of-living crisis, we remain watchful of the consequences for businesses and communities. Knowing the strength of our proposition and our balance sheet, and the proven resilience of our business model, I am confident in ClearBank's unique ability to help our clients steer through these headwinds.

Scaling with resilience

As a truly cloud-native bank, ClearBank's powerful software platform offers a great paradigm in resilience, with industry leading uptime, no downtime for maintenance, unlimited scalability and triple real-time redundancy. We protect against operational risk events by mirroring our cloud-native technology, negating service disruptions to clients.

ClearBank has built a financially sustainable and low risk business model, with all sterling deposits held safely at the Bank of England, providing our clients with complete security. Operational resilience and reliability of service remain central to our strategy as we safely scale up, on a resilient and compliant basis.

To make the world of payments safer for both our clients and consumers, we continue to work closely with our regulators and to invest heavily in our compliance and control capabilities, commensurate with the rapidly developing financial crime environment.

Solutions which help customers thrive

Chair's overview continued

Providing powerful solutions

As the UK's first new clearing bank in over 250 years, innovation is at the heart of everything we do. What I find uniquely remarkable about our technology proposition, however, is its potential to modernise and transform society.

In a groundbreaking development for the UK property sector, PEXA, the Australian-founded fintech that enabled the world's first fully digitised property settlement, is pioneering a bespoke solution for the UK. On top of introducing a brand-new payment scheme ('PEXA Pay'), they will also streamline the mortgage process making it a far better experience for all parties involved. To more quickly broaden access and enable lenders not yet integrated with PEXA Pay, they chose to partner with ClearBank, thanks to our innovative approach, our state-of-the-art infrastructure and, crucially, our access to all existing UK payment schemes.

Elsewhere, we are leveraging our agile technology to embrace the future of digital assets by working with the industry's leading participants and those who share our commitment to security, stability, effective governance, and full cooperation with regulators. At ClearBank we want to play an active role with all relevant regulators in effectively managing the rapid developments across the digital asset space.

We will raise the standards for customers on a par with traditional banking, offering sound protection against the risks, whilst bringing monetary value into the digital assets ecosystem.

Board and governance updates

During 2022, Glen Lucken was appointed as interim Chief Financial Officer and we thank him for his contribution to such a successful year and, following Glen, I am delighted to welcome our new Chief Financial Officer, Mark Fairless. He brings with him over 17 years of experience in financial services including senior roles at major banking institutions. Mark has joined at a pivotal time for ClearBank and will be critical to our future success. He will drive leadership and innovation across the finance team and our wider business strategy.

We are restructuring the ClearBank group to facilitate our global ambitions. At the same time, we are developing our governance and structures so that Board's oversight and supervision are appropriately aligned with the management of ClearBank's UK and international businesses. We have the skills, knowledge and diversity of thinking on the Board to challenge our executive and promote a strong and balanced risk management and governance culture as they strive to deliver our long-term ambition for sustainable growth.

Outlook

The opportunity for ClearBank is enormous and we will capitalise on this by doing what we do best – forging highly effective partnerships and launching innovative new products. As an example, our teams are currently developing SEPA capabilities for our API platform, instrumental to the wider group's European go-to-market strategy alongside the acquisition of our European banking licence.

As we look to the future, and as a responsible business, we will also continue to support environmental improvement. Having established our ambitions to become Carbon Neutral in 2025 as well as Net Zero by 2030, we will place fresh focus on having a positive impact on climate change and on our broader ESG agenda, a core priority in 2023.

There's a genuine excitement and energy across the whole ClearBank group as opportunities present themselves both here in the UK and abroad. But we wouldn't be in this compelling position today without the dedication and hard work of all our colleagues – our tireless staff, executive and the Board – and the generous support of our investors. Thank you to everyone playing their part.

David Gagie
Chair
31 March 2023

"As the UK's first new clearing bank in over 250 years, innovation is at the heart of everything we do."

David Gagie
Chair

Chief Executive's review

Landmark year

2022 has been a landmark year – we've grown exponentially, and our Bank is going from strength to strength. We've onboarded some fantastic new clients, welcomed over 300 new joiners, and generated profitability for the first time in the closing quarter. On top of this, we've secured the investment fuel for the next phase of ClearBank's journey, international expansion. These are amazing milestones for any company to celebrate and yet we've experienced these successes plus many more in 2022. I'm proud to announce that ClearBank is now one of the few new banks to have reached profitability, and I'd like to thank the entire ClearBank team for their outstanding contributions in getting us to this truly significant milestone. One of our fundamental aims from the outset has been to build a sustainable, responsible, and profitable business with a real sense of purpose - one that can be impactful, meet our clients' fast evolving needs and help unlock their potential. Being profitable means we can be even more impactful and help our clients from a stronger position. This is all the more important to us during this challenging period of economic uncertainty and pressures affecting our clients and their customers.

> "We have a passionate team constantly striving to enhance our technology and to make the end-to-end transaction and clearing experience even better."

Charles McManus
Chief Executive Officer

Delivering on our propositions

We've invested in our embedded banking proposition so that more and more financial institutions can take our tailored banking products to their end customers. By integrating with our modern banking infrastructure and relying on our regulatory and governance capabilities, clients can concentrate on accelerating their customer experience and bringing their business visions to life. Following our successful award-winning partnership with Tide and more recently, Chip, we welcomed our third embedded banking partner in 2022.

We were thrilled by Raisin's decision to migrate to ClearBank, as they sought a step-change in embedded banking partners so that the demands of increasing complexity and rapid scaling could be met.

We have a passionate team constantly striving to enhance our API technology and to make the end-to-end transaction and clearing experience even better. Having added the Confirmation of Payee ('COP') feature to our platform which has made payments smoother and more secure, we're also bringing in the digital processing of cheques as we continue delivering on our BCR commitments.

In the clearing space, the new Faster Payments transaction limit went live during the year and has been available to our clients ahead of plan. This was game-changing news, especially for their corporate customers who can now send business payments up to £1m at a moment's notice knowing they'll be received in real-time. ClearBank was built on the belief that banking infrastructure would no longer slow down progress. Changes like this put that belief into action.

Chief Executive's review continued

Going international

As we support a growing number of businesses, our clients increasingly ask for more of our high quality services, internationally. The next challenge for ClearBank is therefore delivering our innovation globally, managed through separate legal entities from the UK bank.

In an exciting moment for the business, we announced the multi-million pound equity investment deal led by Apax Digital alongside the participation of our existing investors, CFFI UK Ventures (Barbados) Ltd and PPF Financial Holdings a.s. The new investment into the group will accelerate ClearBank's global expansion of its clearing and embedded banking offering, initially in Europe before moving into North America and Asia Pacific. Our key ClearBank differentiators will remain consistent whichever jurisdiction we enter, such as our fully regulated banking status, the resilience of our platform and our relentless focus on client relationships. It also includes our balance sheet strength with our unique funding structure, as the safety of our clients' deposits which are readily available at the central bank, is paramount.

We made great progress this year on our international expansion objectives. At the same time we've continued innovating and investing in our products and delivering without compromise for our existing client base. The two strategies go hand-in-hand; the strength of our UK business will provide us with a robust platform and model to take overseas, whilst the additional innovation, talent and capabilities shaped by our international execution will concurrently improve the UK product experience.

As part of our expansion strategy, I'm delighted to welcome Andrew Barker as our new Chief Revenue Officer ('CRO'). Andrew is an established and proven technology sales professional who'll play an integral role in developing world class, go-to-market operations to fulfil the Bank's international growth ambitions.

A new look ClearBank

Since day one, we've been building a bank that is stepping away from the traditional. That's why we believed it was time our innovative technology and our spirited people shine through our brand, showcasing all that we are today. It's an important step in our journey, an integral part of our history and a milestone for our future.

Though we have a refreshed look, we're still the same award-winning digital bank. We were Deloitte Fast 50's fastest growing fintech company in the UK in 2021 and we continue receiving acknowledgements for achievements across the board. In 2022 Beauhurst announced us as one of the UK's top challenger banks, a true testament to our rank today considering the UK is home to a distinguished group of innovative challenger banks.

We're particularly proud of our Internal Audit team who won 'Outstanding Team in Financial Services' at the Audit and Risk awards by the Chartered Institute of Internal Auditors. This is an amazing achievement which truly reflects their hard work and dedication to making our internal audit function world class.

Outlook

I'm personally very excited by ClearBank's prospects. We're on an incredible journey serving our clients based on our core propositions of embedded banking and clearing. The Bank has come a long way since inception, weathering the challenges of the global pandemic and more recently the economic uncertainties stemming from the war in Ukraine coupled with inflationary pressures. Having reached our first breakeven month towards the end of 2022, I'm confident we'll generate sustainable profit and organic growth going forward, establishing a strong position to continue helping our clients unlock opportunities.

We're now entering the next chapter of ClearBank, scaling in the UK and setting our sights on the global stage. We have the groundbreaking technology, the skillset and zeal of our people, and also the capital to turn our ambitions into reality.

As ever, I'm deeply grateful for the commitment of our colleagues and the ongoing support of the Board and our investors to help serve our clients and revolutionise today's payment technology.

Charles McManus
Chief Executive Officer
31 March 2023

> "Our key ClearBank differentiators will remain consistent whichever jurisdiction we enter, such as our fully regulated banking status, the resilience of our platform and our relentless focus on client relationships."

Charles McManus
Chief Executive Officer

Our business model

Financial technology with a banking licence

We offer market-differentiating financial products, through a single API.

Our propositions

Clearing

Financial institutions ('FIs') open bank accounts with ClearBank to obtain indirect access to payment systems

Payment systems ---> Clear.Bank ---> FI customer

Embedded banking

Financial institutions ('FIs') open bank accounts with ClearBank on behalf of their customers; ClearBank is accountable for end-customer accounts

Payment systems ---> Clear.Bank ---> FI customer ---> End-user

Legal and regulatory relationship

Delivered through our core strengths

Cloud-based API

Our cloud-based systems make opening and managing accounts easy and let clients clear payments in real-time.

Powered by people

Our technology is developed by our innovative, highly skilled experts. Clients have dedicated relationship managers who understand their business and know their industry to offer solutions and support.

Safe and here to stay

ClearBank is fully regulated with a banking licence and sterling balances held at the Bank of England. That means customers can rest assured knowing that their money is safe.

Who we work with

- Acquirers
- Banks
- Building societies
- Credit unions
- Crypto and digital asset players
- Fintechs
- Pre-regulated firms
- Wealthtechs

Winning products

Our products are the driving force for enabling our clients to achieve their goals.

Financial institutions use our API to offer their customers fully regulated banking infrastructure and real-time clearing access. The innovative products we develop for clients are positioned around the following main categories.

Accounts

Our regulated accounts represent what clients want from ClearBank foremost. We offer seamless accessibility via our API to multiple account types that work best for our clients' businesses and their customers. Companies can scale quickly without compromising simplicity, leveraging our flexible real/virtual accounts structure.

Clearing

We provide direct, resilient and efficient access to the payment systems that our clients require. Our cloud-native, API-driven tech enables clients to access and offer payment services historically out of reach. We integrate and manage the frequent changes to the world's payment schemes so that our clients don't have to incur the significant complexity and regulatory overhead of doing so.

FX

We offer seamless execution with competitive pricing enabling our clients to buy and sell currencies in up to 12 different markets. Our financial institutions clients are able to hold balances in 11 currencies allowing their customers to send and receive payments internationally. Customers can stream prices in 64 currency pairs for up to 14 hours a day enabling them to operate across multiple markets worldwide.

Our team is committed to creating and delivering new product features and offerings that help our clients keep pace with industry changes and meet end user needs. We continue to challenge the crossborder market through our payment solutions, leveraging our platform to expedite access into new markets for clients. Our product innovation plans include the evaluation of various digital asset strategies, considering the relevant regulatory landscape evolution.

Our strategy

Unlocking the potential to innovate

Our purpose

Our purpose is to provide great technology that unlocks our clients' 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 strategic goals

Deepen UK market presence

Strengthen positioning across current and new customer segments

Expand internationally

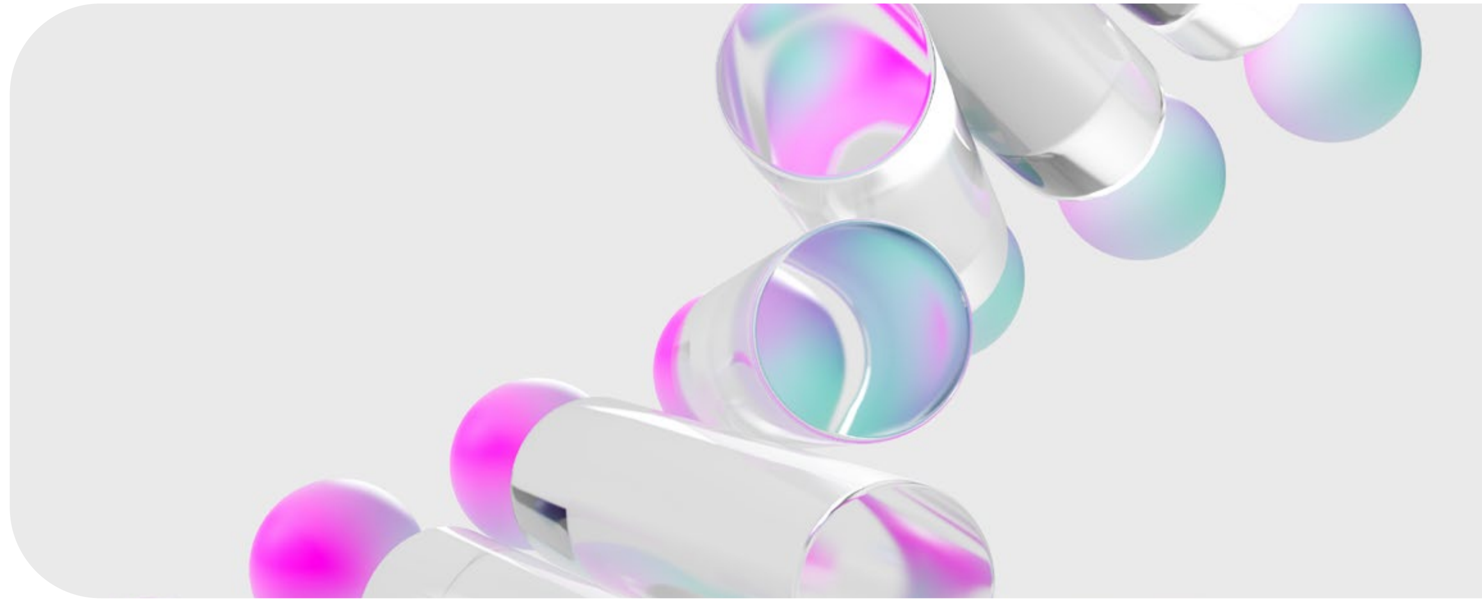
Offer the ClearBank proposition to new markets, creating a network of banking operations

Enrich and expand our offering

Enhance existing product offering and expand services to deepen customer relationships

Adding value to our stakeholders

- Colleagues
- Clients
- Partners
- Investors
- Communities
- Environment



Progress in 2022

Deepen UK market presence

We established partnerships with high profile, innovative new clients.

Raisin, the pioneering savings and investments fintech, migrated to ClearBank becoming our third embedded banking partner. Their UK customers will benefit from our FSCS protected accounts.

PEXA have launched a revolutionary proposal for the UK housing market, developed a brand new payment system and exclusively partnered with ClearBank to enable their new remortgage platform.

Ziglu, the UK-based money app supporting a range of financial capabilities including digital assets, have onboarded with ClearBank for agency banking services.

Expand internationally

We successfully closed our investment deal with Apax Digital into the group to fuel expansion of our services globally.

We submitted our draft European Banking application to the Dutch central bank to establish our presence in the Netherlands. We plan to offer our world class clearing and embedded banking platform to European customers in 2023.

We have also evaluated and prioritised additional markets in Europe, North America and Asia Pacific. We plan to enter the USA soon after Europe and to create a network of banking operations.

Our wider corporate restructuring plan has progressed to support international expansion which will be executed through separate legal entities.

Enrich and expand our offering

A number of new features were added to our API platform, staying true to our commitment to remain at the forefront of change and innovation.

We continued meeting our BCR industry visible commitments for overdrafts and cheque digitisation.

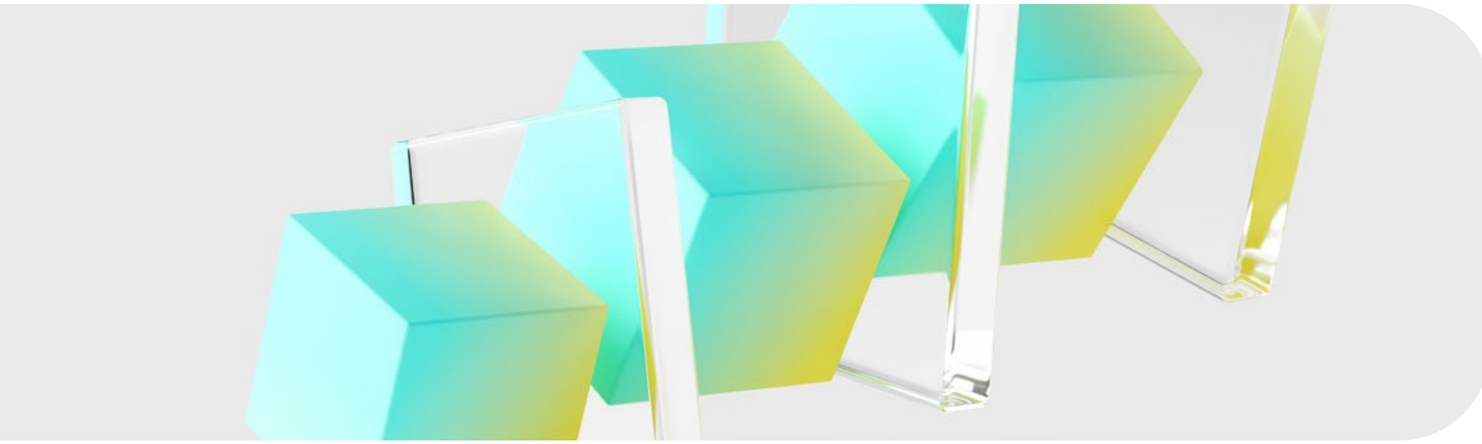
We ramped up our FX and multicurrency offering, expanding FX to 64 quotable currency pairs and a longer trading window.

We assessed and planned solutions for a once-in-a-generation rejuvenation of the Bank of England's RTGS and Pay.UK's New Payments Architecture ('NPA').

We also commenced development work for direct access to Target2, SEPA CT and SEPA Instant.

Market trends

A new era in banking and digital payments

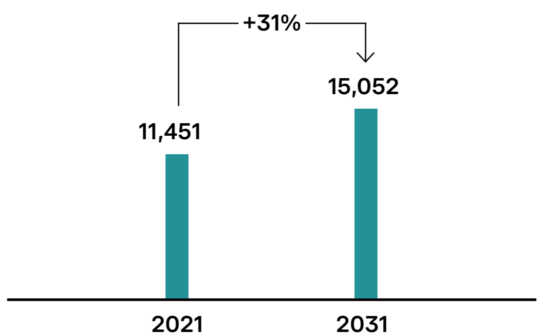


UK payments activity expected to grow in the next decade

Payment volumes are forecast to continue growing given ever increasing user demand for better payments experience across digital channels and the trends away from physical cash transactions.

FPS will account for the biggest part of that growth (5.7bn transactions in 2031 vs. 3.6bn in 2021) followed by Direct Debit (5.7bn transactions in 2031 vs. 4.6bn in 2021).

At ClearBank we will continue investing in our platform, while working closely with clients and partners to meet the user's growing needs in respect of digital payments.



Total UK payment volumes (millions)[1]

1 Source: UK Payments Summary 2022 report by UK Finance. Total payment volumes shown exclude debit cards, credit cards and cash.

ClearBank is well positioned to capitalise on market opportunities, and continue our strong growth.

New business models and changes in the competitive landscape to continue driving innovation

Embedded banking: New partnerships, business models and maturing payments capabilities in the corporate sector are all expected to drive further demand for embedded banking services across the UK, Europe and USA.

We are committed to investing in new capabilities so that more innovative financial institutions can take our tailored banking products to their customers, in turn building ClearBank's coverage in the SME market as well as new market segments.

Competition: The landscape is expected to change in the short term, driven by challenging current market conditions (in the form of lack of growth funding, geopolitical tension and macro policies). Neobanks and fintechs are diversifying their propositions, focusing even more on the end user experience and increasing the operating transparency of their business model when reviewed against financial stability and consumer value.

We are working on differentiating our products and services in the market, transforming into an international payments infrastructure bank.

Changes in the macroeconomic and regulatory landscape

Interest rates: The Bank of England raised the Bank Rate to 4% in February 2023 and the ECB to 2.5% in December 2022, with markets at the time of writing pricing in further rises.

RTGS renewal programme: The programme is underway in an effort to maintain resilience, improve user functionality and strengthen end-to-end risk management of the UK's High Value Payment System.

Digital assets (stablecoins and central bank digital currencies): Though still in early stages of discussions and consultation across most jurisdictions, with some proof of concepts in place, central banks are gradually developing their in-house view with formal regulatory guidance expected in the near term.

ClearBank has built a resilient, diversified business model able to weather market headwinds whilst concurrently benefitting from certain macro trends, such as rising base rates. Our core propositions will remain the same whichever geographies we enter. We will closely monitor regulatory changes, working with our stakeholders and helping shape the future of the payments market.

Creating value for our stakeholders

Delivering for our clients

PEXA

Company description

PEXA is an Australian Securities Exchange listed business, first established in Australia to deliver a single, national digital conveyancing solution for the property market. Since its introduction, PEXA has significantly improved the speed, simplicity, security and transparency of property transactions.

Now in 2023, more than 85% of all property transfers in Australia are processed on the PEXA platform, with PEXA also establishing a growing presence in the UK. In late 2022, PEXA launched its UK remortgaging platform, and plans to launch its sale and purchase offering for the UK in 2024.

ClearBank opportunity

PEXA has created an entirely new payment scheme – PEXA Pay. ClearBank is working with PEXA to enable lenders not yet integrated with PEXA Pay to utilise the new remortgage platform, opening the functionality to the wider market.

Products provided

Through our clearing proposition, PEXA can deliver a much faster and more efficient way for settlement to take place, benefitting lenders, conveyancers and consumers alike.

Client benefit

By working with ClearBank and leveraging our innovative approach, PEXA will be able to speed up every mortgage transaction across the UK.

> Property is a new space for ClearBank to enter, where there is enormous scope to improve legacy infrastructure with innovative financial technology. PEXA Pay is a testament to this and is set to transform the remortgaging process for all parties involved."

Charles McManus
Chief Executive Officer

raisin

Company description

Raisin is a global leader for the savings and investment market. The Raisin platform enables savers and financial institutions to connect to marketplaces across Europe and the United States. Raisin is a fast-growing fintech that cooperates with more than 400 banks from over 30 countries. Raisin UK is a UK subsidiary of Raisin and the UK savings marketplace with whom ClearBank have entered into a cooperation agreement to provide the underlying customer transaction accounts.

ClearBank opportunity

ClearBank provides the FSCS protected account that Raisin UK customers use to manage money they wish to deposit in saving products offered by Raisin UK's partner banks on the Raisin UK platform. We are supporting its customer experience by providing access to payments rails through embedded banking.

Products provided

In addition to our embedded banking product, Raisin UK's customers will benefit from 'Confirmation of Payee' providing an additional layer of security when customers transfer funds into their customer account – all powered by our API.

Client benefit

ClearBank's partnership with Raisin UK will enable quick fund transfer and account opening processes, allowing Raisin UK's customers to begin earning returns on their savings even quicker, as they transfer funds to savings accounts held by partner banks in the Raisin UK marketplace.

> As highly successful businesses like Raisin accelerate their growth, the rapid scaling and increasing complexity of its operations demands a step change in banking partners to help it to reach its full potential. Our embedded banking offering meets these demands, by embedding high-tech banking infrastructure that allows Raisin to generate efficiencies, delight customers, and stay ahead of the competition."

Charles McManus
Chief Executive Officer

Engaging our employees

We're building a bank that is stepping away from the traditional, and we couldn't do it without our people.

Our values

Our values live at the centre of everything we do. They're the beliefs and behaviours that we can all get behind and guide us on our way.

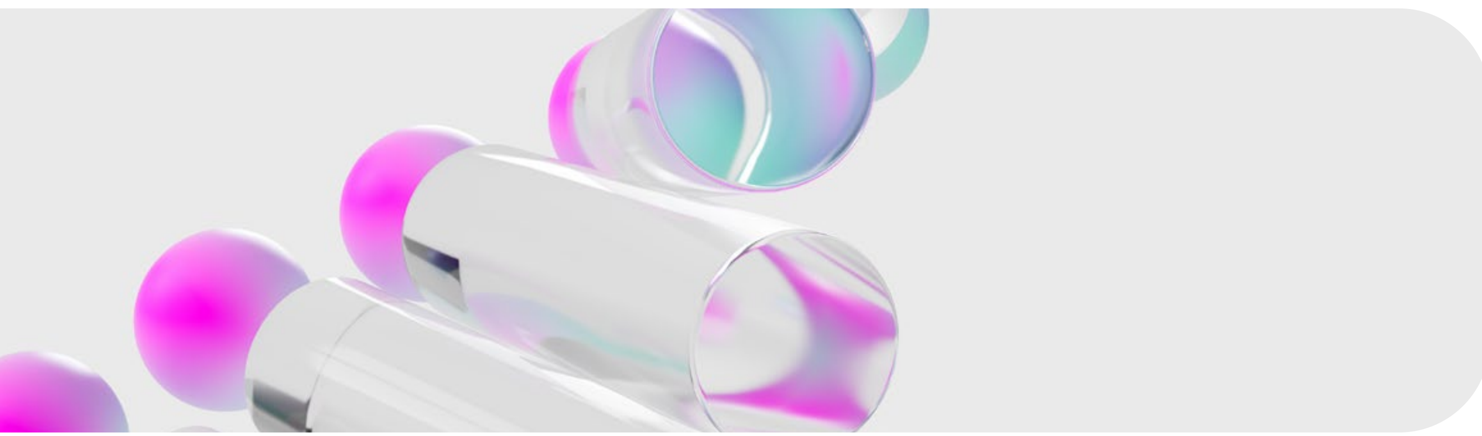
We are courageous
We're built on innovation and entrepreneurialism. We've fostered an open and inclusive environment where courageous new ways of meeting challenges are welcomed and explored.

We are ambitious
We're committed and empowered to perform at our best – for our clients, partners and each other. We continuously strive for even better.

We are 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.

We make a positive impact
It's easy to get caught up in the day-to-day. But we exist in an industry and community in which we have a responsibility to do good and deliver meaningful change.

We achieve better together
Our people, working together, take things to another level. We care and respect each other and are passionate, friendly and inclusive of collaboration that embraces the diversity of our thinking, knowledge and experiences.



"ClearBank is a great place to work for people who want to feel like they're a major part of a growing organisation. One of our values is 'we are curious', and one way the business lives this is by accepting and collating ideas from all its employees.

I've found this part of the culture really encourages me to contribute to improving team performance and creates an environment where every employee can find new ways to drive the business forward."

Will Weston
Relationship Manager

"You're given the autonomy and are empowered to solve the ever-increasing challenges of running and executing a cloud-based bank at scale.

Every year feels bigger, better, faster and more intense than the last one. I love that ClearBank still retains a fintech/scale-up feel but is run with the financial rigour of a more traditional corporate bank.

The biggest part of why I enjoy working at ClearBank is its diverse, interesting and, most of all, fun people to work with!"

Kola Oyedeji
Senior Technology Manager

"In a short space of time, I feel like I'm definitely part of this great ClearBank family. I'm fully invested in the strategic objectives of the organisation and the ongoing disruption of traditional banking."

Monty Onanuga
Senior Risk Manager

"ClearBank fosters my ambitious spirit. The open and supportive culture allows me to try new ways of thinking to achieve my goals and grow professionally."

Emily Woodcock
Events and Sponsorship Manager

Our people

Developing our talent

Achievements in 2022

We've had a year of immense achievement for our people. We've undergone significant growth and our culture has continued to thrive. Throughout the year we've delivered a number of key initiatives for the business, which include:

- Building on our sense of community in our new, state-of-the-art London headquarters.
- A large programme of recruitment – increasing our employee base by 60%.
- A company-wide review of pay and benefits ensuring our competitiveness as an employer of choice whilst also focusing on our people's needs and wellbeing.

In 2022 we made substantial investments in our workforce, which saw ClearBank welcome more than 300 new joiners. This expansion to our organisation has supported the business in its growth ambitions but also enabled further capacity within our existing employee population to better support ClearBank's growth trajectory.

We've also placed a large focus this year on ensuring our pay and benefits are aligned with the wider market. This has included making an increase to our standard holiday entitlement as well as the award of share options to eligible employees at the beginning of the year.

We're proud that ClearBank's people continue to be a highly engaged workforce and we remain committed to this as an area of focus and investment for the Bank.

Investment in people

We strongly believe our people are at the heart of ClearBank's success. Throughout 2022 we've continued investing in our workforce to support the scaling of our business. This is particularly evident with our Human Resources team, which has now expanded to a team of 18.

As part of our commitment to the professional development and growth of our people, this year we introduced a two-way mentoring programme for some of our top talent across the business. Several individuals have been paired with a ClearBank board member on a 12-month programme offering the chance to share valuable knowledge, expertise and perspective.

We continue to promote and develop our internal talent. In 2022, 15% of our employees were promoted or transitioned into different roles, leveraging their skillset, talent and career aspirations. Furthermore, eight individuals were promoted to our senior leadership team which means 38% of our leadership team now consists of internal promotions. This demonstrates our ongoing commitment to grow from within and also reflects the abundance of opportunities ClearBank has to offer to develop careers and experiences.

Flexible working

Our flexible working policy is working well for our people. As the world continues to adjust post-pandemic, our model reflects the changing way in which the modern day workplace functions at its best. Though we remain a remote-first employer, we continue listening to our employees, adjusting with their needs ensuring we provide the most supportive and productive environment possible. To this end, we have a new, state-of-the-art office space in the heart of London where we provide maximum flexibility in how it's used. At the same time, we continue to invest in our Bristol office. Across both locations, we're pleased to see increasing numbers of people choosing to visit our offices one or more times a week, helping to create a greater sense of community and connectivity.

We also continue to offer employees the opportunity to work outside of the UK for up to 30 days. This remains a popular initiative with our people and supports the global nature of our workforce. This year we introduced a flexible public holiday scheme, providing employees the option to mark the key dates that matter to them personally. Should a colleague want to work on a UK Public Holiday, they can now swap this date to celebrate an occasion that is more meaningful to them.

Cost of living crisis

Supporting our people through the cost-of-living crisis is an ongoing priority for the business. ClearBank is constantly reviewing its offering to ensure we're doing what we can during this challenging period. As part of this commitment, ClearBank has introduced a package of support for our lowest paid staff, including a one-off payment for employees earning below a certain salary. We're also giving financial literacy training so colleagues can make better, more informed decisions about their finances.

Living our values

Since the launch of our Purpose, Vision and Values, we've focused on embedding these throughout the business. Our values are integral to everything we do at ClearBank and each quarter we recognise and celebrate colleagues who have lived and exemplified a particular value. In 2022, 56 employees received this special recognition as recipients of the ClearBank awards.

Diversity and inclusion ('D&I')

As a business focused on driving transformation in the financial services industry, diversity in its many forms is vital to us and we're committed to championing it. All colleagues should feel included at work and as an example of our commitment, we release a monthly, anonymised engagement survey, with a specific focus on how people feel working at ClearBank. This provides a tangible metric about the extent to which our colleagues feel a sense of inclusion and equality in their roles. It also provides an ongoing dialogue between our management team and colleagues.

In 2022, ClearBank carried out a technology recruitment initiative, which saw 18 entry-level career changers join the business from a diverse range of backgrounds. The new joiners are benefitting from a robust development framework to support their learning and growth.

As a member of the Women in Finance charter, ClearBank is committed to supporting the progression of women in senior roles in the financial services sector. We've made great progress on our target of 35% for female representation in senior management. Currently 39% of leadership positions at ClearBank are held by women, an increase of 9% on the previous year.

Our gender pay gap has also improved from the previous year but remains wider than we would like with a median gender pay gap of 19.6% (2021: 25.0%). Whilst men and women are paid equally for equivalent roles across our business, we are committed to recruiting and promoting more women to senior roles within ClearBank to reduce the gap.

2023 outlook

Our focus into 2023 will continue to be on supporting our people to achieve their best professionally. We'll also concentrate on initiatives and policies that support wellbeing and needs outside of the workplace. Continued leadership coaching and development will play a prominent role in our ongoing people strategy, empowering our leaders to motivate, develop and grow their teams in order to achieve ClearBank's strategic ambitions.

As ClearBank continues to scale and enters new markets, we look forward to the opportunities that our growth will offer us. It's critical that we bring all of our internal and external stakeholders on this exciting journey with us - our ClearBank employees are key to this. The ongoing success of ClearBank is a testament to our people and we'll continue to invest in their development, wellbeing and evolving needs. We'll be further advancing our D&I agenda, ensuring our ClearBank values and behaviours continue to be embedded into everything we do and support our colleagues with the array of internal mobility opportunities that will become available to them.

ESG

Positive impact

ClearBank operates in an industry and community where we are all responsible for giving due consideration to our ESG obligations and delivering meaningful change.

Having laid some key foundations, this year we will strengthen our environmental, social & governance ('ESG') proposition to ensure it remains at the very heart of our business and serves as a guiding priority for everything we do.

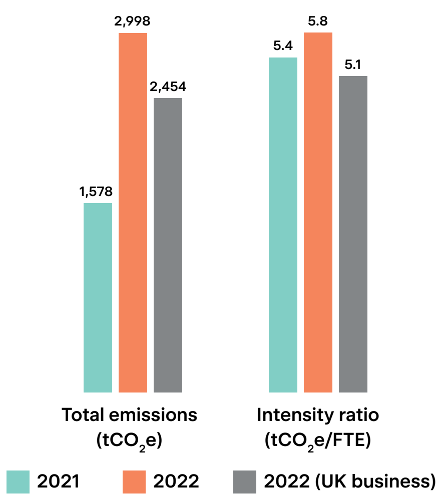
A new ESG taskforce led by executive colleagues has been mandated with delivering our ESG ambition and building robust measures of success so that our people, clients, Board, investors, and the wider community can track our progress.

Environment

The climate crisis is a serious threat facing our society and the economy, and at ClearBank we're determined to do our part. We've continued to work with our external consultants, Energise, to understand and address our carbon footprint. Please refer to our Streamlined Energy and Carbon Reporting ('SECR') disclosures in the Directors' Report on page 67. Their work has involved capturing and analysing granular emissions data, enabling us to understand the larger drivers behind year-on-year trends and identify improvement areas. We remain focused on becoming Carbon Neutral by 2025 and Net Zero by 2030. Our targets are based on reducing and offsetting our Scope 1 and 2 emissions by 2025, and eliminating those emissions by 2030.

ClearBank grew rapidly in 2022, and while we've been successful in expanding our business, we recognise that one impact of this growth has been an increase in our carbon footprint. Acknowledging the impact, we're mobilised to tackle this ongoing challenge as we continue scaling our business further. We remain fully committed to growing responsibly and in line with our stated carbon emission commitments. This will be a major focus of our ESG taskforce throughout 2023.

Our Carbon Footprint



Emissions shown are location-based and aligned to the Streamlined Energy & Carbon Reporting ('SECR') disclosures. Last year's voluntary carbon footprint in the 2021 annual report showed market-based emissions (total emissions 1,305 tCO_2e). To aid like-for-like comparison, '2022 (UK business)' excludes emissions relating to recharged expenses and international expansion headcount. For more details of our energy usage and emissions data, please refer to the SECR section on page 67 in the Directors' Report.

Social

We strive to have a positive impact on our people, our clients, our suppliers, our partners, the environment and the wider communities of which we are part. As a responsible business, we recognise the issues that our industry faces and are focused on making positive changes. These changes are not only inward-looking but also impact how we look at and work with our clients, partners and suppliers.

ClearBank's services bring better outcomes for the less privileged, the unbanked and the underbanked. Through our partnership with PayPoint, we're helping unbanked benefit recipients access their payments electronically. We were delighted that this partnership was recognised as the Social Inclusion Project of the Year in the Payments Awards 2022 and as winners of the Social Inclusion in Financial Services Award at the Card and Payment Awards 2023.

At ClearBank we encourage all employees to contribute their time and skills to worthy causes. Through the 'Bigger than ClearBank' scheme, our people can utilise their two community-giving days to engage with and tackle important societal challenges and make a real difference. This year, ClearBank employees supported a wide range of causes, including St Mungo's, a leading UK homelessness charity, with a winter coat donation drive and fundraise.

Dimensions

At ClearBank, we want all our people to know that we celebrate and value the unique differences each of them brings. Through our Diversity and Inclusion ('D&I') group, better known as 'Dimensions' at ClearBank, we influence our policies, raise awareness of challenges and issues, and ensure we keep adapting and educating ourselves to support our colleagues and others we are connected to. This year, the Dimensions team organised a wide-ranging programme of activities around Pride, Black History Month and International Non-Binary People's Day, as well as marking a number of other important dates such as Neurodiversity Week and International Women's Day.

Governance

While we continue to look at our internal risk and governance structures, we also proactively manage our risk and control framework, including areas viewed through an ESG lens, for example, in mitigating money laundering, terrorist financing and fraud. We actively offboard clients that fall short of our high standards of governance and have focused significant investment and energy throughout 2022 on strengthening our financial crime controls. Financial crime is a substantial burden on society and can lead to environmental harm. ClearBank will further invest in this critical area to better prevent, detect and deter criminal activity.

Financial review

> Overall income saw considerable growth in 2022 almost trebling from 2021."
>
> **Mark Fairless**
> Chief Financial Officer

Performance summary

2022 has been a hugely successful year for ClearBank. Despite a backdrop of challenging economic circumstances, we have seen the benefits of our scalable business model, attractive propositions, and ability to service an increased number of clients contribute to the first UK profits in the final quarter of the year. This represents excellent progress on our path to full profitability.

Our innovative offering continued to attract clients with 39 new financial institutions joining in the year, equivalent to 22% of our total 2021 client base (176). We also established a new embedded banking relationship with the migration of Raisin's UK platform to ClearBank. Our embedded banking members as a whole have grown by 86% to 629k at the end of 2022 (2021: 338k). This growth in client and partner organisations has contributed to higher transaction volumes along with increased customer balances in a higher base rate environment.

We have maintained a sustainable cost base, whilst also investing significantly in the business to continually innovate and develop our product offering and ensuring a strong control environment. Together, this resulted in our 2022 operating loss, excluding recharged expenses, reducing from £31.0m in 2021 to £10.8m. Our latest performance and forecasts also enabled our deferred tax position to be updated, leading to a 2022 bottom line profit after tax of £6.8m (2021: £28.2m loss).

We have maintained our policy of holding our clients' sterling funds securely overnight at the Bank of England. This remains a core part of our client proposition, providing them with complete peace of mind that their deposits are safely protected from commercial credit risk.

Our future pipeline of new business is strong, and in recognition of the scalability and potential of our business, we gained a new partner in Apax who have invested in the group. This will underpin the wider group's acceleration of international expansion, starting in Europe next year.

Income

Overall income saw considerable growth in 2022 with the business generating £58.4m, almost trebling from 2021 (£21.4m). Much of this growth was from increasing balances in a higher interest rate environment, which drove net interest income to £33.9m (2021: £1.8m).

Interest income is a key pillar of our earnings, as the associated client deposits are directly related to their ability to drive transaction volumes.

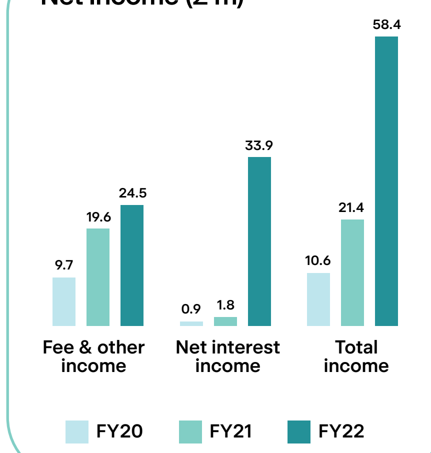
Despite significant geopolitical and macroeconomic challenges, fee income also saw strong growth to £24.4m in 2022, representing a 31% increase (2021: £18.6m). This was predominantly driven by net transaction fee income, which increased 43% to £11.4m (2021: £8.0m).

Recurring fixed platform fees also grew to £13.0m (2021: £10.6m) as we onboarded new clients taking the total to 198 (2021: 176).

Our powerful cloud-native technology and the strength of our client relationships are differentiating ClearBank in the digital payments space. Client numbers therefore continue to increase and our pipeline remains healthy in terms of both quantity and deal value.

These positive trends occurred within an increasingly dynamic regulatory environment for financial crime and sanctions compliance.

Net Income (£'m)



Financial Key Performance Indicators ('KPIs')

	2022 £'000	2021 £'000
Net income[1]	**58,368**	21,394
Staff costs[1]	**(38,484)**	(27,719)
Depreciation, amortisation & impairment	**(9,833)**	(8,273)
Other operating expenses[1]	**(20,818)**	(16,447)
Total expenses	**(69,135)**	(52,439)
Operating loss	**(10,767)**	(31,045)

1 Net income and expenses here exclude recharged expenses totalling £8.6m relating to international expansion.

Other Key Performance Indicators ('KPIs')

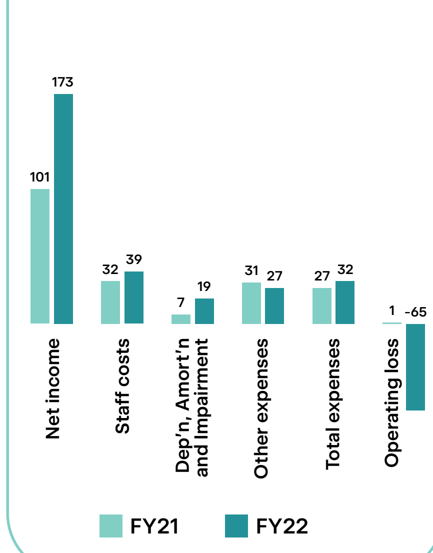
£3.0bn
(+11% YoY)
DEPOSITS AT BANK OF ENGLAND

£58.4m
(+173% YoY)
NET REVENUE IN FY'22

6.8m
(+39% YoY)
DEC'22 SCHEME TRANSACTION VOLUME Vs DEC '21

70m
(+46% YoY)
FY'22 SCHEME TRANSACTION VOLUME Vs FY'21

Percentage change from the previous year (%)



We consequently perform enhanced scrutiny and due diligence procedures before onboarding new clients, and in some cases we may choose not to proceed. The safety of our business model and regulatory cooperation is critical to our strategy as we scale. Transaction volumes are a key component of our income drivers. December 2022 scheme transaction volumes were 6.8m, a 39% increase on 2021's monthly exit volume of 4.9m, while total 2022 volumes reached 70m (2021: 48m).

Costs

Our significant income growth did not translate into an equivalent increase in our costs, underlining our focus on building a scalable business. Total operating expenses, excluding recharged expenditure, rose 32% to £69.1m (2021: £52.4m) improving the bottom line and supporting our trajectory towards sustainable profitability.

Higher staff costs underpinned most of the increase, as we invest in our infrastructure and technology innovation, focus on talent retention, as well as our processes and controls.

Reflecting the ongoing strategic investment in our business, we recognised £4.4m (2021: £0.9m) of R&D tax credit through our income tax line, as we continue developing and innovating our state-of-the-art API platform.

Capital, liquidity and balance sheet

Our regulatory metrics remain strong. The vast majority of our High Quality Liquid Assets of £3,081m (2021: £2,719m) are held as cash in sterling at the Bank of England. Excluding a one-off impact on customer deposits caused by new macroeconomic developments, the like-for-like increase in the Bank of England balance was 33%.

88% FY 2021: 140%	CET 1 Ratio
297% FY 2021: 186%	LCR
5429% FY 2021: 11701%	NSFR

On the balance sheet date there were also £121m (2021: £nil) equivalent of non-sterling investments held in highly liquid money market funds all of which are backed by government securities.

Outlook

Having reached profitability from operations toward the end of 2022, the UK bank is now on the path to achieve full year profitability in 2023.

We welcomed valued new clients and partners in 2022, and our latest pipeline is robust. At the same time, our focus on investing in our business, whilst maintaining control of our costs and enhancing our scalability remains a priority.

As the investment from Apax in the group enables ClearBank's international expansion, which will gather pace in 2023, the UK bank can now look forward to becoming capital generative on a sustainable basis.

Mark Fairless
Chief Financial Officer
31 March 2023

Risk management

Dynamic risk strategy

Key highlights of 2022

2022 was another year of strong growth which included the launch of new products and services to our clients. This growth was supported by our risk management framework and function, which continues to be enhanced to ensure it remains aligned to the business and the services provided and commensurate with our growth.

We have a risk strategy that is grounded in supporting the delivery of our vision and overarching business strategy. It is designed to both protect and create value for the company. The risk strategy sets out a clear vision and direction for the ongoing evolution of our Enterprise Risk Management Framework (ERMF) and risk management over a three year time horizon. It acknowledges the current state of risk management and sets out the strategic risk initiatives that we need to deliver in order to achieve our vision and business goals.

Our risk management strategy for ClearBank is as follows:

- Dynamic, real-time
- Insightful
- Multi-dimensional
- Automated
- Forward looking, proactive
- Integrated
- Tailored
- Data enabled

In 2022, we delivered further improvements to support us in achieving our strategic vision and deliver on our strategic initiatives, including:

- Making changes to the risk organisation in terms of overall numbers, structure and bringing in additional expertise to support our growth and product roadmap.
- Improving our process and review of top strategic and emerging risks to achieve a more forward looking and integrated view of risk today and looking ahead.
- Delivering an ambitious and risk driven programme of formal testing, thematic and control orientated reviews through the year.
- Enhancing the product management framework and governance around product lifecycle management.
- Executing on regulatory change programmes, including but not limited to operational resilience and outsourcing.

In accordance with the above, safety and scalability have remained a priority throughout 2022. We've continued to strengthen our operational resilience, cyber and data security controls, commensurate with our growth. This has constituted enhancing our controls and monitoring, increasing scenario and stress testing (including using external support to test our capabilities) and implementing any changes or improvements promptly.

There's been continued focus on embedding the PRA's operational resilience, third-party management and outsourcing requirements this year, working closely and collaboratively with our partners and third-parties to ensure the quality and continuity of our products and services, and our ability to safely scale the business through key outsourcing and third-party arrangements.

Another key area of focus in 2022 was addressing the risks posed by Russia's invasion of Ukraine. This included - but was not limited to - swiftly changing sanctions and the financial crime risk landscape and the additional broader risks such as understanding and addressing any impacts on our clients and partners. The investment we made in previous years and continued to make this year supported us in our efforts as a Bank in this regard. Beyond the conflict in Ukraine, we continued seeing a rapidly changing economic landscape, which again has required us to be dynamic and effective in our ability to adapt from a risk management perspective. From a risk perspective, we anticipate this to continue into 2023.

All of these activities have supported delivery of our business strategy for 2022, whilst ensuring that our control environment and our ERMF remain commensurate with the growth and strategic priorities of the Bank.

Areas of focus for 2023

Key areas of focus for 2023 will be:

- Ensuring sufficient resourcing and risk mitigation activity, including the potential to introduce further automation and AI for the next phase of our growth and evolution.
- Continued enhancements to our embedded banking oversight model, to ensure it remains proportionate, risk-based, and commensurate to the risk and growth of the proposition.
- Implementation and embedding of the new Consumer Duty requirements.
- Continued strengthening and enhancement of new product development governance and existing product management, to ensure we continue to deliver compliant and controlled growth, and good client outcomes.
- Ongoing evolution of our ERMF, including a refresh of our Risk and Control Self-Assessments ('RCSAs') and a continued focus on our control testing programme.
- Continued enhancement of our Financial Crime systems and control environment.
- Ongoing enhancements to the risk team and the levels of subject matter expertise matching the direction and growth of the wider business.
- Diversity and inclusion within our workforce, which will continue to be a top priority.
- Climate change and environmental sustainability which, aligned to others in industry, will involve longer term planning over the years to come.

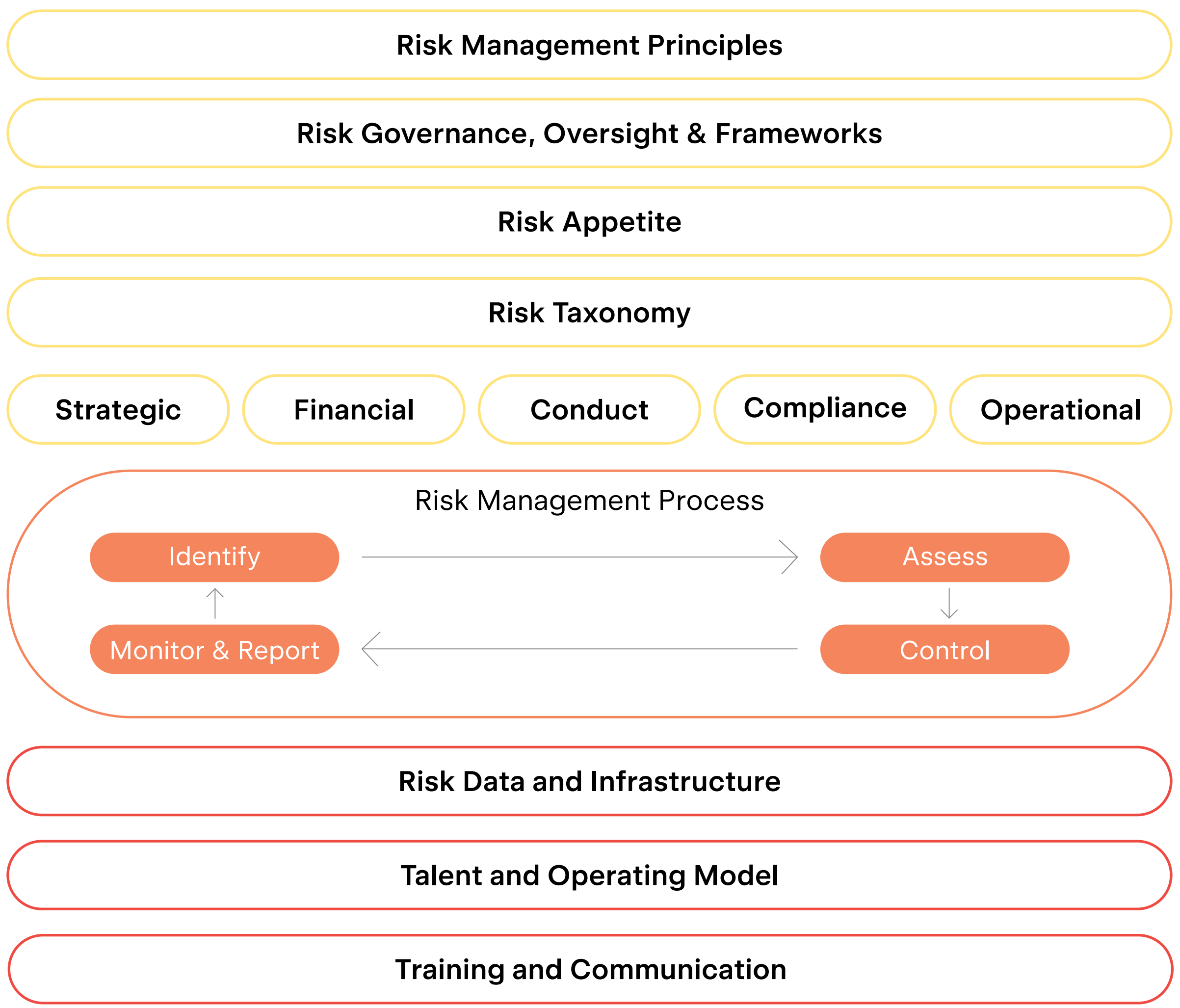
Risk management continued

Enterprise risk management framework ('ERMF')

We continue to manage our risks using an ERMF that's been designed to provide a clear and consistent approach to the management of all risks and controls within the boundaries of the agreed Board risk appetite. The ERMF is embedded in the day-to-day management of the business, with supporting standards and procedures that are applied to support the safe achievement of our strategic objectives.

The structure of the ERMF comprises the key components shown below under our risk management principles which are aligned to ISO 31000. The ERMF is underpinned by our risk culture and 3 Lines Model. This is aligned to industry best practice.

The structure of the ERMF comprises of eight key components:



The 3 Lines Model

Supporting our risk management and the ERMF, we operate a 3 Lines Model which emphasises collaboration between the first and second lines, drives greater accountability and ownership for delivering good outcomes, and supports efficiency and scalability as we grow.

The 3 Lines Model:

- Emphasises collaboration
- Drives accountability and ownership in the right places
- Drives the right outcomes
- Aligns with our values
- Supports efficiency and scalability as we grow
- Drives dynamic and proactive risk management and faster resolution of issues

1st Line

- Sets business objectives
- Risk identification, risk management and risk ownership
- Controls identification, controls management and testing
- Risk reporting and escalation to Executive Risk Management Committee
- Remediation actions where controls fail or risk appetite is breached

2nd Line

- Risk and Compliance function, including Compliance, Operational Risk, Financial Risk and Financial Crime
- Ownership of the ERMF and supporting policies, standards and procedures
- Provision of advice, guidance and horizon scanning
- Review, challenge, oversight and testing of 1st Line risk and control activities
- Risk reporting and escalation to Executive Risk Management Committee and Board Risk Committee

3rd Line

- Performance of independent internal audits over the 1st and 2nd Line
- Provision of assurance to the Board on the effectiveness of the 1st and 2nd Line and the control environment
- Audit action tracking, reporting and closure oversight

Risk reporting and governance

We produce regular risk reporting for our risk committees aligned to our risk taxonomy and cover the five key risks (see page 36) to which ClearBank is exposed. Please see page 47 in our governance section for our governance structure and risk committees. Each committee has responsibility for the monitoring and oversight of our risk profile in line with our risk appetite, which is reviewed and approved annually by the Board.

Integrated vision

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 from the top' from our executive leadership and the Board, who provide clear and consistent messaging of our commitment to the management of risk through all levels of the Bank.

- The Bank's purpose and values. Striving for good outcomes for our customers, staff and partners consistent with our purpose.
- 'Tone from the top' – communicating our commitment to the management of risk. Competent, capable and accountable leadership.
- Approach to reward and managing people aligns to our culture, including recruitment, objective setting and performance management.
- Code of Conduct and other key policies in place to support our staff to understand the boundaries in which they are expected to operate.
- Regular risk training and the development of staff to ensure risk awareness is embedded and maintained in their daily roles.
- Senior Management and Certification Regime ('SM&CR') compliance supports risk-informed decision making.
- Strong governance arrangements in place, having a clear framework of responsibility that oversees how we operate on a day-to-day basis.

Risk management continued

Key risks

Key risks	2022 change in risk profile	2023 risk outlook	How key risks are mitigated	Commentary
Compliance Risk Includes financial crime compliance and regulatory compliance risks	Improving	Improving	Mitigated in a number of ways including horizon scanning for changes in regulatory and financial crime requirements, tracking regulatory change actions to closure ensuring we are and do remain compliant and customers continue to be protected, and regular oversight and control testing activities to demonstrate compliance and identify any processes or controls that may require strengthening.	A focus on enhancing AML, counter-terrorist financing and sanctions systems, controls, policies, procedures, and subject matter expertise has seen a consistently improving financial crime risk position during 2022, where risk exposure has reduced in recognition of the material control improvements delivered. Going into 2023, this will remain an area of focus to ensure we continue to reduce our risk exposure and remain compliant.
Conduct Risk Includes culture, behaviours, and partner risks, as well as governance and product risks	Stable	Improving	Mitigated through consistent and appropriate 'tone from the top', regular training to support staff in understanding what good conduct looks like, robust product life-cycle governance, and ongoing improvements to our complaints monitoring and oversight, both in our clearing portfolio and embedded banking partnerships.	Conduct risk has remained a key area of focus throughout 2022 as providing excellent customer service and good customer outcomes is core to our values. As we continue to grow during 2023, we will continue to work closely and collaboratively with our partners, to ensure this is achieved for all customers in line with the new Consumer Duty.
Financial Risk Includes capital, liquidity, and funding risks, and also includes credit, interest rate and market risks	Stable	Stable	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 and drive mitigating actions to reduce any risk exposure. We also ensure we maintain sufficient levels of capital and liquidity above regulatory requirements.	Financial risk has remained stable with capital boosted by the interest rate increases driving net interest income, and the Apax capital investment. 2023 will see continued focus on capital and liquidity risks and control effectiveness testing.
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	Stable	Improving	Mitigated through a number of operational frameworks, models, and strategies, with regular and comprehensive risk and control self-assessments and control testing activities, which ensure that we fully understand our risk exposure and take further risk mitigation actions where necessary to strengthen the control environment and remain within risk appetite.	Overall operational risk has remained stable, albeit with notable improvements in some areas, such as in transaction processing and execution risk, due to the streamlining and automation of a number of manual processes and controls, and also outsourcing risk given the focus on operational resilience throughout 2022. The continued growth of our number of clearing clients and embedded banking partnerships will increase our inherent operational risk exposure in 2023 and therefore we will continue to focus on ensuring the control environment is strengthened commensurately to ensure operational risks remain within tolerance. There will be particular focus on information, outsourcing and people risks and controls.
Strategic Risk Includes environmental and social, political, and economic risks as well as business and competition risks	Stable	Stable	Mitigated through a regular and comprehensive review of our strategy ensuring that our financial plans and annual objectives are aligned to and supported by the strategy. This includes tracking of our client pipeline and attrition, controlling costs and adherence to budget, monitoring diversity and inclusion data - for example gender diversity at a senior leadership level, and keeping close to external factors, macroeconomic and geopolitical events that could impact our customers and our strategy, such as growing inflation and Russia's invasion of Ukraine.	Whilst transaction volumes and customer onboarding numbers have been impacted by the geopolitical and wider economic climate during 2022, this is balanced with good profitability against budget and a very strong pipeline going into 2023. We will continue to focus on optimising revenues from both existing and new customers and the effective management of our international expansion risks. Gender and diversity in the workforce and ESG will also remain key areas of focus.

Outlook and emerging risks

Both our external and internal risk landscape has continued to change throughout 2022 with major geopolitical events such as the war in Ukraine, uncertainty in the UK economy and significant regulatory compliance changes. Our own strategic plans for growth and international expansion impact our risk exposure and create the potential for new risks to emerge as we head into 2023.

We continue to proactively horizon-scan to identify new and emerging risks, and regularly assess the potential impacts these may have on our clients, partners and on our business strategy and objectives. This enables us to effectively prioritise and focus on the control environments of our highest risk areas, ensuring no material detriment occurs and we remain within our Board level-agreed risk appetites.

Russia's invasion of Ukraine will continue to create uncertainty for the foreseeable period, due to periodic sanctions changes, prohibitions, and increased information security threat levels. We will therefore continue to focus on our cyber and data security, financial crime and operational resilience controls and testing to support the prevention of disruption, harm and regulatory breaches, and to ensure business continuity.

We will continue to effectively manage the risks associated with our international expansion and plans for growth, closely monitoring and assessing the risks, developing and completing risk mitigation action plans to ensure we have adequate controls in place to effectively manage the risks. We will continue to refine our assessment of the risks posed to the UK business as a result of international expansion by the wider group, and will continue providing Senior Management and Board level insight and assurance on a regular basis throughout 2023.

Growth of clearing client and embedded banking partner numbers will naturally increase our operational, conduct and compliance risks exposure, and the need for ClearBank to be scalable and secure. This heightens the importance of continuing to strengthen our control environment and the effectiveness of our risk management approach.

Section 172

The matters in section 172 of the UK Companies Act 2006 are important to a company's sustainable long term success and the contribution it makes to wider society. The Board of Directors recognises that the long term success of the business is dependent on the way we interact with a range of key stakeholders.

This section explains how, as required by section 172, the Directors have acted to promote the success of the Bank for the benefit of its stakeholders. In meeting this responsibility during the year, the Directors have had regard, amongst other matters, to:

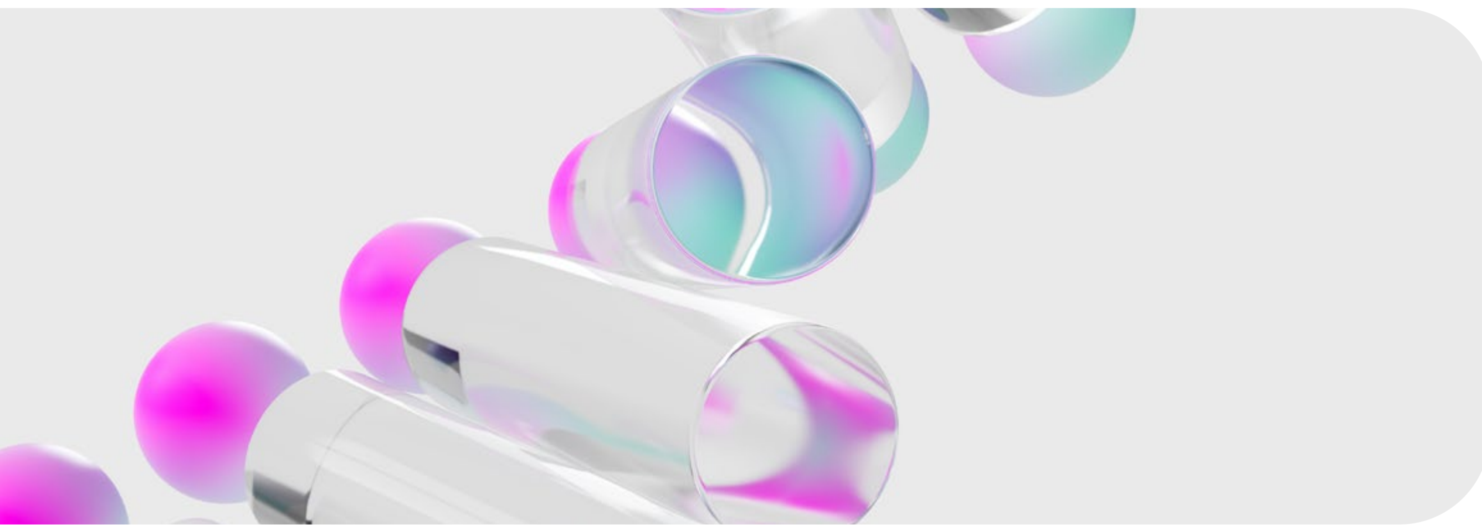
- The likely consequences of any decisions in the long-term.
- The interests of the Bank's colleagues.
- The need to foster the Bank's business relationships with suppliers, customers and others.
- The impact of the Bank's operations on the community and environment.
- The Bank's reputation for high standards of business conduct.
- The need to act fairly as between members of the Bank.

As a Board of Directors, we have always taken decisions for the long term. Our aim is to uphold the highest standards of conduct, ensuring that management operates the business in a responsible manner.

In order to promote the long term success of the Bank, the Board recognises the importance of engaging with stakeholder groups to help inform its strategy and decision making. 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.

ClearBank aims to be a technology driven bank in which people want to invest, from which people want to procure services 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 which is value-based and sustainable in approach, and therefore aligned to the requirements and expectations of section 172.

Our key stakeholders include our people who make ClearBank what it is, our clients whom we serve, our suppliers whom we partner with, and the environment in which we operate.



	Why we engage	How we engage	Principal decisions
People	Sustainable success and delivery of our strategy is dependent on our colleagues and ClearBank places great importance on employee involvement, with our people at the heart of everything we do. In order to attract and retain the best people, and to get the most out of their talent during their time with us, we believe in fostering a culture of engagement, collaboration, support and inclusivity. Their skills, values and commitment are what enable us to provide innovative new products, an exceptional level of service to our clients and to expand our business proposition.	Our engagement with employees takes numerous forms. Please refer to Our People section on pages 24-25 for more details. To help employees stay informed, we hold weekly company-wide meetings where key business updates and a range of topics impacting our employees are presented. Additionally, we circulate a weekly ClearBank newsletter with contributions from various departments, providing a round-up of the week's events including important HR updates, notable customer and marketing related news, and any other relevant business developments. A third and significant channel of employee engagement is through our monthly Peakon surveys, with a particular focus on how people feel about working for ClearBank. This is a vital tool that allows management to gauge the sense of inclusion, positivity and general feeling of satisfaction through anonymised feedback and tangible metrics. It also provides an ongoing basis for constructive dialogue between the executive and our colleagues.	A principal decision made during the year was the corporate restructuring to facilitate the international expansion strategy of the wider business. This will affect our staff in several ways, but the key direct impact in 2022 was in regard to their employee share options. Because of the restructure, under the terms of the HMRC approved Company Share Option Plan ('CSOP'), the options became exercisable; each option holder had the choice to either convert their existing option awards into shares or alternatively transfer their options to a new group holding company. Recognising the weight and complexity involved with that decision, management disseminated timely and transparent communication in advance, followed by several briefing sessions where further information was presented, and where colleagues had the opportunity to ask specific questions directly to senior management. This was on top of the equity briefings run by executive colleagues earlier in the year to provide our staff with a broader understanding about employee share options.
Clients	ClearBank's success has been built on the long-standing and trusted relationships we've established with our clients. We now support just under 200 financial institutions which include banks, fintechs and building societies. Our clients enable us to grow our business in the way we do because we grow alongside them, by providing innovative new products and propositions to meet their expanding array of needs. Therefore, understanding these evolving needs and the inefficiencies they face in terms of legacy systems, and the costs and risks of innovating themselves in a challenging and turbulent landscape, is central to our long term strategy.	Effective client engagement has always been the foremost priority for the business. We engage with our clients through regular and transparent communication in our day-to-day business activities and through formal communication channels and meetings. Each of our clients has a dedicated Relationship Manager who understands their business and possesses in-depth knowledge of their industry, who are in turn backed by a team of specialists to offer expert solutions and support when needed. We gain ongoing feedback from our clients through different means, including telephone conversations, face-to-face meetings, independent research, as well as by attending industry-related events. During the year, we held our first ever dedicated client event in our office, followed by a client Christmas party. These provided opportunities to engage with our clients in person, strengthen our relationships and take on board their views and valuable feedback.	The completion of the Apax investment deal in the group and the launch of our international expansion strategy, beginning with our application for a European banking licence, was a principal decision with our clients at the very heart of it. Some of our largest clients are moving into Europe where there is a capability and service gap across technology, commercial know-how and availability of a full banking licence. To cater for these needs, the Board has made the major strategic decision to expand ClearBank's products and services to new jurisdictions, beginning with the European market based from the Netherlands. International expansion will be managed through separate entities within the wider group of the business.

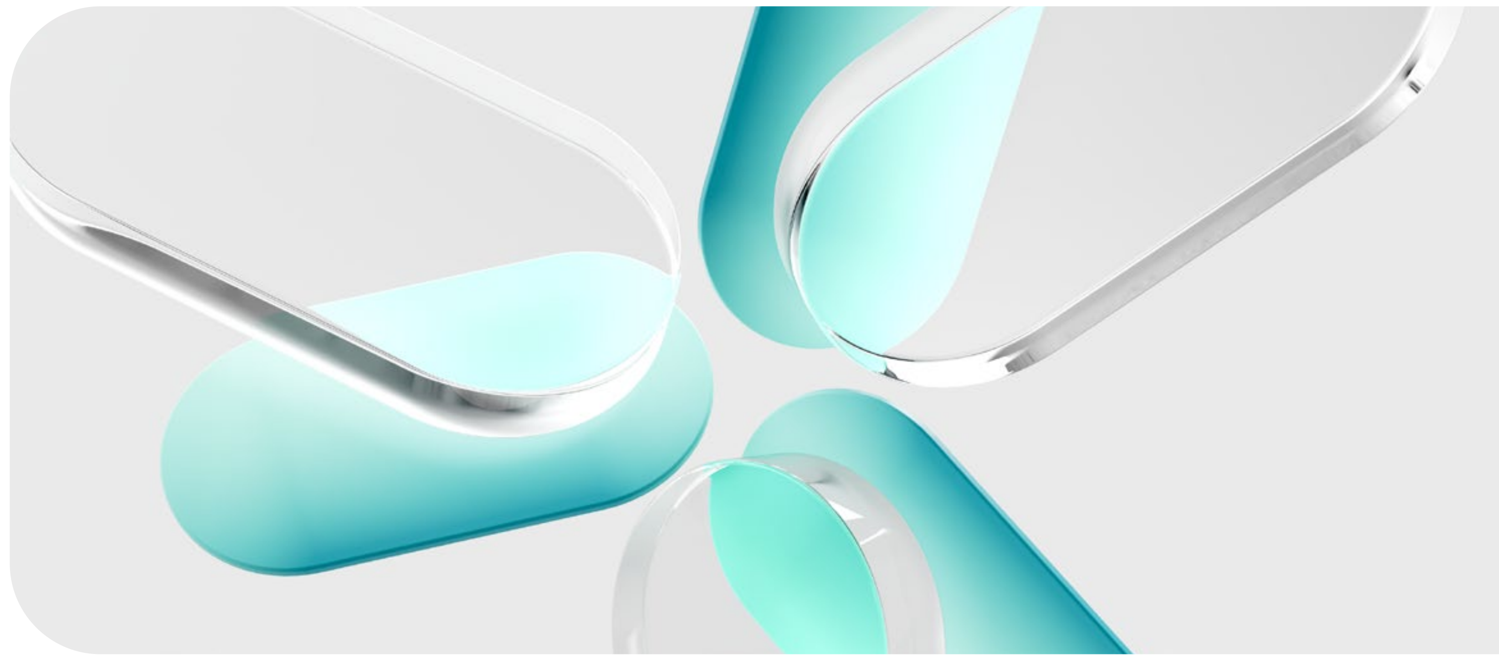
Section 172 continued

	Why we engage	How we engage	Principal decisions
Suppliers	Our suppliers play a key part in enabling us to deliver a leading service to our clients by amplifying our capabilities. ClearBank works with organisations that have values which are in the best interest of our clients and our long-term sustainability. We are committed to developing and fostering business relationships with high quality suppliers and partners who themselves are committed to operating under ethical and environmental standards equivalent to our own, including in the fair treatment of clients, employees and other stakeholders. We partner with suppliers who understand our business and the part they play in our long term strategy, which enables us to remain agile as we scale. By maintaining high levels of transparency with our key suppliers in areas of risk, compliance and strategy, we also ensure they are fully onboard with the direction we are taking the business at every stage of our development.	Our relationships with our suppliers and our engagement with them are governed by our supplier management procedures, including our outsourcing, procurement and third party oversight policies. Each supplier is assigned a Supplier Owner being the individual responsible for the engagement, relationship management and oversight of the supplier throughout the life cycle. In addition, our Product and Client Services teams support Supplier Owners manage the supplier relationships and to complete service, performance and contractual reviews which enables a strong business-focused collaboration with our suppliers. As part of our ongoing oversight processes, the Supplier Owner organises and conducts monthly service meetings which are tailored for the supplier and during which the supplier has the opportunity to interact with various relevant stakeholders from across ClearBank. During these meetings the overall relationship is reviewed together with discussions about any general issues that if addressed could benefit the relationship with the supplier or the services provided.	ClearBank's growth and global expansion plans will have implications for our suppliers which management has taken into consideration as part of our delivery programmes, workstreams and European go-to market strategy. We have proactively engaged with our suppliers to ensure that any developments in the scope of their service requirements are adequately considered. In addition, the wider group restructure to enable ClearBank's international expansion and our entry into new jurisdictions means that potential legal and tax related considerations constitute ongoing discussion themes with our key suppliers.

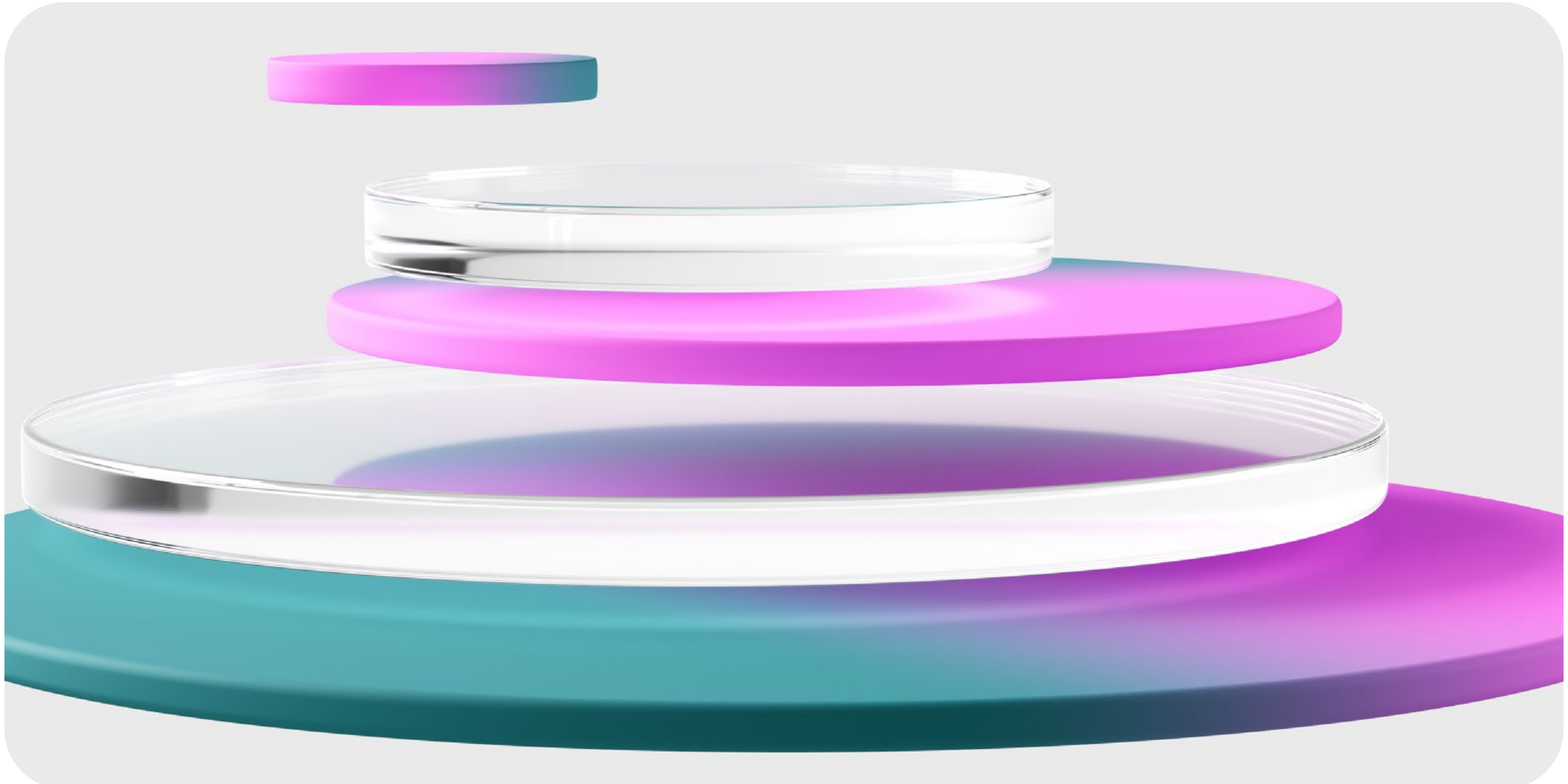
	Why we engage	How we engage	Principal decisions
Environment	We recognise that environmental issues, particularly climate change, are amongst the biggest challenges facing the world today, affecting all of our stakeholders, including the communities in which businesses operate. As a responsible business wanting to make a positive impact on society through what we do every day, the environment is a key stakeholder that concerns us.	Please refer to our ESG section on pages 26-27 for details about environmental considerations being made by ClearBank. This includes our carbon ambitions and strategies, analysis of our greenhouse gas emissions ('GHG') and the impact of our growth plans, in addition to assessing ways we can influence our carbon footprint, and those of our suppliers, partners and others in our value chain, through proactive engagement. Our environmental working group meets and discusses climate-related initiatives and provides updates to all our staff through the ClearBank newsletter.	In 2021 the Board approved ClearBank's environmental targets for becoming Carbon Neutral by 2025 and a Net Zero business by 2030. In 2022 we evaluated the options to enhance the credibility and tracking of our ambitions through reputable bodies such as the Science Based Targets Initiative ('SBTi'). We have re-energised our focus on the environment by making it, along with ESG more broadly, one of ClearBank's key company priorities. The environment will continue to be an important consideration in our strategic decision making as we expand our proposition and as the wider business enters new geographies, where we believe we can have a meaningful impact.

The Strategic Report was approved by the Board of Directors on 31 March 2023 and signed on its behalf by

Charles McManus
Chief Executive Officer



Our approach to Governance



Governance

Meet the Board

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 Board Nomination Committee

Appointed
September 2018

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

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.

Mark Fairless

CFO and Executive Director

Appointed
January 2023

Background
With over 17 years of experience in financial services, Mark has previously held senior positions at Santander UK and Barclays Investment Bank. In May 2022 he also became a finance trustee of Bore Place (Home of Commonwork Trust), a non-profit organisation committed to exploring ways of living sustainably.

Committees

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

Shonaid Jemmett-Page

Senior Independent Director, Chair of Board Audit and Board Remuneration Committees

Appointed
July 2016

Background
A finance professional with over 30 years of experience, Shonaid 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.

Catherine Doran

Independent Non-Executive Director and Chair of Board Risk Committee

Appointed
February 2020

Background
An executive with over 40 years of experience, Catherine served as the CIO of Royal Mail 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.

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 clients, suppliers, employees, the wider community and the environment.

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

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 on the next page. 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.

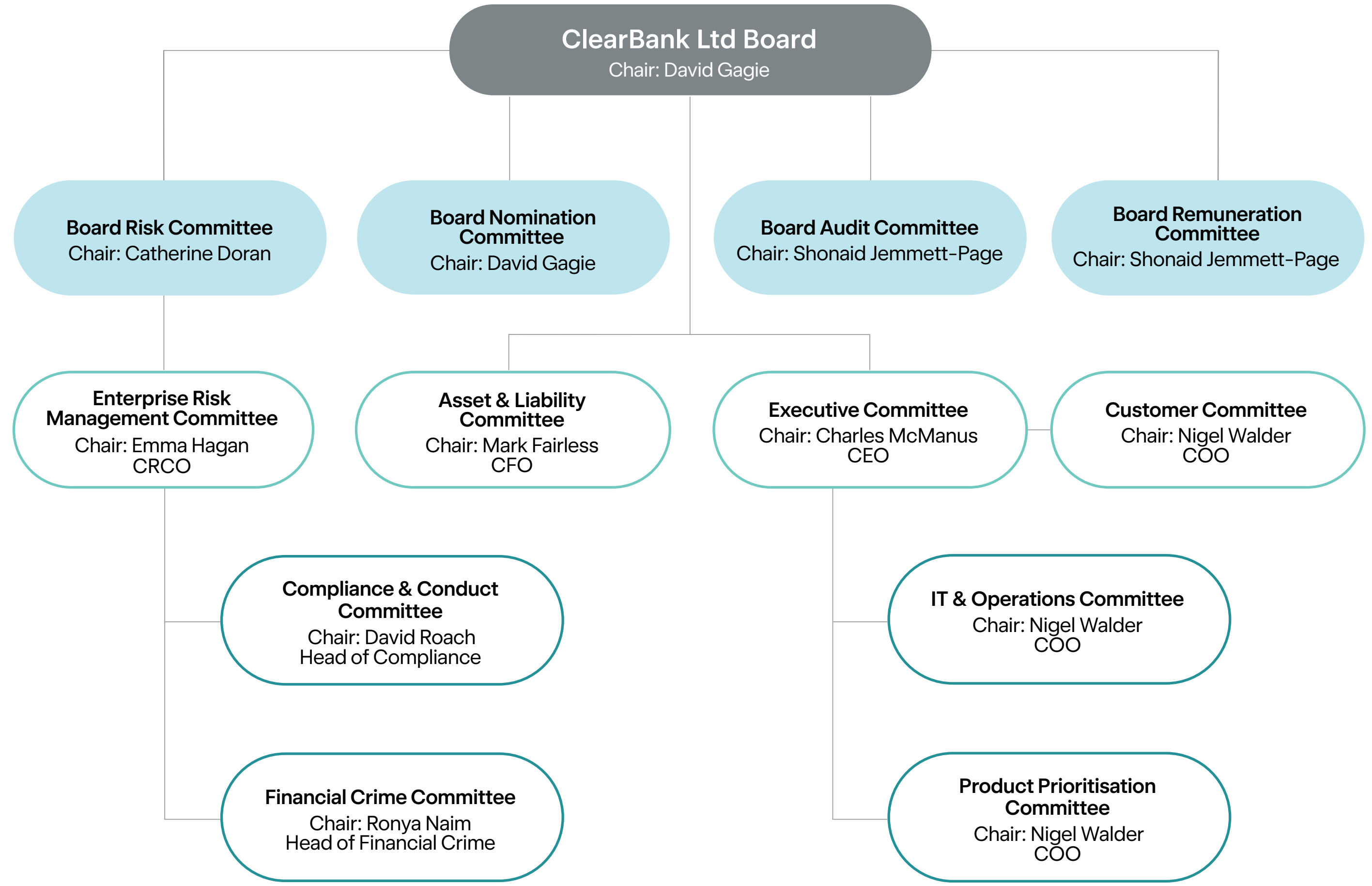
Matters are considered in a more detailed fashion by appropriate members of senior leadership and, where appropriate, the Committee Chairs make recommendations to the Board for consideration and approval. The Board receives updates for each of its Committee meetings and all Directors can access and review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

Executive committees

The Board is supported by the executive sub-committees including the Executive Committee, Enterprise Risk Management Committee ('ERMC') and the Asset & Liability Committee ('ALCO'), which are in turn supported by their own sub-committees. 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 2022

The Board uses its meetings to provide governance and oversight for business activities and as a mechanism for discharging its duties under section 172 of the Companies Act. Each Board meeting follows a carefully tailored agenda agreed upon 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.



Board and committee structure continued

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 Bank as they arise. Details of individual Directors' attendance at the scheduled meetings that took place in the year can be found on page 49.

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.
- Strategic projects affecting the Bank, including external investment activities, corporate structure and the foreign exchange and multicurrency programme.
- Reviewing the competitive landscape and assessing commercial opportunities, including the ongoing management of a remote-first business.
- Client matters, including the Bank's client onboarding, client experience and partnerships.
- The ongoing development of the Bank's enterprise risk management framework.
- 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 Bank's Purpose, Vision, and Code of Conduct which set out key behaviours for our people to apply across the Bank in all business practices.
- Diversity & Inclusion ('D&I') review and initiatives, including formalising the D&I framework, policy and plan for 2022.
- Oversight of development of climate change initiatives, strategy and framework.
- Discussing the results of the Bank's employee opinion surveys and follow-up actions proposed by management.
- Engagement with regulators and regulatory developments during the year.
- The review and approval of the Bank'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 the Bank's risk appetite statements and risk management strategy.

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 Bank's human resources, client management and internal audit functions.

Board activities

Directors

During this reporting period ClearBank updated the composition of its Board of Directors with the appointment of Glen Lucken as Interim Chief Financial Officer and Executive Director on 30 June 2022. James Hopkinson's directorship ceased with effect from 30 June 2022. Mel Carvil, Marcus Treacher and Stan Spavold's directorships ceased with effect from 24 November 2022 to take up other ClearBank group directorships. At the end of the reporting period, the Board was composed of six Directors, being the chair, two Executive Directors and three independent Non-Executive Directors. After the reporting period, Glen Lucken resigned on 12 January 2023 and Mark Fairless was appointed as Chief Financial Officer and Executive Director on 19 January 2023.

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. 12 Board meetings were held during 2022 (2021: 16).

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[1]	Board Risk Committee[1]	Board Remuneration Committee	Board Nomination Committee
David Gagie	12/12	5/5	12/13	4/4	2/2
Charles McManus	11/12	5/5	11/13	4/4	2/2
Glen Lucken	7/7	2/2	5/8	–	–
James Hopkinson	5/5	3/3	4/5	–	–
Shonaid Jemmett-Page	12/12	5/5	12/13	4/4	2/2
Phil Kenworthy	12/12	5/5	13/13	4/4	2/2
Catherine Doran	9/12	4/5	12/13	4/4	1/2
Stan Spavold	9/10	2/4	6/13	–	–
Mel Carvill	7/10	1/4	7/13	–	–
Marcus Treacher	10/10	4/4	10/13	–	–

1 These include five ad-hoc Board meetings, one ad-hoc Board Audit Committee meeting and seven ad-hoc Board Risk Committee meetings.

Approved by the Board of Directors and signed on behalf of the Board on 31 March 2023.

Phil House
Chief Governance and Legal Officer

Maintaining integrity

Chair's overview

A key activity for the Committee during the year was overseeing the formulation and execution of the fully risk-based 2022 Audit Plan. The 2022 Audit Plan represented a balanced and dynamic programme of assurance comprising the most timely, relevant and value-add audits across products, risks, technology and operations, all of which aligned to the evolving risk landscape.

Core to the Audit Plan were a number of end-to-end audits, including a sharp focus on the maturing of ClearBank's financial crime control environment. Furthermore, the Internal Audit team provided several mandatory attestations to Payment Scheme Operators and delivered other work required by our UK regulators. The Committee reviewed all audit reports, including findings raised, and received regular updates from the Chief Internal Auditor regarding the completion, validation and closure of all audit actions.

Additionally during the year, the Committee took a close interest in the engagement between all three lines within ClearBank and their equivalent functions at Tide (our first and largest embedded banking partner).

During 2022, the Committee was also forward-focused on ClearBank's expansion, ensuring the Bank is well positioned for this major development. This included ensuring the Internal Audit function is sized and scaled for the organisation's growth and sufficient assurance is provided over this critical phase of ClearBank's journey.

The Board Audit Committee oversees the integrity of the Bank's financial reporting, and the effectiveness of internal controls. It oversees both internal and external audits, ensuring their independence and effectiveness.

As the Bank continues its growth and transitions to profitability, the Committee plays a critical role in maintaining independent scrutiny and challenge of management's processes and controls. The scaling of the business has meant that the Bank surpassed the UK large company threshold for the first time in 2022. Consequently certain additional requirements have now become mandatory, such as the Streamlined Energy and Carbon Reporting ('SECR') requirements and the publication of a tax strategy. Such developments are captured in advance by the Committee's recurring horizon scanning process of legislative and regulatory updates, meaning the Bank is well positioned to comply with any new requirements.

The Committee continues to be closely involved in the oversight of the year-end reporting process, particularly around the evolution of our financial statements and the key judgements which underpin them. The Committee has supported our Chief Executive Officer, Chief Financial Officer, and our other finance professionals, by providing constructive challenge and expertise.

The Committee oversaw the departure of the former Chief Financial Officer, James Hopkinson, during the year, replaced by our Interim Chief Financial Officer, Glen Lucken, and most recently the appointment of Mark Fairless as our new Chief Financial Officer. The Committee welcomes Mark and thanks both James and Glen for their valuable contributions.

Roles and responsibilities

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

- Assessing the integrity of the Bank's financial reporting.
- Reviewing the effectiveness of its internal controls, including the Speak Up policy.
- 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 Committee 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 five meetings during the year. The Committee membership comprises the three Non-executive Directors. The Chair of the Board, 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.

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 Committee members can be found on pages 44-45.

Significant accounting judgements and estimates

We reviewed the significant matters involving accounting judgements and estimates set out below in relation to the Bank's financial statements for the year ended 31 December 2022.

The accounting judgements and sources of estimation uncertainty outlined below are those identified as having the potential to have a significant effect on the Balance Sheet in the next 12 months.

We discussed these items at various stages with management during the financial year and during the preparation and approval of the financial statements

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

Board Audit Committee report continued

Matter	Accounting judgement or estimates	Key considerations	Role of the Committee	Conclusion
IAS 38: Capitalisation of intangible assets	Accounting judgement	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 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.
IAS 36: Impairment of internally developed intangible assets	Accounting judgement	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 were robust.	We concluded that the determination of the indicators of impairment were sufficient and appropriate, and therefore the assets have been impaired where necessary.
IAS 1: Going concern	Accounting judgement	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 stress testing, 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.
IAS 12: Deferred tax asset	Accounting judgement	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 and that the carrying value of the asset is fair.

Financial reporting - core activities

The Committee undertook the following core activities during the year:

- Assessing the integrity of the annual audited financial statements, with a focus on key accounting policies and judgements of the Bank.
- Reviewing the clarity and completeness of disclosures in the financial statements to ensure compliance with accounting standards, legal requirements and regulations.
- Establishing arrangements enabling it to ensure that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the performance, strategy and business model of the Bank.
- Examining the statement in the Annual Report and Accounts on the internal controls and assessing the scope and effectiveness of the systems established by management to identify, assess, manage and monitor financial and non-financial risks.
- Reviewing and approving the annual Pillar 3 disclosures.
- Reviewing monthly finance and business performance reports.
- Reviewing the administration of the BCR grant.
- Reviewing 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.
- Reviewing the effectiveness of the Committee and its terms of reference.

Financial reporting - non-core activities

In addition, the Committee undertook the following non-core activities during the year:

- Monitoring the progress of the Bank's internal control framework for continuous enhancement of our internal controls environment including the IT architecture and automation, with a focus on the key areas of the UK Government's corporate reform recommendations.
- Reviewing and approving the proposal for a new regulatory reporting tool to be implemented.
- Recommending the statutory dormant accounts of the UK subsidiaries to the respective Boards for approval, and approving the wind down plan of those subsidiaries.
- Reviewing and approving the Bank's tax strategy.
- Reviewing and approving the CFO as the Bank's Senior Accounting Officer ('SAO').

Internal audit

The 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 Internal Audit Charter.
- Approving the annual Audit Plan and any associated risk-based adjustments to it.
- Reviewing progress against the annual Audit Plan together with the results of other assurance work performed by the Internal Audit function.
- Reviewing Internal Audit reports 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, particularly in relation to the sufficiency and adequacy of resource.
- 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 Committee undertook the following additional activities:

- Reviewing the Chief Internal Auditor's regular programme of insights presented to the committee.
- Overseeing the programme of continuous improvement established by the Chief Internal Auditor to ensure the function constantly evolves and matures – this included review of the refreshed Internal Audit Methodology as well as an assessment of the function's compliance with core internal auditing standards.
- Overseeing the continuation of the 'Combined Assurance' approach between Second and Third Lines.
- Celebrating the Internal Audit function winning the 'Outstanding Team – Financial Services' award from the Chartered Institute of Internal Auditors.

Board Audit Committee report continued

External audit

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

- Reviewing and assessing the effectiveness of the external audit and recommending the re-appointment of the external auditor.
- Overseeing the relationship with the external auditor and to approve the terms of engagement and their remuneration in respect of the services provided.
- Agreeing fees for the 2022 audit for the Bank at £315k, plus VAT.
- Discussing with the external auditor before the audit commenced the nature and scope of the audit and, after the audit execution, reviewing the findings of their work, including any key issues that arose during the course of the audit and which have subsequently been resolved or remain unresolved.
- Considering the suitability of the external auditors, their expertise and availability of resources and the ongoing arrangements.

Outlook

Looking ahead, the Committee approved in December 2022 the 2023 Internal Audit Plan. This, again, represents a pragmatic and dynamic programme of risk-based assurance across ClearBank, fully interlocked with Second Line's assurance plan.

The continued focus by the Department of Business and Trade ('DBT') of the UK Government on corporate and audit reform is welcomed by the Bank. The proposals for enhanced governance and controls align with the Bank's ambitions and we will provide due consideration for implementing the relevant recommendations, such as the development of an Audit and Assurance Policy, in a timely manner. The Committee will also oversee the continued evolution of non-financial reporting.

In concluding, I would particularly like to thank both the internal audit and finance teams for the excellent work they have done over this year and look forward to tackling new challenges and opportunities together in 2023 to drive ClearBank's continued and greater success.

Shonaid Jemmett-Page
Chair of the Board Audit Committee
31 March 2023

Operational resilience

"We have overseen the delivery of significant improvement and implementation plans to strengthen operational resilience."

Catherine Doran
Chair of the Board Risk Committee

Chair's overview

This year, safety and scalability have remained top of our agenda as we grow our UK business and look to expand internationally. There has been regular discussion on operational resilience, financial crime, information security and cyber security risks. We have overseen the delivery of significant improvement and implementation plans to strengthen operational resilience in these areas, enhancing systems and automation capabilities and delivering on a broad range of new and improved controls. Regulatory compliance has also been a key area of focus, as the business continues to embed the PRA's operational resilience, outsourcing and third party risk management requirements, as well as the FCA's new Consumer Duty implementation action plan. In addition, the Committee has continued to oversee the ongoing evolution of our Enterprise Risk Management Framework ('ERMF') and Risk and Control Self-Assessments ('RCSA') refresh as part of the overall risk strategy.

Committee's roles and responsibilities

The Committee'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.

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 on pages 44-45 and page 49.

Board Risk Committee report continued

Key topics discussed by the Committee in 2022

The Committee undertook the following core activities during the year:

Risk strategy

- Review and recommendation for approval to the Board of the 2022 Risk Strategy, with ongoing discussions to ensure it remains proportionate and fit for growth.
- 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.
- Review, discussion and bi-annual refresh of the strategic risk initiatives and the output from the executive and the Board Risk Committee ('BRC') strategic top risk workshop.
- Review and approval of the second line oversight plan and policy.
- Go/no go review, challenge and approval of new products and engagement and oversight of the onboarding of new embedded banking partners.

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, considering internal and external factors.

Conduct and compliance reporting

- The annual approval and recommendation to the Board of the Conduct Risk Policy and financial crime compliance policies.
- Review and discussion of material regulatory briefing papers, such as the Payment Systems Regulator's App Scam fraud project and the FCA's new Consumer Duty consultation.
- Review, challenge, and approval to the Board of the agreed Consumer Duty implementation action plan.
- Discussion of the Annual MLRO report.
- Significant discussions and oversight of financial crime risk, including the enterprise-wide risk assessment ('EWRA'), financial crime strategic roadmap, the financial crime regulatory landscape including the impact of the war between Russia and Ukraine, and the financial crime systems and controls improvement plan which has been regularly reviewed and discussed throughout 2022.
- Review of the refreshed Product and Service Policy.
- Review of various embedded banking partner risks, mitigation action plans and key areas of operational resilience.

Operational and information technology risk

- Annual approval and recommendation to the Board of the information security and data privacy policies.
- Review and regular discussion of the information security roadmap.
- Review of cyber and information security testing plans.
- Overseeing the STAR-FS action plan – a framework for providing threat intelligence-led simulated attacks against financial institutions.
- Review and recommendation to the Board of the Operational Resilience Important Business Services ('IBS') List and Tolerances approval.
- Operational resilience and business continuity, including providing discussion, challenge and oversight of action plan closure for the supervisory statements for outsourcing and third-party risk management.
- Post operational and IT related post incident reviews.

Financial reporting

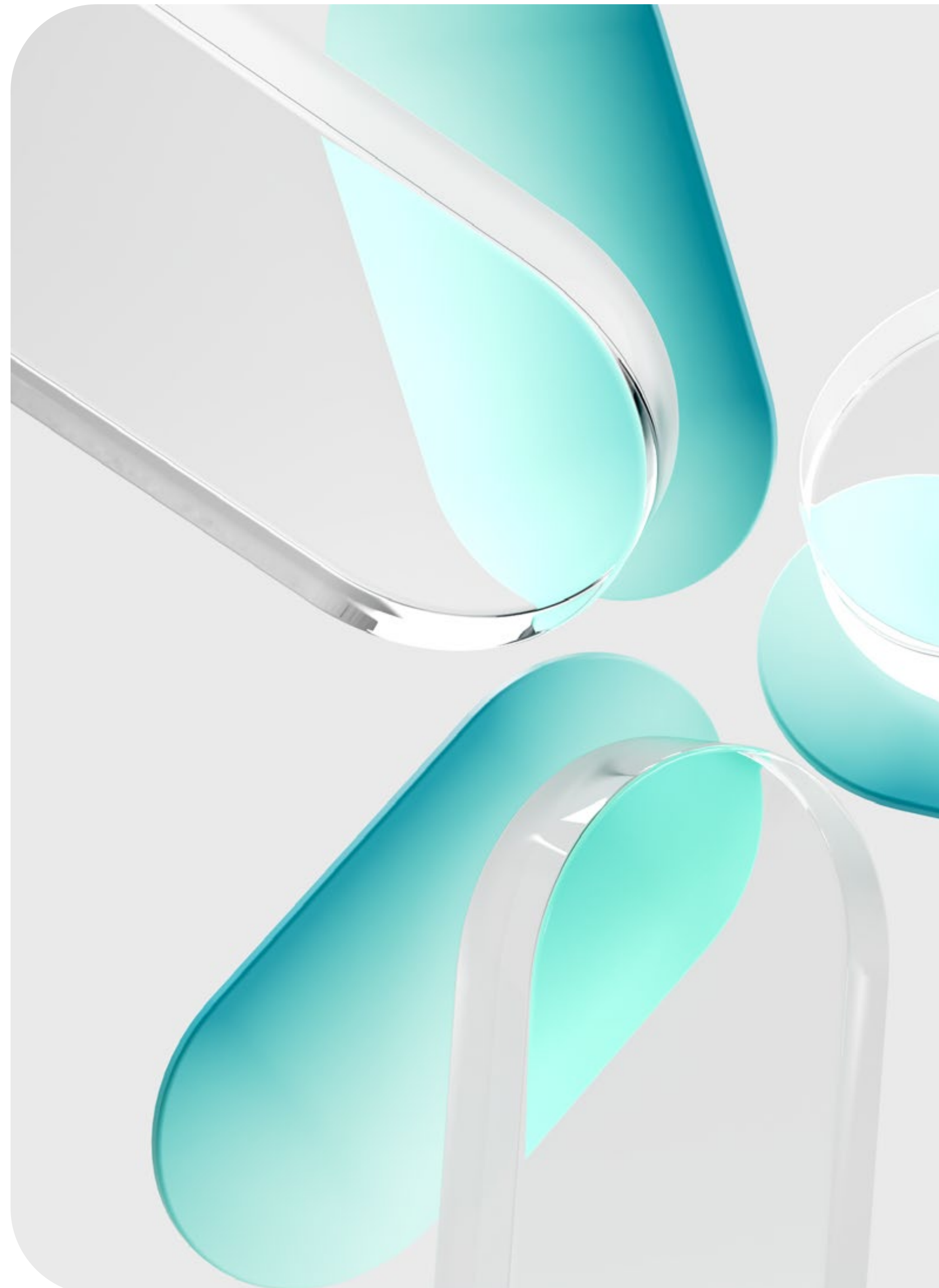
- Review of liquidity risk management, ICAAP and ILAAP Policies.
- Review of capital and liquidity plans and matters arising from ALCO.

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.
- Oversee progress against the Risk Strategy, including the forward looking RCSA refresh and optimisation work and the development of enhanced risk management system capability, to support greater and more efficient analysis and presentation of risk information.
- Provide oversight and challenge to the day-to-day material risk issues.

It has been a busy and productive year, and we are looking forward to continuing the journey.

Catherine Doran
Chair of the Board Risk Committee
31 March 2023



Inclusive culture

The Board 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

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.

Roles and responsibilities

The key roles and responsibilities of the Committee include the following:

- Agreeing the framework and policy for terms of employment and remuneration.
- Exercising judgement in the application of the remuneration policy so as to promote the long-term success of the Bank.
- Ensuring management does not permit reward for failure or conduct that is not in line with our values and behaviours.
- Agreeing terms for the cessation of employment (in line with the Remuneration Policy) and ensuring 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.
- Working with and seeking advice from the Board Audit Committee, Board Risk Committee and other relevant internal and external parties on the management of remuneration risk.
- Ensuring that all provisions regarding disclosure of remuneration and benefits (including pensions) are fulfilled.

Membership and meetings

The Committee's membership is made up of three independent Non-Executive Directors and the Chair. A standing invitation was in place during the year 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 Board Remuneration Committee met on four 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 2022

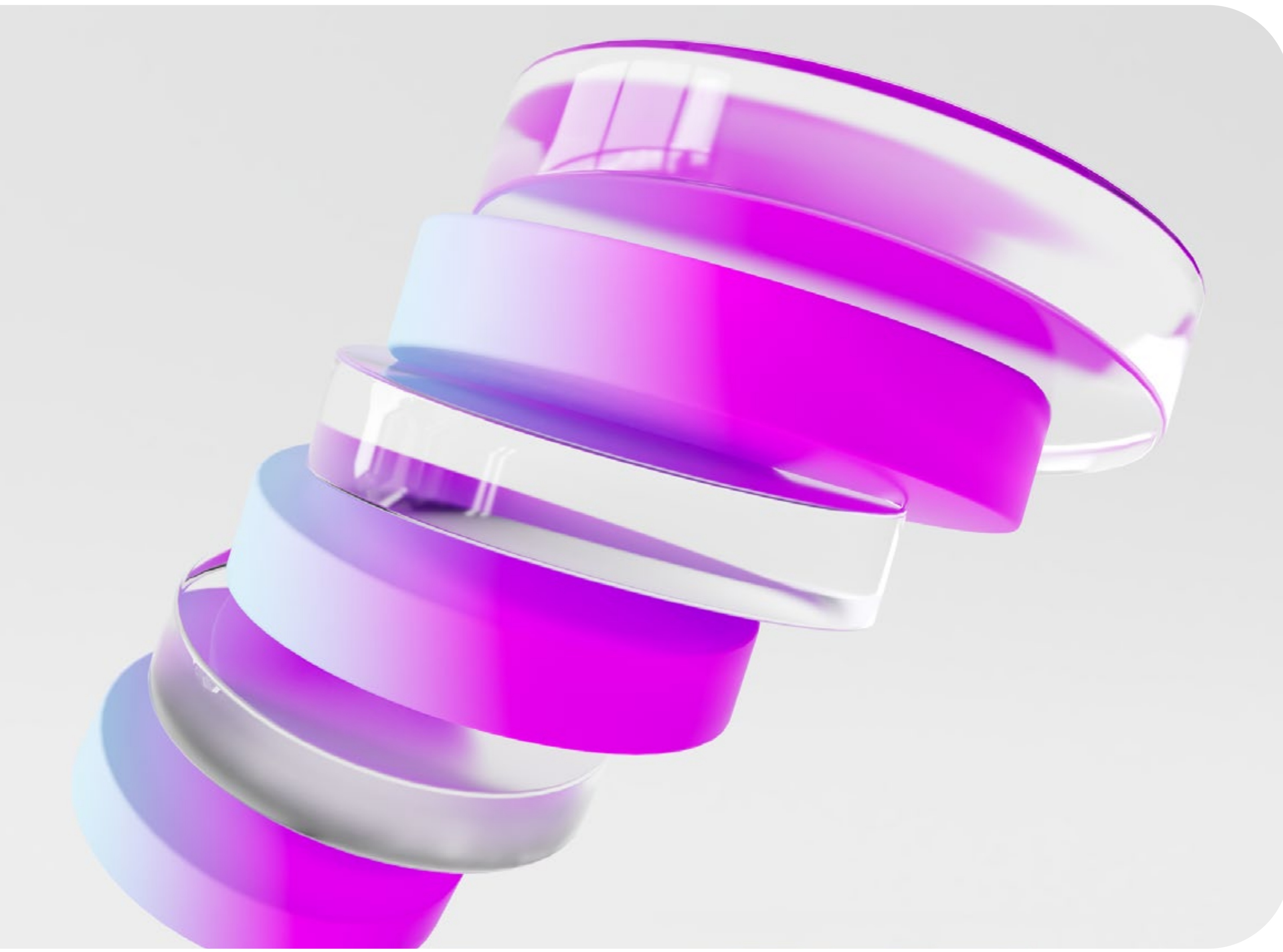
The Committee undertook the following core activities during the year:

- Reviewing remuneration policies to ensure ClearBank attracts, motivates and retains high calibre employees.
- Continued assessment of both the Bank's performance and external market conditions to ensure that the Bank's remuneration principles and pay methodology remain appropriate both internally and externally.
- Promoting the alignment and achievement of the annual plans, longer-term strategic objectives and ongoing incentivisation.
- Reviewing all variable incentive plans for all employees including cash variable compensation, the ongoing Incentive Scheme for ClearBank's sales team and equity arrangements including Equity for Cash and the MTIP which is applicable to the ClearBank executive team, and ensuring they are fit for purpose and fair.

- Reviewing outcomes of both Balanced Scorecard performance and personal performance across all employees, but specifically pertaining to the management and executive team and ClearBank's sales team, ensuring fairness and consistent application of performance.
- Reviewing fixed pay changes and variable remuneration outcomes of all employees with a particular focus on the management and executive team and ClearBank's sales team, ensuring it promotes fairness, is in line with remuneration principles and remains affordable.
- Supporting appropriate risk management, conduct and culture.
- Reviewing risk incidents and considering the appropriateness of performance related bonus adjustments.

Shonaid Jemmett-Page
Chair of the Board Remuneration Committee
31 March 2023

Diverse talent



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

Chair's overview

The Committee has spent significant time this year considering the composition of 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.

Talent management and succession planning for roles below Board-level has remained an important topic of discussion, and the Committee has continued to monitor activities and initiatives to develop the Group's talent pipeline. Thus, we were pleased to appoint our new Chief Financial Officer, Mark Fairless, who will make a major contribution to our executive team and the Board in the coming years.

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 with respect to any adjustments to the Board's composition.

Membership and meetings

The Committee's membership comprises the Chair and the three independent Non-Executive Directors. In addition, the Chief Executive Officer may be invited to attend meetings on an ad-hoc basis. Throughout the course of 2022, the Committee met on two occasions.

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.

Key topics discussed by the Committee in 2022

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.
- Consideration of Skills Gap Analysis and Development Needs amongst senior members of staff.
- Consideration of potential risks associated with expansion.

The Committee also kept 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.

To support the above, and as part of its regular review cycle, the Committee commissioned an independent Board Evaluation Report by Deloitte.

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 will be an appropriate future mix of skills and experience.

David Gagie
Chair of the Board Nomination Committee
31 March 2023

Directors' report

The Directors present their report and the consolidated financial statements for the year ended 31 December 2022.

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 Bank for the year are set out in the Consolidated Statement of Comprehensive Income on page 80. No dividend was declared or paid during 2022 (2021: £nil).

2022 key events
Following its announcement earlier in the year, Apax's investment into the Bank's related party entity due to become its immediate parent, CB Growth Holdings Limited, was completed in November 2022. This was accompanied by a group restructuring event which has yet to complete and remains in progress. As part of the share capital reorganisation the Bank adopted a new articles of association and allotted 500,000 of ordinary shares to CB Growth Holdings Limited resulting in £0.5m of capital injection. Also as a consequence of the group restructure, which also implicated the Employee Benefit Trust ('EBT'), the HMRC approved Company Share Option Plan ('CSOP') became exercisable, with each CSOP option holder given the choice of either converting their options into the Bank's shares, or alternatively to roll over the options under the exchange offer.

Share capital
Details of the share capital, together with details of shares allotted during the year, are disclosed in Note 21 to the financial statements on pages 114-115.

Going concern statement
The financial statements are prepared on a going concern basis, as the Directors are satisfied that the Bank has the resources to continue in business for the foreseeable future. This is taken as a minimum of 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 economic uncertainty from inflationary pressures and geopolitical instability. Overall, the Directors do not see a material impact, either directly as a business or indirectly through our clients and partners, to 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 base forecasts and projections show that for the financial years ending 31 December 2023 and 31 December 2024, the Bank will generate profit after tax and remain capital appreciative. Following the capital injection of £11.3m in March 2023 which took place prior to signing these financial statements, the going concern basis is not contingent on further capital transactions in the future.

A number of stressed scenarios have been considered by management, including lower interest rates, a lower volume of customers onboarded and the loss of a key partner contract.

Under each scenario, the financial impacts on both forecast profitability and capital were determined and it was assessed that even in those stressed scenarios and through appropriate management actions, the Bank will continue to operate as a going concern.

Based on this assessment, the Directors are satisfied that ClearBank has sufficient resources to continue its activities for the foreseeable future and the going concern basis is appropriate.

Future developments in the business, research and development and details of expansion outside the UK
We have established ClearBank as a key player in the UK clearing space and continue to attract more clients by enhancing our products and services and looking to form innovative partnerships. In 2023 we will look to continue the momentum, executing our strategy of providing embedded banking products to the financial services market, while supporting the international expansion delivery programme of the wider group. The latter will include the establishment of an entity under common control to the Bank, based in the Netherlands to facilitate the acquisition of a Dutch banking licence and entry into the European market, as well as the development of plans for other jurisdictions, such as North America.

In conjunction with our strategic partner, Tide, having completed Pool E we will continue utilising the Pool A BCR grants to provide UK SMEs with a dedicated and focused banking partner. We will ramp up 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 2022 were as follows:

David Gagie	Glen Lucken[1]
Charles McManus	Catherine Doran
Shonaid Jemmett-Page	Philip Kenworthy
James Hopkinson[2]	Mel Carvill[3]
Marcus Treacher[3]	Stan Spavold[3]

1 Resigned after the period, and was replaced by the appointment of Mark Fairless.

2 Resigned during the period and was replaced by the appointment of Glen Lucken.

3 Resigned during the period to take up other ClearBank group directorships.

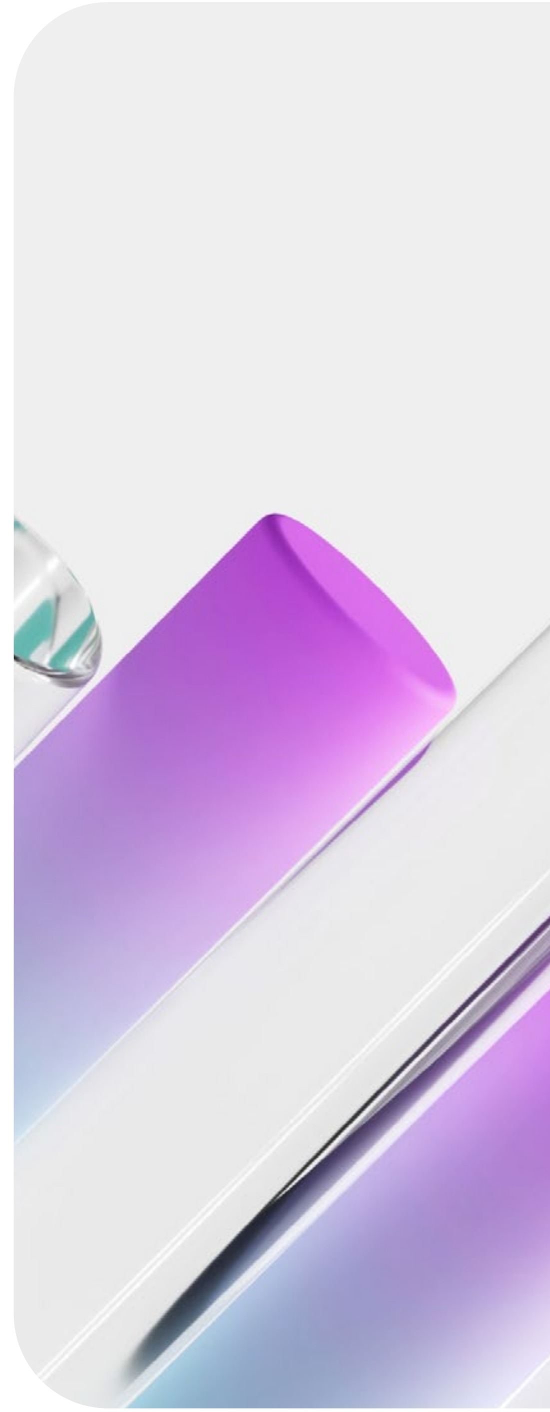
Further details relating to the Directors are provided on pages 44-45 and on the Bank's website.

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 Bank'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 Bank 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, investments in money market funds ('MMFs'), short term receivables and amounts due to customers classified as financial liabilities. Please refer to Note 23 of the financial statements for further details. Only the MMFs are used for short term capital risk management purposes which are classified as cash and cash equivalents at amortised cost. The remaining assets are also held at amortised cost which therefore do not cause exposure to price risk. See Note 24 for more details on financial risk management.

The Bank has assessed there is no credit risk associated with the financial assets held at amortised cost and has therefore recognised no ECL under IFRS 9. At the year end, the Bank held MMFs posing minimal liquidity risk due to their short-term and highly liquid nature. The Bank's cash deposits are subject to variable interest rates and it has assessed that a 25 basis point increase or decrease in the Bank of England base rate would have had a £5.9 million (2021: £4.3 million) annualised impact on 2022 performance. This is based on the assumption of no management action being taken, such as passing the interest impact onto the Bank's customers.

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



Directors' report continued

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. More details on how we engage with them are provided in our section 172 statement on pages 38-41.

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 and provide timely updates on new customer outcomes. Further, we issue monthly reports about our pipeline performance together with our sales and market updates.

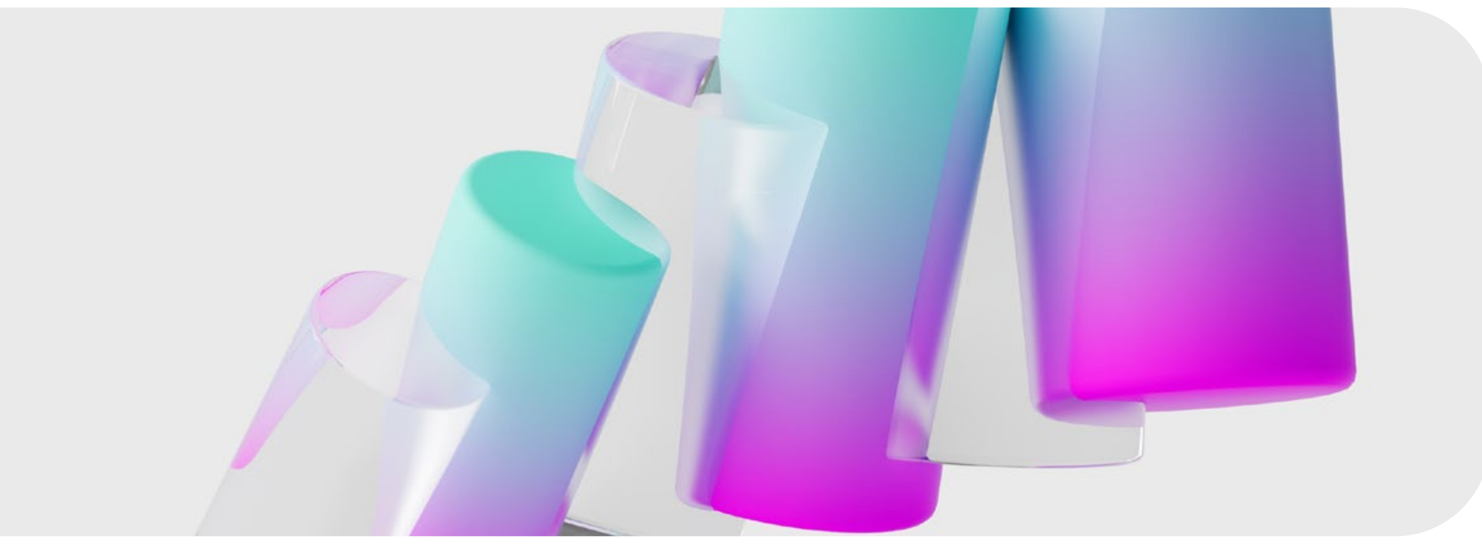
In addition we have a monthly pulse engagement survey enabling employees to share their feedback, the results of which are discussed by the executive and senior leaders, as well as by department leads with their team. We continue to provide a range of employee incentives, awards and assistance for our people, such as the one-off cost-of-living payment.

Engagement with other key stakeholders

The Directors understand that the Bank can only grow sustainably over the long-term if we productively engage with our key stakeholders, understand their needs and perspectives, and foster strong business relationships, whilst also maintaining high standards of business conduct. Those stakeholders, which include our clients and suppliers as well our employees, and the relationships we have with them are of strategic importance to ClearBank, therefore, details of how we engage with each of them, and how they have been considered in our principal decision-making, are discussed in our section 172 statement on pages 38-41.

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.

Streamlined Energy and Carbon Reporting ('SECR')

The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 implement the government's policy on Streamlined Energy and Carbon Reporting ('SECR'). ClearBank now meets the mandatory reporting criteria for SECR legislation. Our consultants and independent third party, Energise, have worked with us to calculate our greenhouse gas emissions ('GHG') for the purposes of complying with the SECR requirements.

Methodology

Reporting has been conducted in accordance with methodology set out in the Greenhouse Gas Protocol Corporate Standard and using the Department for Environment, Food and Rural Affairs' ('DEFRA') emissions factors to calculate emissions. Total energy consumption shown is substantially lower this year compared to 2021 because of a new tool adopted by our third-party data centre provider, which now reports actual power usage instead of a contracted kVA basis.

SECR requirements make Scope 1 (direct emissions from fuel use) and Scope 2 (indirect emissions from electricity) mandatory for disclosure purposes, together with business travel where the company is responsible for purchasing the fuel. Scope 2 business travel emissions are not applicable to us. Because the majority of our carbon footprint comes from wider Scope 3 emissions (i.e. from our value chain), we have chosen to include this category in our disclosures as well. Our intensity ratio is based on total Scope 1, 2 and 3 emissions.

Scope 1 emissions are zero this year as we have excluded gas combustion on site – our office premises use gas heating for communal areas which are outside our control.

	2022	2021
Total energy consumption (kWh)[1]	170,713	874,580
Emission from combustion of gas (Scope 1)	–	25.3
Emission from purchased electricity (Scope 2)	8.4	21.2
Emissions of upstream activities (Scope 3)	2,989.7	1,531.7
Total emissions	2,998.1	1,578.2
Full-Time Equivalent (FTE)[2]	519	294
Intensity ratio (tCO_2e/FTE)	5.8	5.4

1 Energy consumption shown is notably lower in 2022 due to a new reporting tool used by our data centre provider.

2 Full-Time Equivalent ('FTE') includes employees and contractors.

We have shown the location-based Scope 2 emissions above, encouraged by the Government Guidelines for SECR disclosures. This approach reveals the intensity of the local grid area in which our electricity usage occurs. Whilst SECR was not mandatory for ClearBank in 2021, we voluntarily disclosed our carbon footprint in the ESG section of last year's annual report using market-based emissions.

Where there were data limitations, energy usage and other consumption data have been estimated and appropriately allocated based on square footage for the relevant premises, in addition to applying suitable industry benchmarks.

In 2022, the Bank scaled up its activities and invested in its growth and consequently drove up its overall GHG emissions. Some of this increase was due to expansion activity by the wider group which was new in 2022. Excluding carbon emissions associated with this activity, all of which were Scope 3, the revised total emissions in 2022 was 2,435.9 tCO_2e.

The equivalent intensity ratio, using an FTE figure for the UK business of 476, was 5.1 tCO_2e.

Energy efficiency actions taken in the year

With the significant growth of the Bank in the past year underpinned by an increase in our headcount, greater business activity and related expenditure, we expected our overall emissions to increase on a commensurate basis. We continue to analyse our biggest drivers and key components of our carbon footprint, considering ways we can reduce the amount of energy usage and associated emissions.

The data centres we lease from Equinix run ClearBank's activities on electricity from 100 per cent renewable energy sources, whilst our cloud infrastructure provider, Microsoft Azure, is carbon neutral. In addition, we recently opted to switch the electricity supplier of our Bristol office from one that has around a 50% renewable energy source to a supplier using 100% renewable energy.

We will identify further practical measures and initiatives as part of our broader environmental plans in 2023.

Approved by the Board of Directors and signed on behalf of the Board on 31 March 2023.

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.

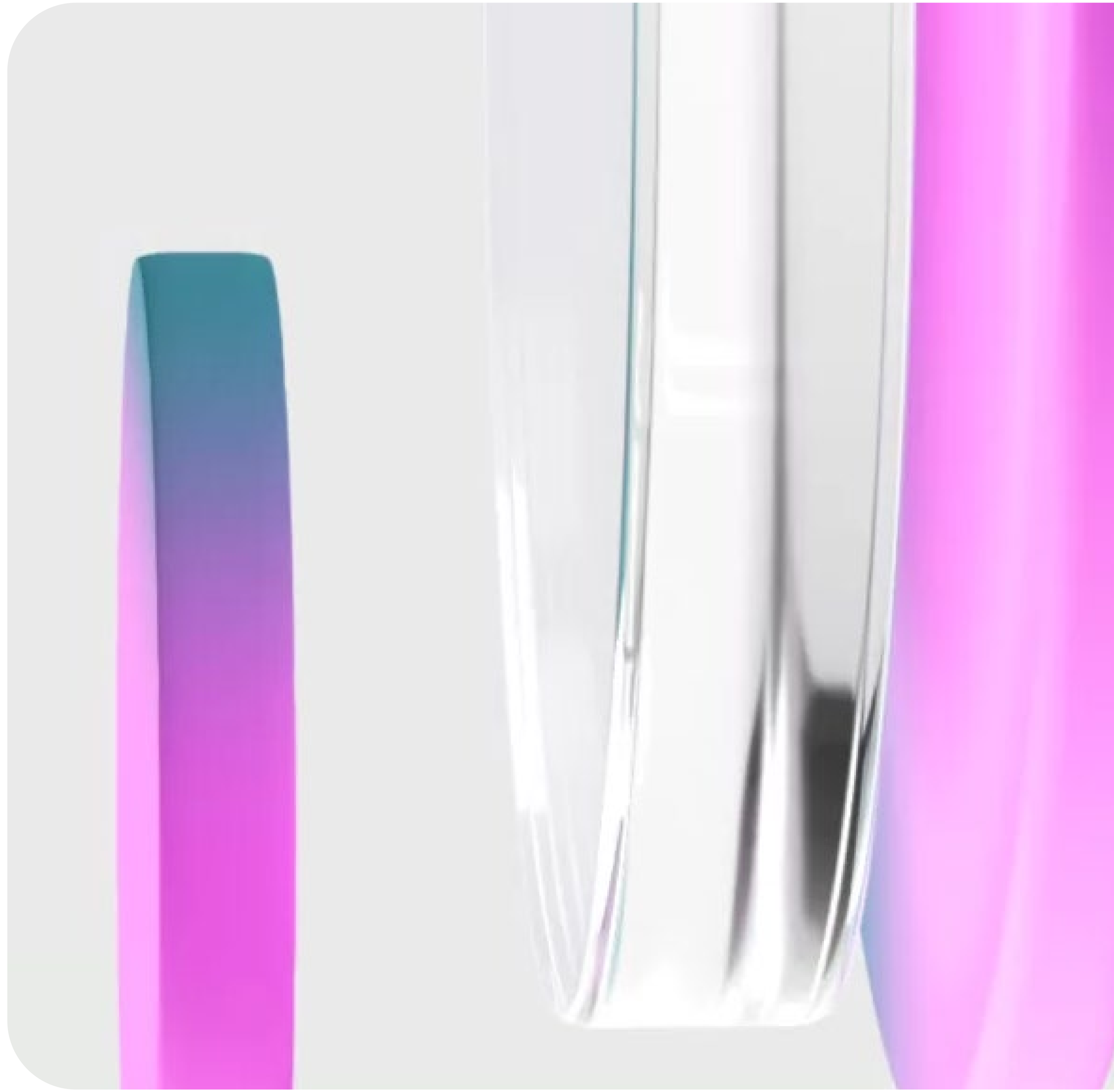
The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply 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 31 March 2023.

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 2022 and of the Group's profit 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 2022 which comprise the Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Company Statement of Financial Position, Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity, 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 the directors of the Parent Company on 21 November 2016 to audit the financial statements for the year ended 31 December 2016 and subsequent financial periods. The period of total uninterrupted engagement including retenders and reappointments is 7 years, covering the years ended 31 December 2016 to 31 December 2022. 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 the 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	*99.57% (2021: 99.80%) of Group loss before tax*		
	99.99% (2021: 99.96%) of Group revenue		
	100% (2021: 99.98%) of Group total assets		
Key audit matters		**2022**	2021
	Capitalisation of software development costs	√	√
	Recognition of deferred tax asset	√	√
	Going concern	√	√
Materiality	*Group financial statements as a whole*		
	£923k (2021: £817k) based on 1.5% of the three-year average of total expenses (2021: 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 its subsidiaries. The Parent Company was determined to be the 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 was subject to desktop reviews performed by the Group audit team.

Independent auditor's report continued

to the members of ClearBank Limited

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 - £9.7 million (2021: £11 million) The estimates and judgements and the accounting policy, in respect of the capitalisation of the software development expenses, 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 are 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 obtained 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. We performed operating effectiveness tests of these controls. 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
Recognition of deferred tax asset - £25.9 million (2021: £12.5 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. £13.4m of additional deferred tax assets were recognised in the current year on account of management forecasting additional unused tax losses to be utilised. 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 tax asset recognised on the balance sheet. With the use of our internal tax specialists we have assessed 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. In 2022, profit after tax was recorded for the first period after recognition of deferred tax assets. 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 the 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 the 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 (ICAAP) and Internal Liquidity Adequacy Assessment Process (ILAAP) submissions and Prudential Regulation Authority (PRA) minimum capital requirements. The ICAAP and ILAAP have been reviewed with assistance from our regulatory experts. We have challenged the 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 of actual results with prior years forecasts. 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. **Key observations:** These are set out in the conclusions related to going concern section of our audit report.

Independent auditor's report continued

to the members of ClearBank Limited

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:

	2022 £k		2021 £k	
	Group Financial Statements	Parent Financial Statements	Group Financial Statements	Parent Financial Statements
Materiality	**923**	**914**	817	807
Basis for determining materiality	**1.5% of three-year average expenses**		1.5% of total expenses	
Rationale for the benchmark applied	**We consider expenses to be the key consideration 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. Given the magnitude of increase in expenses in 2022, we have moved to a three-year average benchmark.**		We considered expenses to be the key consideration 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	**692**	**685**	612	605
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 £36k (2021: £16k). 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 below.

Strategic report and Directors' report	In our opinion, based on the work undertaken in the course of the audit: • the information given in the Strategic report and 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.

Independent auditor's report continued

to the members of ClearBank Limited

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 Parent Company 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 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 and the capitalisation of software development costs. 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 check 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;
- understanding all relevant systems and processes, including the design and implementation of key controls, and testing the operating effectiveness of IT General Controls in areas carrying a significant risk of material misstatement;
- in response to the risk of fraud in the capitalisation of software development costs, 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.

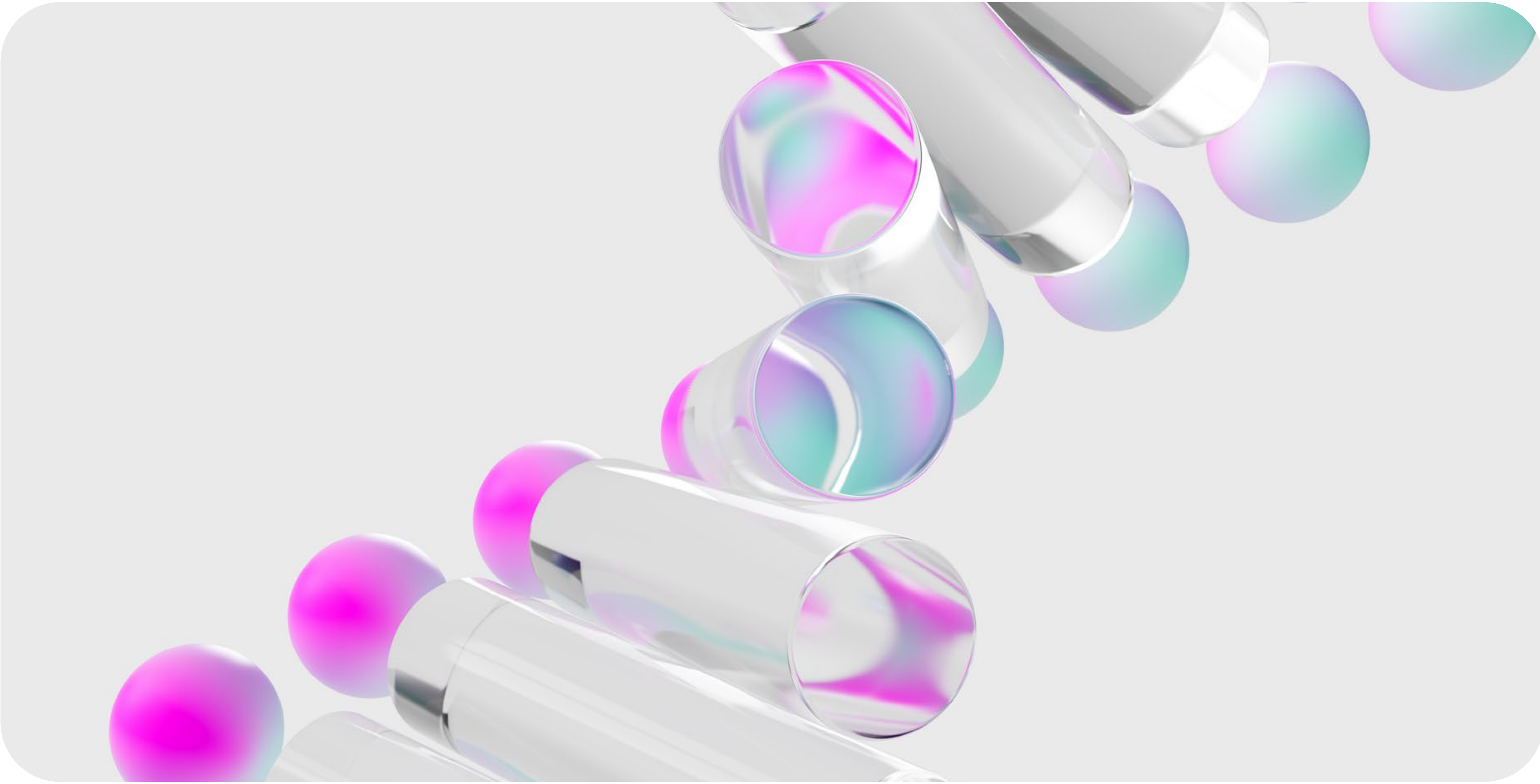
Matthew Hopkins
(Senior Statutory Auditor)
For and on behalf of BDO LLP,
Statutory Auditor

London, UK

31 March 2023

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 2022 £'000	Year ended 31 Dec 2021 £'000
Interest income	7	**43,774**	2,095
Interest expense	7	**(9,911)**	(253)
Net interest income[1]		**33,863**	1,842
Fee income	7	**25,455**	19,273
Fee expenses	7	**(1,047)**	(659)
Net fee income[1]		**24,408**	18,614
Other income	7	**13**	938
Total income		**58,284**	21,394
Staff costs	9	**(40,095)**	(27,719)
Depreciation	15, 16	**(1,334)**	(2,145)
Amortisation of intangibles	14	**(7,824)**	(5,791)
Impairments		**(675)**	(337)
Other operating expenses		**(27,710)**	(16,447)
Operating expenses		**(77,638)**	(52,439)
Expenses recharged		**8,587**	–
Operating loss		**(10,767)**	(31,045)
Other (losses)/gains		**(181)**	5
Finance costs		**(55)**	(34)
Loss for the year before taxation		**(11,003)**	(31,074)
Income tax credit	11	**17,821**	2,874
Profit / (loss) for the year after taxation		**6,818**	(28,200)
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss			
Foreign currency translation differences		**1**	(1)
Total other comprehensive income / (loss)		**1**	(1)
Total comprehensive income / (loss) for the year		**6,819**	(28,201)

1 In 2021, only net interest income and net fee income were presented without splitting for gross amounts, as interest and fee expenses were not material.

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

Consolidated statement of financial position

	Notes	As at 31 Dec 2022 £'000	As at 31 Dec 2021 £'000
Assets			
Cash and cash equivalents	12	**3,125,862**	2,720,797
Loans and advances to banks	12	**9,156**	5,962
Collateral placed with schemes	12	**433**	406
Receivables	17	**6,212**	4,478
Due from UK tax authorities	11	**4,363**	–
Intangible assets	14	**29,184**	27,479
Property, plant and equipment	15	**566**	451
Right-of-use assets	16	**2,677**	510
Deferred tax asset	18	**25,956**	12,525
Total assets		**3,204,409**	2,772,608
Liabilities			
Customer deposits		**2,982,259**	2,644,756
Other payables	19	**109,307**	9,897
Lease obligations	16	**2,789**	509
Deferred income	20	**22,742**	45,229
Total liabilities		**3,117,097**	2,700,391
Equity			
Called up share capital	21	**–**	–
Share premium	21	**192,349**	191,816
Treasury shares		**(204)**	(204)
Share-based payment reserve		**24,933**	17,190
Retained losses		**(129,650)**	(136,468)
Translation reserve		**(116)**	(117)
Total equity		**87,312**	72,217
Total equity and liabilities		**3,204,409**	2,772,608

The accompanying notes form an integral part of these consolidated financial statements. The financial statements were approved by the Board on 31 March 2023.

Charles McManus
Chief Executive Officer
31 March 2023

Mark Fairless
Chief Financial Officer
31 March 2023

Company statement of financial position

ClearBank Limited Company Number: 09736376

	Notes	As at 31 Dec 2022 £'000	As at 31 Dec 2021 £'000
Assets			
Cash and cash equivalents	12	**3,125,862**	2,720,797
Loans and advances to banks	12	**9,156**	5,962
Collateral placed with schemes	12	**433**	406
Receivables	17	**6,212**	4,478
Due from UK tax authorities	11	**4,363**	–
Investment in subsidiary undertakings	13	**–**	–
Intangible assets	14	**29,184**	26,994
Property, plant and equipment	15	**566**	451
Right-of-use assets	16	**2,677**	510
Deferred tax asset	18	**25,956**	12,525
Total assets		**3,204,409**	2,772,123
Liabilities			
Customer deposits		**2,982,259**	2,644,756
Other payables	19	**109,307**	9,849
Lease obligations	16	**2,789**	509
Deferred income	20	**22,742**	45,229
Total liabilities		**3,117,097**	2,700,343
Equity			
Called up share capital	21	**–**	–
Share premium	21	**192,145**	191,612
Share-based payment reserve		**24,933**	17,190
Retained losses		**(129,766)**	(137,022)
Total equity		**87,312**	71,780
Total equity and liabilities		**3,204,409**	2,772,123

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 31 March 2023.

Charles McManus
Chief Executive Officer
31 March 2023

Mark Fairless
Chief Financial Officer
31 March 2023

Consolidated statement of changes in equity

	Share capital £'000	Share premium £'000	Treasury shares £'000	Share-based payments reserve £'000	Retained losses £'000	Translation reserve £'000	Total Equity £'000
Balance at 1 January 2021	–	157,316	(204)	9,519	(108,268)	(116)	58,247
Loss for the year	–	–	–	–	(28,200)	–	(28,200)
Other comprehensive loss 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**
Income for the year	**–**	**–**	**–**	**–**	**6,818**	**–**	**6,818**
Other comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**1**	**1**
Issue of share capital	**–**	**533**	**–**	**–**	**–**	**–**	**533**
Share-based payments	**–**	**–**	**–**	**7,743**	**–**	**–**	**7,743**
Balance at 31 December 2022	**–**	**192,349**	**(204)**	**24,933**	**(129,650)**	**(116)**	**87,312**

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	Retained losses £'000	Total £'000
Balance at 1 January 2021	–	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**
Income for the year	**–**	**–**	**–**	**7,256**	**7,256**
Issue of share capital	**–**	**533**	**–**	**–**	**533**
Share-based payments	**–**	**–**	**7,743**	**–**	**7,743**
Balance at 31 December 2022	**–**	**192,145**	**24,933**	**(129,766)**	**87,312**

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

Consolidated statement of cash flows

	As at 31 Dec 2022 £'000	As at 31 Dec 2021 £'000
Cash flows from operating activities		
Profit/(loss) for the year after tax	**6,818**	(28,200)
Adjustments		
Depreciation of property, plant and equipment	**304**	475
(Profit)/loss on disposals of property, plant and equipment	**(13)**	15
Depreciation of right-of-use assets	**1,030**	1,670
Amortisation of intangibles	**7,824**	5,791
Impairments of intangibles	**676**	337
Share-based payment expense	**7,743**	7,671
Tax benefit	**(17,794)**	(2,874)
Finance costs	**34**	10
Net interest income	**(33,863)**	(1,842)
Foreign currency differences	**1**	(1)
Operating cash flows before changes in working capital	**(27,240)**	(16,948)
Net changes in working capital		
Increase in collateral	**(27)**	(36)
Increase in loans and advances to banks	**(3,194)**	(5,962)
Increase in receivables	**(1,734)**	(294)
Increase in payables	**99,410**	3,306
(Decrease) in deferred income	**(24,954)**	(17,307)
Increase in amounts due to customers	**335,213**	1,718,866
Cash generated by operations	**377,474**	1,681,625
Interest received	**43,774**	2,056
Interest paid	**(7,621)**	–
Net cash generated from operating activities	**413,627**	1,683,681
Cash flows used in investing activities		
Purchase of property, plant and equipment	**(408)**	(268)
Purchase of intangible assets	**(7,736)**	(8,356)
Net cash used in investing activities	**(8,144)**	(8,624)
Cash flows from financing activities		
Proceeds from issue of Ordinary Shares	**533**	34,500
Principal paid on lease liabilities	**(917)**	(1,974)
Net cash (used in)/generated from financing activities	**(384)**	32,526
Net increase in cash and cash equivalents	**405,099**	1,707,583
Cash and cash equivalents at beginning of the year	**2,720,797**	1,013,224
Effect of foreign exchange rate changes	**(34)**	(10)
Cash and cash equivalents at end of the year	**3,125,862**	2,720,797

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 limited by shares which is registered in England and Wales and incorporated under the Companies Act 2006. The address of the registered office is ClearBank, Borough Yards, 13 Dirty Lane, London, SE1 9PA.

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 profit 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

The 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 and macroeconomic challenges as a result of the cost of living crisis and geopolitical instability, where we do not see any material impact, either directly as a business or indirectly through our clients and partners, and do not consider this will have a significant impact on the Group. Please see page 64 on the Directors' Report for further discussion on the assessment of the going concern basis.

The Group's business model remains largely unchanged and all sterling customer funds continue to be held at the Bank of England. The effectiveness of the Group's flexible working policy and remote operations has been demonstrated, ensuring the uninterrupted delivery of services to our clients and 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 64 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.

Notes to the financial statements continued

2. Critical accounting estimates and judgements continued

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.

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. 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 £7.8million (2021: £5.8 million). A reduction in the average amortisation period by one year would increase the amortisation expense for the year by £5.7 million (2021: £2.5 million).

3. New standards, amendments to standards and interpretations adopted in the 2022 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 2022 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 and endorsed by the UK Endorsement Board that are mandatory for the Group's annual accounting periods beginning on or after 1 January 2023. 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 four 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 includes 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.

Notes to the financial statements continued

6. Significant accounting policies continued

6.1. Revenue recognition continued

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 client 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.

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.

R&D tax Research and Development ('R&D') tax credit claims under the UK small and medium-sized entity ('SME') scheme are recognised as income tax credits on the Statement of Comprehensive Income. R&D tax credits under the large company scheme are recognised as other income or against the R&D expense in line with the requirements of IAS 20: Government Grants.

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. The lowest level CGU of the Group is considered to be ClearBank. 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 or arising from contractual or other legal rights. 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.

Notes to the financial statements continued

6. Significant accounting policies continued

6.3. Goodwill and intangible assets continued

Purchased and internally developed software

Several factors are taken into account when considering whether purchased software, licenses and internally developed software meet 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, purchased and 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.

For internally developed software, 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. These criteria include; demonstrating the technical feasibility, the intention and the ability to complete the asset for use or sale; how the intangible asset will generate probable future economic benefits, for example the usefulness of the asset if it is to be used internally; the availability of adequate technical, financial and other resources to complete the development and to use or sell the asset; and the ability to measure reliably the expenditure attributable to the intangible asset during its development.

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.

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 derecognition 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 derecognition. 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. Lease obligations

Lease liabilities are calculated at the present value of the lease payments that are not paid at the commencement date. 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 is based on a quoted swap rate and by adding a credit margin that reflects the secured nature of the lease obligation. 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.

6.6. Foreign currency translation

Functional and presentation currency

Items included in the financial statements are measured using pounds sterling, the currency of the UK, 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.

6.7. 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.

Notes to the financial statements continued

6. Significant accounting policies continued

6.7. Financial instruments continued

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 derecognition, 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.

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 of cash held at bank in addition to short term, highly liquid money market funds ('MMFs').

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.

Notes to the financial statements continued

6. Significant accounting policies continued

6.7. Financial instruments continued

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.

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, loans and advances to banks, 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.

6.8. 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.

6.9. Collateral pledged and received

The Group has pledged cash collateral for the 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 client of the Bank. The MMB account is held separately from other operational client funds and is held throughout the term of the contract. The collateral received from clients is disclosed as part of 'deposits from customers' in the Statement of Financial Position.

6.10. 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'.

6.11. 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. Shares are held and purchased by the EBT for delivery to employees under the 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.

Notes to the financial statements continued

6. Significant accounting policies continued

6.12. 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.

6.13. Segmental reporting

All of the Group's activities are in the United Kingdom. The Group has 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.

6.14. 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.

6.15. 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. The amount of cashflow associated with purchase of intangible assets presented on the cashflow statement is shown net of grant income deducted.

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 2022 £'000	Year ended 31 Dec 2021 £'000
Interest received on cash and cash equivalents	43,774	2,095
Interest paid on customer deposits	(9,911)	(253)
Total net interest income	**33,863**	**1,842**

Net fee income

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

	Year ended 31 Dec 2022 £'000	Year ended 31 Dec 2021 £'000
Transaction fee income	12,496	8,692
Non-transaction fee income	12,959	10,581
Total fee income	25,455	19,273
Fee expenses[1]	(1,047)	(659)
Net fee income	**24,408**	**18,614**

1 Fee expenses include £84k which have been recharged to CB Group Holdings Ltd.

Notes to the financial statements continued

7. Income continued

Other income

	Year ended 31 Dec 2022 £'000	Year ended 31 Dec 2021 £'000
R&D tax credits	–	878
Other income	13	60
Total other income	**13**	**938**
Timing of revenue recognition		
Over time	17,355	12,813
At a point in time	8,113	6,520
Total	**25,468**	**19,333**

8. Profit/(loss) for the year

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

	Year ended 31 Dec 2022 £'000	Year ended 31 Dec 2021 £'000
Staff costs	40,095	27,719
Professional fees	12,117	5,652
IT and software	7,122	5,188
IT contractors	1,226	629
Scheme costs	848	882
Depreciation	1,334	2,145
Amortisation of intangibles	7,824	5,791
Impairments of intangibles	675	337
Gain on foreign exchange	(11)	(8)
Irrecoverable VAT	4,423	3,000
Loss on disposal of property, plant and equipment	–	2
Other operating expenses	1,985	1,102
Expenses recharged[1]	(8,587)	–
Total[2]	**69,051**	**52,439**

1 Expenses recharged to CB Group Holdings Ltd include £5,157k of professional fees, £1,611k of staff costs, £1,078k of irrecoverable VAT and £657k of other operating expenses, as well as £84k of fee expenses.

2 Grant income of £20.2m (2021: £11.8m) was recognised during the year and has been offset by an equal amount of relevant grant related expense. See Note 20 for more details.

9. Staff costs

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

	Year ended 31 Dec 2022 £'000	Year ended 31 Dec 2021 £'000
Salaries and wages	26,413	16,389
Social security costs	3,565	2,087
Retirement obligations	2,374	1,573
Share-based payments	7,743	7,670
Total staff costs	**40,095**	**27,719**

Employee numbers

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

	Year ended 31 Dec 2022	Year ended 31 Dec 2021
Executives[1]	13	13
Legal and Regulatory	11	10
Risk and Compliance	24	19
Programme management	5	6
Sales and Marketing	36	26
Finance and Treasury	18	17
Technology	132	113
Human resources and administration	16	11
Operations	94	62
Internal audit	4	4
Total average number of employees during the year	**353**	**281**

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 2022 £'000	Year ended 31 Dec 2021 £'000
Fees for audit services		
Fees for audit of the Group's financial statements	315	178
Fees for audit of the Company's subsidiary financial statements	–	14
Total Group auditor's remuneration	**315**	**192**

Notes to the financial statements continued

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 2022 £'000	Year ended 31 Dec 2021 £'000
Current tax		
Current tax on loss for the year	1,106	–
Adjustments in respect of prior years	3,257	(167)
Total current tax	4,363	(167)
Deferred tax		
Origination and reversal of timing differences	14,959	(2)
Adjustments in respect of prior years	(1,501)	168
Effect on deferred tax of changes in tax rates	–	2,875
Total tax credited to Statement of Comprehensive Income	17,821	2,874

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 2022 and 2021 is as follows:

	Year ended 31 Dec 2022 £'000	Year ended 31 Dec 2021 £'000
Loss on ordinary activities before tax	(11,003)	(31,074)
Tax at UK standard rate of 19% (2021: 19%)	2,091	5,904
Effects of:		
Adjustments in respect of prior years	1,756	2
Movement in unrecognised deferred tax on share-based payments	(1,824)	(1,545)
Non-taxable income	5	167
Current year temporary differences for which no deferred tax was recognised	–	(1,723)
Movement in unrecognised deferred tax on losses	14,412	(4,345)
Other temporary differences on which deferred tax was not previously recognised	472	1,537
Effect of rate changes	15	2,875
Effect of different tax rates of subsidiaries operating in other jurisdictions	2	2
Effect of SME R&D claims	892	–
Total tax credited to income statement	17,821	2,874

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.

The Company intends to claim for UK R&D tax relief under the SME regime in respect of the accounting period ended 31 December 2022 resulting in a current tax credit of £1.1 million (2021: £nil) recognised in the Statement of Comprehensive Income. The Company also filed its R&D tax relief claims for the accounting periods ended 31 December 2020 and 31 December 2021 under the SME regime which resulted in a current tax credit of £3.3m.

12. Cash and cash equivalents

	Group as at 31 Dec 2022 £'000	Group as at 31 Dec 2021 £'000	Company as at 31 Dec 2022 £'000	Company as at 31 Dec 2021 £'000
Cash and cash equivalents	3,125,862	2,720,797	3,125,862	2,720,797

Of the cash and cash equivalents amount held, £2,982 million (2021: £2,645 million) relates to customer deposits. Cash and cash equivalents include short term, highly liquid money market funds ('MMFs') amounting to £121m (2021: £nil).

Loans and advances to banks and collateral placed with schemes

	Group as at 31 Dec 2022 £'000	Group as at 31 Dec 2021 £'000	Company as at 31 Dec 2022 £'000	Company as at 31 Dec 2021 £'000
Loans and advances to banks	9,156	5,962	9,156	5,962
Collateral placed with schemes	433	406	433	406

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 cash collateral paid of £110k (2021: £87k) and £323k (2021: £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.

Notes to the financial statements continued

13. Investment in subsidiary undertakings

Company

	Total £'000
Costs	
As at 1 January 2021	191
Additions	–
As at 31 December 2021	**191**
Additions	**15**
Liquidation	**(206)**
As at 31 December 2022	**–**
Provision for impairment	
As at 1 January 2021	191
Provided for the year	–
As at 31 December 2021	**191**
Provided for the year	**15**
Liquidation	**(206)**
As at 31 December 2022	**–**
Net book value	
As at 31 December 2022	**–**
As at 31 December 2021	–

The principal subsidiary of the Company as at 31 December 2022 which has been included in the consolidated financial statements is:

Name of subsidiary	Principal activity	Jurisdiction	Ownership
ClearBank Europe DAC	Business banking	Republic of Ireland[1]	100%

1. Registered office: Suite 3, One Earlsfort Centre, Lower Hatch Street, Dublin, Dublin 2, Ireland

ClearBank Europe DAC does not require an audit for the year ended 31 December 2022 as the Directors intend to strike off the company prior to its annual return due date.

During the financial period, the following subsidiaries were liquidated:

Name of subsidiary	Principal activity	Jurisdiction
Abele Technologies Limited	IT consultancy	United Kingdom
CB Infrastructure Limited	Software development	United Kingdom
CloudZync Limited	Software development	United Kingdom
Tapsley Limited	IT services	United Kingdom

14. Goodwill and intangible assets

Group

	Goodwill £'000	Software costs £'000	Other intangibles £'000	Total £'000
Costs				
As at 1 January 2021	575	30,251	529	31,355
Additions	–	10,985	147	11,132
Impairment	–	(337)	–	(337)
Written off	–	–	(5)	(5)
As at 31 December 2021	**575**	**40,899**	**671**	**42,145**
Additions	**–**	**9,674**	**529**	**10,203**
Impairment	**–**	**(192)**	**–**	**(192)**
Written off	**(575)**	**(12)**	**(112)**	**(699)**
As at 31 December 2022	**–**	**50,369**	**1,088**	**51,457**
Accumulated impairments/amortisation				
As at 1 January 2021	92	8,525	263	8,880
Charge for the year	–	5,676	115	5,791
Written off	–	–	(5)	(5)
As at 31 December 2021	**92**	**14,201**	**373**	**14,666**
Charge for the year	**–**	**7,692**	**132**	**7,824**
Impairment	**484**	**–**	**–**	**484**
Written off	**(576)**	**(14)**	**(111)**	**(701)**
As at 31 December 2022	**–**	**21,879**	**394**	**22,273**
Net book value				
As at 31 December 2022	**–**	**28,490**	**694**	**29,184**
As at 31 December 2021	483	26,698	298	27,479

Impairment of goodwill

Following the liquidation of the Abele Group during the year ended 31 December 2022, the recoverable amount of goodwill was tested for impairment. It was assessed that there was no remaining fair value or value-in-use associated with the residual goodwill and therefore it was fully impaired and written off.

Notes to the financial statements continued

14. Goodwill and intangible assets continued

Company

	Software costs £'000	Other intangibles £'000	Total £'000
Costs			
As at 1 January 2021	30,251	413	30,664
Additions	10,985	146	11,131
Impairment	(337)	–	(337)
As at 31 December 2021	**40,899**	**559**	**41,458**
Additions	9,674	529	10,203
Impairment	(192)	–	(192)
Written off	(12)	–	(12)
As at 31 December 2022	**50,369**	**1,088**	**51,457**
Accumulated amortisation			
As at 1 January 2021	8,526	147	8,673
Charge for the year	5,676	115	5,791
As at 31 December 2021	**14,202**	**262**	**14,464**
Charge for the year	7,691	132	7,823
Written off	(14)	–	(14)
As at 31 December 2022	**21,879**	**394**	**22,273**
Net book value			
As at 31 December 2022	**28,490**	**694**	**29,184**
As at 31 December 2021	26,697	297	26,994

The following table splits out the significant intangible assets:

Year ended 31 December 2022

Name	Amortisation period remaining (months)	Cost £'000	Accumulated amortisation £'000	Carrying value £'000
Core banking infrastructure	49	14,386	6,967	7,419
Multi-currency functionality	47	6,365	1,574	4,791
Embedded banking	37	5,208	2,277	2,931
Core payment schemes	45	5,167	1,473	3,694
International infrastructure	60	2,526	24	2,502
Cloud infrastructure	28	1,180	676	504
Billing system	11	1,257	1,042	215
CRM functionality	36	827	344	483
Total		**36,916**	**14,377**	**22,539**

Year ended 31 December 2021

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 £8.1 million (2021: £5.6 million) of grant income from the Capability and Innovation Fund. During the year £1.1 million (2021: £0.6 million) was released to the Statement of Comprehensive Income as amortisation on internally developed software. £6.3 million (2021: £5.0 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 reprioritisation 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 £0.2 million (2021: £0.3 million) in the Statement of Comprehensive Income.

Notes to the financial statements continued

15. Property, plant and equipment

Group

	Computer equipment £'000	Office equipment £'000	Leasehold improvements £'000	Total £'000
Cost				
As at 1 January 2021	1,758	57	444	2,259
Additions	133	135	–	268
Disposal	(531)	(8)	(9)	(548)
As at 31 December 2021	**1,360**	**184**	**435**	**1,979**
Additions	**384**	**24**	**–**	**408**
Disposals	**(55)**	**(11)**	**(99)**	**(165)**
As at 31 December 2022	**1,689**	**197**	**336**	**2,222**
Accumulated depreciation				
As at 1 January 2021	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**
Depreciation charge for the year	**222**	**48**	**34**	**304**
Disposals	**(67)**	**(10)**	**(99)**	**(176)**
As at 31 December 2022	**1,221**	**99**	**336**	**1,656**
Net book value				
As at 31 December 2022	**468**	**98**	**–**	**566**
As at 31 December 2021	294	123	34	451

Company

	Computer equipment £'000	Office equipment £'000	Leasehold improvements £'000	Total £'000
Cost				
As at 1 January 2021	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**
Additions	**380**	**23**	**–**	**403**
Disposals	**(55)**	**(11)**	**(98)**	**(164)**
As at 31 December 2022	**1,689**	**197**	**336**	**2,222**
Accumulated depreciation				
As at 1 January 2021	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**
Depreciation charge for the year	**222**	**48**	**34**	**304**
Disposals	**(72)**	**(10)**	**(98)**	**(180)**
As at 31 December 2022	**1,221**	**99**	**336**	**1,656**
Net book value				
As at 31 December 2022	**468**	**98**	**–**	**566**
As at 31 December 2021	293	124	34	451

16. Leases

Right-of-use assets

	Buildings Group £'000	Buildings Company £'000
As at 1 January 2021	2,180	2,180
Depreciation charge	(1,670)	(1,670)
At 31 December 2021	**510**	**510**
Additions	**3,197**	**3.197**
Depreciation charge	**(1,030)**	**(1,030)**
At 31 December 2022	**2,677**	**2,677**

Notes to the financial statements continued

16. Leases continued

Lease obligations

	Buildings Group £'000	Buildings Company £'000
As at 1 January 2021	2,483	2,483
Interest expense	34	34
Lease payments	(2,008)	(2,008)
At 31 December 2021	**509**	**509**
Additions	**3,196**	**3,196**
Interest expense	**55**	**55**
Lease payments	**(971)**	**(971)**
At 31 December 2022	**2,789**	**2,789**

	Buildings Group Year ended 31 Dec 2022 £'000	Buildings Company Year ended 31 Dec 2022 £'000	Buildings Group Year ended 31 Dec 2021 £'000	Buildings Company Year ended 31 Dec 2021 £'000
Lease liabilities:				
Not later than 1 year	**1,785**	**1,785**	256	256
Later than 1 year and not later than 5 years	**1,004**	**1,004**	253	253
Later than 5 years	**–**	**–**	–	–
	2,789	**2,789**	509	509
Analysed as:				
Amounts due for settlement within 12 months	**1,785**	**1,785**	256	256
Amounts due for settlement after 12 months	**1,004**	**1,004**	253	253
	2,789	**2,789**	509	509

The Group signed a new three-year lease agreement on 01 July 2022 for new office premises in London. The present value of future lease payments in respect of this lease was estimated as £3.0 million which has been recognised as an addition to right-of-use assets. Moreover, in June 2022 the Group exercised the extension option of the lease agreement for the Bristol office, which resulted in a further £0.2 million being recognised as addition in respect of the present value of future cashflows associated with that extension.

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 2022 comprise leases entered into for office premises and data centres. Leases typically run for a period between one and three years and the average remaining lease term is 1.78 years. Following the exercise of the extension option for the Bristol office premises, there remains no further extension option clauses associated with any of the leases currently held by the Group. The Group's obligation under leases are secured by the lessor's rights over the leased premises.

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.

The present value of the Company's lease obligations as at 31 December 2022 is estimated to be £2.8 million (2021: £0.5 million), using the incremental borrowing rate of 3% (2021: 3%), as the interest rate implicit in the lease is not readily determinable.

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 amounted to £0.1 million in 2022 (2021: £nil). The total cash outflow for leases amounted to £1.0 million (2021: £2.0 million). The expense relating to short-term leases recognised in the Statement of Comprehensive Income during the year was £nil (2021: £nil).

17. Receivables and other assets

	Group Year ended 31 Dec 2022 £'000	Group Year ended 31 Dec 2021 £'000	**Company Year ended 31 Dec 2022 £'000**	Company Year ended 31 Dec 2021 £'000
Receivables				
Trade receivables	**170**	115	**170**	115
Prepayments	**2,868**	2,400	**2,868**	2,400
Accrued income	**76**	360	**76**	360
Balances due from related parties	**1,985**	–	**1,985**	–
Other receivables	**1,113**	1,603	**1,113**	1,603
Total receivables	**6,212**	4,478	**6,212**	4,478

Balances due from related parties constitute recharged expenses receivable from CB Group Holdings Limited.

Other receivables include leasehold property deposits of £534k (2021: £103k) and intra-day customer balances of £451k (2021: £307k) which clear and settle on the following day. Other receivables in 2021 also included £711k relating to R&D tax credit due from the UK tax authorities. In 2022, the Company has claimed R&D tax credits under the SME regime (2021: £nil) and the balance receivable is therefore presented on the face of the Statement of Financial Position.

Notes to the financial statements continued

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 2022 £'000	Year ended 31 Dec 2021 £'000
Deferred tax asset	29,582	14,683
Deferred tax liability	(3,626)	(2,158)
Net deferred tax asset	**25,956**	12,525

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 2021	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)
Credit/(charge) to the income statement	(731)	–	–	(116)	(847)	845	845
At 31 December 2021	**13,342**	**304**	**528**	**509**	**14,683**	**(2,158)**	**(2,158)**
Credit/(charge) to the Income Statement relating to prior periods	–	–	–	(72)	(72)	(1,505)	(1,505)
Credit/(charge) to Income Statement due to changes in tax rates	–	–	–	–	–	–	–
(Charge)/Credit to the Income Statement	14,412	444	–	115	14,971	37	37
At 31 December 2022	**27,754**	**748**	**528**	**552**	**29,582**	**(3,626)**	**(3,626)**

At 31 December 2022, the Group had unused tax losses of £132 million (2021: £164.7 million) available to offset against future taxable profits. The Group also has unrecognised RDEC of £456k available to offset against future tax liabilities. 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 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 therefrom. However, if profitability improves quicker than forecasted, then additional deferred tax assets and a related income tax benefit of up to £12.4 million (2021: £26.2 million) could be recognised. There is currently no expiration date of the Group's tax losses.

	31 Dec 2022		31 Dec 2021	
In £'000	Gross Amount	Tax Effect	Gross Amount	Tax Effect
Deductible temporary differences				
Company	30,054	7,513	32,396	6,301
UK subsidiary undertakings	–	–	9	2
Overseas subsidiary undertaking	(21)	(3)	(22)	(4)
Tax losses				
Company	18,413	4,603	79,490	19,602
UK subsidiaries undertakings	–	–	82	20
Overseas subsidiary undertaking	2,139	267	2,095	262
Unrecognised deferred tax asset	**50,584**	**12,381**	114,050	26,183

19. Other payables

	Group Year ended 31 Dec 2022 £'000	Group Year ended 31 Dec 2021 £'000	Company Year ended 31 Dec 2022 £'000	Company Year ended 31 Dec 2021 £'000
Other payables				
Taxes and social security costs	1,532	892	1,532	892
Accruals	7,729	3,401	10,099	3,353
VAT payable	415	60	415	60
Balances due to related parties	92,512	–	92,512	–
Other payables	7,119	5,544	7,119	5,544
	109,307	9,897	111,677	9,849

The carrying amounts approximate fair value.

Other payables constitute supplier account trade payables of £3.7 million (2021: £1.1 million) due within 30 days, customer funds pending next day clearance of £1.0 million (2021: £2.3 million), and amounts due within one year or on demand £1.7 million (£1.7 million).

Notes to the financial statements continued

20. Deferred income

	Group Year ended 31 Dec 2022 £'000	Group Year ended 31 Dec 2021 £'000	Company Year ended 31 Dec 2022 £'000	Company Year ended 31 Dec 2021 £'000
Deferred income	**22,742**	45,229	**22,742**	45,229

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 Limited. 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 £8.1 million (2021: £5.6 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 £20.2 million (2021: £11.8 million) of grant income against £20.2 million (2021: £11.8 million) of eligible costs resulting in a net £nil (2021: £nil) impact in other operating expenses presented in the Statement of Comprehensive Income. There are unfulfilled conditions attached to government assistance amounting to £22.8 million (2021: £45.2 million). 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

Allotted, issued and fully paid	**2022 Number**	2021 Number	**2022 £**	2021 £
Class A Ordinary Shares of £0.00001 each				
At 1 January	**1,859,533**	1,627,488	**18.6**	16.3
Issued during 2021[1]	**–**	232,045	**–**	2.3
Issued during 2022[2]	**189,168**	–	**5.0**	–
Redesignated as Ordinary Shares	**(2,048,701)**	–	**(23.6)**	–
At 31 December	**–**	1,859,533	**–**	18.6
Class B2 Ordinary Shares of £0.00001 each				
At 1 January	**120,000**	120,000	**1.2**	1.2
Redesignated as Ordinary Shares	**(120,000)**	–	**(1.2)**	–
At 31 December	**–**	120,000	**–**	1.2
Class C1 Ordinary Shares of £0.00001 each				
At 1 January	**80,000**	80,000	**0.8**	0.8
Cancellation of shares	**(80,000)**	–	**(0.8)**	–
At 31 December	**–**	80,000	**–**	0.8
Class C2 Ordinary Shares of £0.00001 each				
At 1 January	**120,000**	120,000	**1.2**	1.2
Redesignated as Deferred Shares	**(120,000)**	–	**(1.2)**	–
At 31 December	**–**	120,000	**–**	1.2
Class D Ordinary Shares of £0.00001 each				
At 1 January	**1**	1	**–**	–
Redesignated as Deferred Shares	**(1)**	–	**–**	–
At 1 January and 31 December	**–**	1	**–**	–
Ordinary Shares of £0.00001 each				
At 1 January	**–**	–	**–**	–
Redesignated from Class A and Class B2 Ordinary Shares	**2,168,701**	–	**21.7**	
Issued during 2022[3]	**500,608**	–	**5.0**	–
At 31 December	**2,669,309**	–	**26.7**	–
Deferred Shares of £0.00001 each				
At 1 January	**–**	–	**–**	–
Redesignated from Class C2 and Class D Ordinary Shares	**120,001**	–	**1.2**	–
At 31 December	**120,001**	–	**1.2**	–
Total Share Capital at 31 December	**2,789,310**	–	**27.9**	21.8

1 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 £4.0 million.

2 During April 2022 and July 2022,the Company issued, respectively, 189,167 and 1 Class A Ordinary Shares of £0.00001 each at nominal value.

3 During November 2022, the Company issued 500,000 Ordinary shares of £0.00001 each for £0.5m to CB Growth Holdings Limited, a related party entity. Additionally, during December 2022 following the exercise of their options by three employees, the Company issued 301 Ordinary Shares of £0.0001 at £66.36 per share, 69 Ordinary Shares at £72.00 per share and 238 Ordinary Shares at £34.00 per share.

Only Ordinary Shares have full voting rights attached.

Notes to the financial statements continued

21. Share capital continued

Share premium account

Group

	2022 £'000	2021 £'000
Share premium account		
At 1 January	191,816	157,316
Issue of shares	533	34,500
At 31 December	192,349	191,816

Company

	2022 £'000	2021 £'000
Share premium account		
At 1 January	191,612	157,112
Issue of shares	533	34,500
At 31 December	192,145	191,612

22. Capital management

The Group's objectives when managing capital are: i) to safeguard the Group's ability to continue as a going concern and thereby 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. During the period, the Group complied with the externally imposed capital requirements to which it is subject by the PRA.

At the year end, the Company's Common Equity Tier 1 ('CET1') capital resources totalled £33.4 million (2021: £36.7 million). This CET1 capital number is comprised of the Company's net equity of £87.3 million (2021: £71.8 million), less certain capital deductions, including the intangible asset balance of £29.2 million (2021: £27.0 million).

Company

CET 1 capital resources

	As at 31 Dec 2022 £'000	As at 31 Dec 2021 £'000
Share capital	–	–
Retained losses	(129,766)	(137,022)
Share premium	192,145	191,612
Share based payment reserve	24,933	17,190
Less ineligible assets:		
Intangibles	(29,184)	(26,994)
Deferred tax	(24,753)	(8,047)
Total CET1	33,375	36,739
Net Equity	87,312	71,780

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. The majority of the Group's financial assets and liabilities continue to be measured at amortised cost. The Group considers the carrying amount of these financial assets to approximate fair value. 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 (SOCI) for the period. There were immaterial fair value impacts to the SOCI associated with the financial assets mandatorily held at fair value through profit and loss (FVTPL) presented below.

Categories of financial instruments

	Group			Company		
At 31 December 2022	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	–	9,156	9,156	–	9,156	9,156
Receivables and other assets	124	3,771	3,895	124	3,771	3,895
Cash and cash equivalents	–	3,125,862	3,125,862	–	3,125,862	3,125,862
Total financial assets	124	3,138,789	3,138,913	124	3,138,789	3,138,913
Financial liabilities						
Customer deposits	–	2,982,259	2,982,259	–	2,982,259	2,982,259
Payables	–	105,292	105,292	–	105,292	105,292
Lease obligations	–	2,789	2,789	–	2,789	2,789
Total financial liabilities	–	3,090,340	3,090,340	–	3,090,340	3,090,340

	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

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 2022 or at 31 December 2021.

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. The majority of the Group's financial assets of £3,139m constitute cash and cash equivalents repayable on demand.

Group

31 December 2022	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 liabilities							
Customer deposits	2,955,271	–	–	26,988	–	–	2,982,259
Payables	92,146	11,592	571	983	–	–	105,292
Lease obligations	–	144	316	1,380	1,012	–	2,852
Total financial liabilities	**3,047,417**	**11,736**	**887**	**29,351**	**1,012**	**–**	**3,090,403**

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 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

Company

31 December 2022	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 liabilities							
Customer deposits	2,955,271	–	–	26,988	–	–	2,982,259
Payables	92,146	11,592	571	983	–	–	105,292
Lease obligations	–	144	316	1,380	1,012	–	2,852
Total financial liabilities	**3,047,417**	**11,736**	**887**	**29,351**	**1,012**	**–**	**3,090,403**

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 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

Credit risk

Credit risk is the risk of financial loss to the Group if a client 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 clients 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 clients' deposit accounts, minimises our exposure to credit risk. The Group does not provide retail credit to customers 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 poses minimal credit risk. Some of those funds are invested in highly liquid money market funds, specifically Constant Net Asset Value ('CNAV') funds, all of which are backed by government issued securities and therefore also carry 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.

Risk within customer receivables

As discussed in Note 6.8, the Group holds collateral from clients in the form of cash in a Mandated Minimum Balance ('MMB') account. The MMB is an account held separately from the clients' 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 clients and therefore has no direct credit exposure to its customers.

Notes to the financial statements continued

24. Financial risk management continued

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

	At 31 Dec 2022 £'000	At 31 Dec 2021 £'000
Customer deposits		
Mandated minimum balance account	26,988	26,900
Other deposits from customers	2,952,901	2,617,856
Total deposits from customers	2,979,889	2,644,756

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.

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.

Customer 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 £5.9 million (2021: £4.3 million) annualised impact on 2022 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 2022 and 31 December 2021. Further information is provided in the Risk Management section of the Annual Report.

25. Share-based payments

Employee benefit trust

In November 2016, the Group established an employee benefit trust ('EBT') to facilitate share-based payments to key employees through issuance of either share options or shares. 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.

As at 31 December 2022, the EBT held 9.12% (2021: 2.74%) of the ordinary share capital of the Company.

Share-based payments – options

As at 31 December 2022, 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 become exercisable 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.

The following options and awards have been granted and remain outstanding:

Exercise Price (£)	2022 No.	2021 No.
0.00001	252,824	201,959
3.74	2,800	2,800
34.00	3,853	4,091
66.36	19,610	19,911
66.41	12,701	12,701
72.00	7,432	–
Total	299,220	241,462

The total cumulative fair value of options granted and outstanding at the year end is £26.9 million (2021: £20.7 million).

	Weighted average exercise price 2022 £	2022 No.	Weighted average exercise price 2021 £	2021 No.
Outstanding as at 1 January	9.59	241,462	8.05	182,810
Granted	9.25	58,366	14.38	58,652
Exercised	(54.33)	(608)	–	–
Outstanding as at 31 December	9.43	299,220	9.59	241,462

The weighted average fair value of options granted during the year was £105.60 (2021: £100.47).

Notes to the financial statements continued

25. Share-based payments continued

The fair value of the options granted in 2022 was determined using the Black-Scholes model and Monte Carlo simulation where applicable. The underlying expected volatility was determined by reference to historical data of the Company's selected comparators' shares over a period, relevant to the remaining term of the share option grants. Expected volatility ranged between 44.6% and 45.3%, and the risk-free rate ranged between 1.31% and 1.65%. 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 2022, £7.7 million (2021: £7.7 million) was charged to the Statement of Comprehensive Income in relation to these options.

26. Related party transactions

In 2022, CB Growth Holdings Limited, a company incorporated in Jersey, and CB Group Holdings Limited, a company incorporated in the United Kingdom, became related to the Company, ClearBank Limited, by virtue of having common key management personnel.

During the period the Company recharged £8.6m (2021: £nil) of operating expenses to CB Group Holdings Limited. As at 31 December 2022, balances of £89.1m (2021: £nil) and £3.4m (2021: £nil) were owed by the Company to CB Growth Holdings Limited and CB Group Holdings Limited, respectively, in relation to bank deposits held on their behalf.

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 Directors and members of the Executive Committee.

Key management personnel compensation

	Year ended 31 Dec 2022 £'000	Year ended 31 Dec 2021 £'000
Salaries and wages	**2,916**	2,057
Social security costs	**419**	256
Retirement obligations	**99**	64
Termination benefits	**186**	–
Share-based payments	**3,985**	4,778
Total key management costs	**7,605**	7,155

Aggregate Directors' remuneration

	Year ended 31 Dec 2022 £'000	Year ended 31 Dec 2021 £'000
Salaries and wages	**1,243**	951
Social security costs	**185**	110
Retirement obligations	**6**	14
Termination benefits	**183**	–
Share-based payments	**650**	1,257
Total Directors' remuneration	**2,267**	2,332

One Director (2021: two) is a member of the Group's defined contribution scheme. In 2022, one Director (2021: two) received share awards under the Group's long term incentive schemes.

Remuneration of the highest paid Director

	Year ended 31 Dec 2022 £'000	Year ended 31 Dec 2021 £'000
Salaries and wages	**418**	303
Social security costs	**58**	32
Retirement obligations	**–**	14
Share-based payments	**650**	827
Total highest paid Director	**1,126**	1,176

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 £2.4 million (2021: £1.6 million).

28. Contingent liabilities and commitments

There are no contingent liabilities as at 31 December 2022 (2021: £nil).

29. Events after the reporting year end

In March 2023, the Company received additional capital of £11.3m. Furthermore, a group restructure, which will result in CB Growth Holdings Limited becoming the immediate parent of the Company, is planned to complete for 2023.

30. Ultimate controlling party

There was no parent undertaking or ultimate controlling party as at 31 December 2022 (2021: None).

Glossary

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

Key information

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