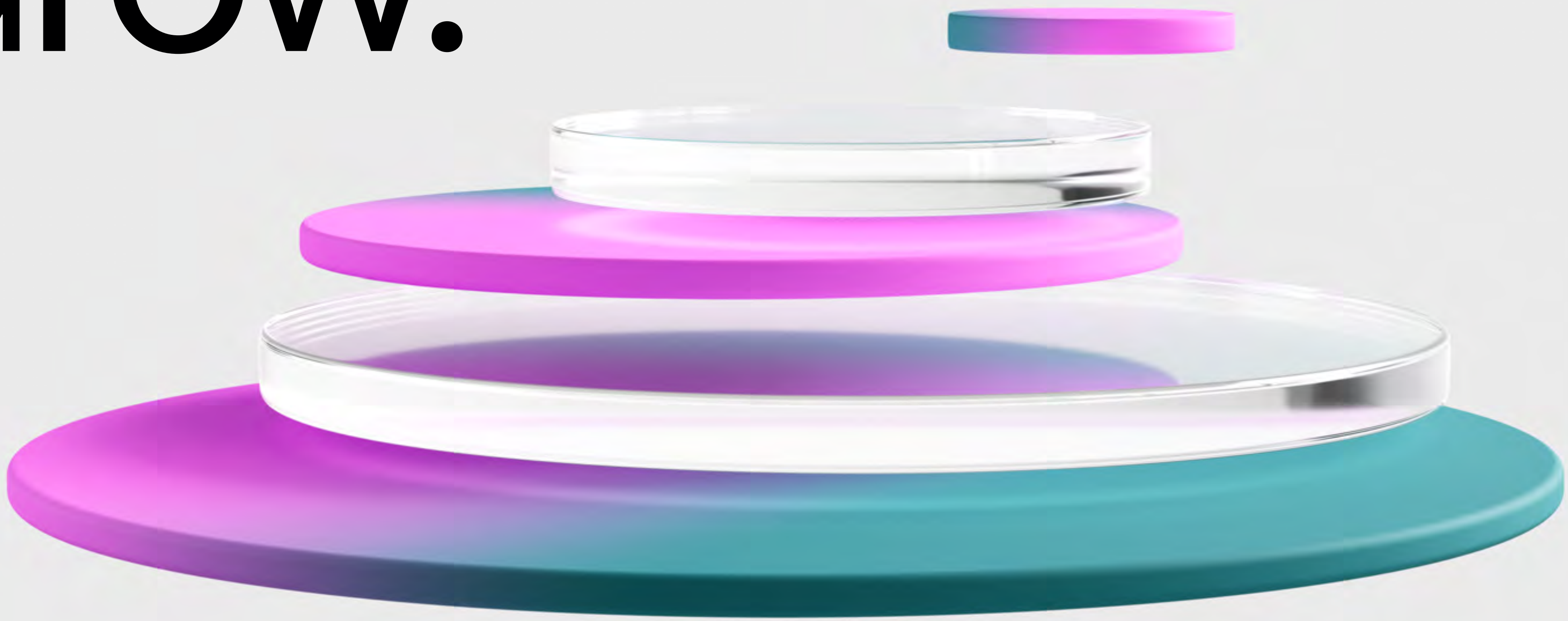
Innovate. Differentiate. Grow.

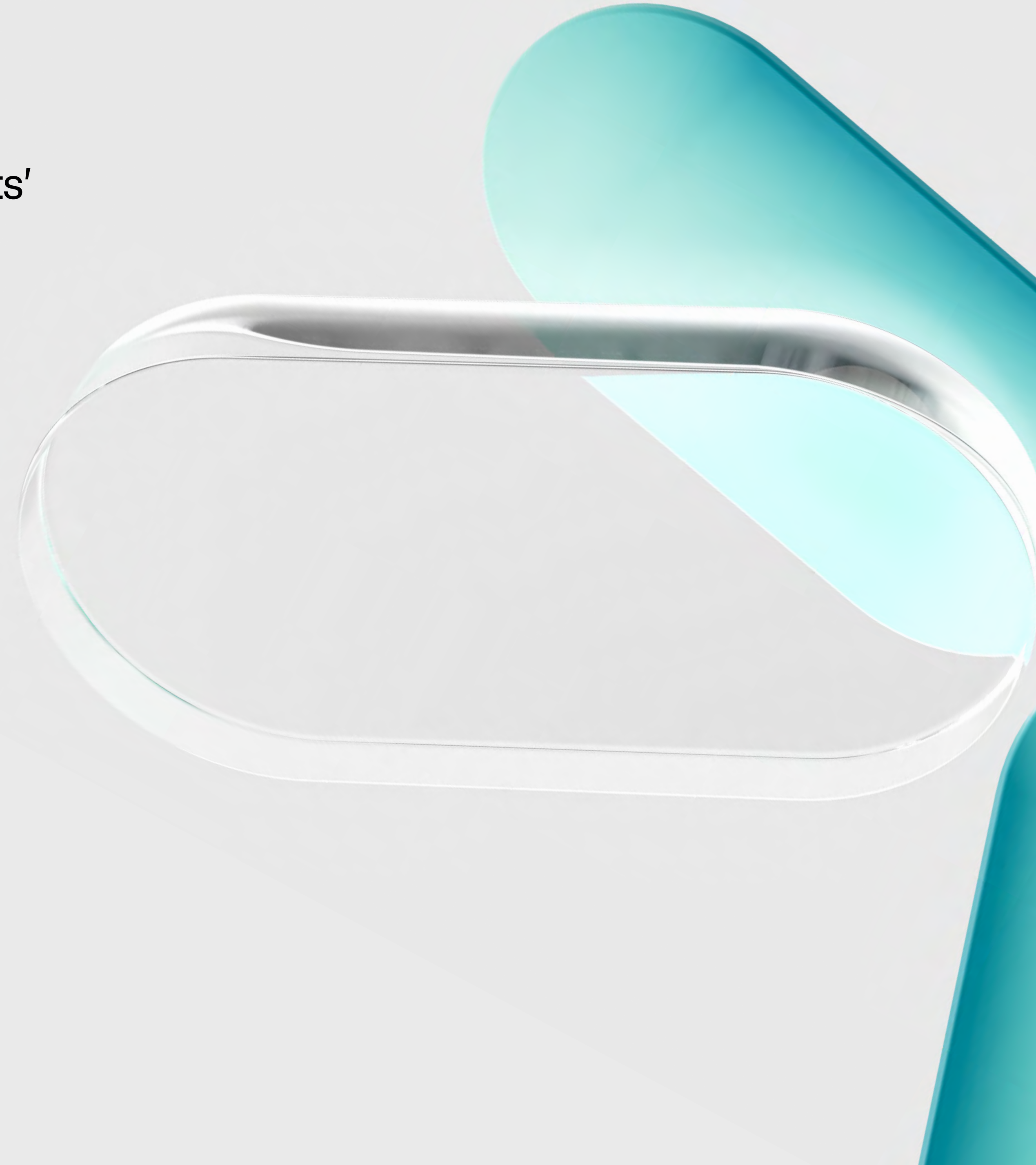
Clear.Bank

Annual Report and Accounts 2023



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're 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.

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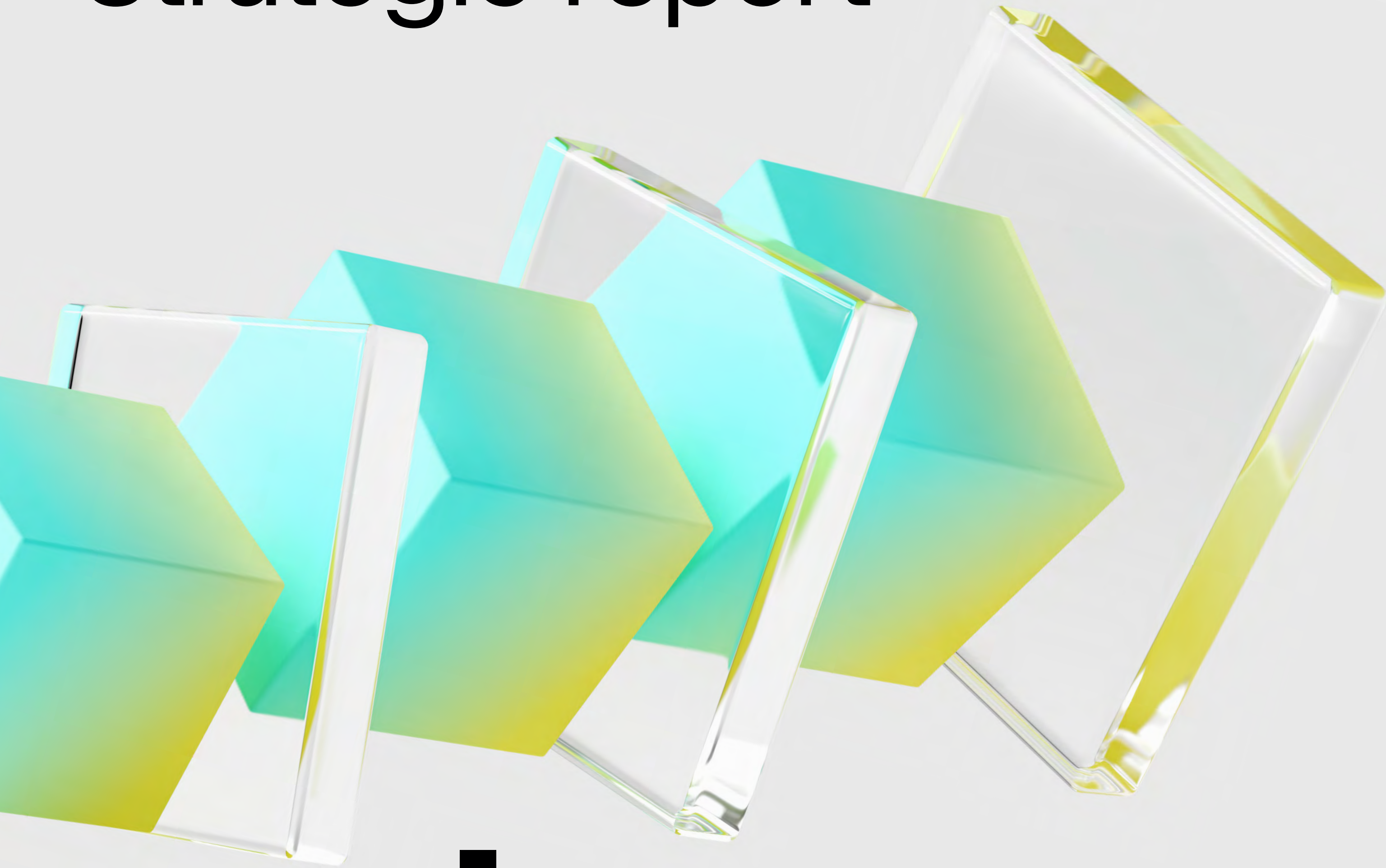


Section contents

Innovate.

ClearBank at a glance

Driven by technology, powered by people

Who we are

ClearBank is a purpose-built, technology enabled clearing bank.

ClearBank was built on the belief that banking and payments infrastructure would no longer slow down progress. Instead, it would be the catalyst that unlocks the potential to innovate. It would adapt to cater to different needs so a new era in financial services could begin.

We're a fully regulated bank that's driven by the latest technology and powered by our talented people.

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 for their customers. We're committed to being a responsible business, driving forward the transformation of payment services.

Our clients

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

PayPoint tide chip BCB GROUP eToro raisin coinbase

Chair's overview

Resilience and reputation

The Chair's introduction last year referenced how we'd had a pivotal year that had demonstrated the financial viability of our business model. 2023 has reinforced that sentiment as we saw a record financial performance and business growth, all set against a backdrop of another challenging year for people, communities and businesses.

With persistent macroeconomic uncertainty forcing many firms to scale back their ambitions and defer expansion, ClearBank stands out for continuing to grow across every segment and business line. We've invested in our systems and processes, purposely scaling up in a resilient and compliant manner.

While it would also be tempting to expand rapidly as market demand grows for our services, we have stayed true to our culture and values, adding skilled team members and senior leaders without compromising the quality of those hires or affecting our sustainable approach to expansion. To support our strategic growth, we welcomed our new Chief Financial Officer, Mark Fairless, who leads the Bank's finance team and sits on ClearBank's UK Board and Executive Committee. He brings a breadth of knowledge, expertise and experience to the team that will be important to our future success.

The ongoing investment and focus on market-leading products, services and client delivery has yielded record new business with more than 220 live clients, record monthly volumes and record levels of deposits, with all our sterling deposits safely held at the Bank of England. Crucially, this growth, both in our client base and ClearBank itself, has been delivered while maintaining and, indeed, increasing our profitability.

As we continue to face economic challenges, ongoing unrest in various regions and the cost-of-living crisis, we are mindful of the impact on our clients and our business. However, the last year has undoubtedly demonstrated the benefits of our proposition and our model. With a strengthening balance sheet, I am confident in ClearBank's ability to continue its growth trajectory and enhance its role within the UK financial services community.

Resilience by design

ClearBank was built differently, with the belief that banking infrastructure would no longer slow down progress. Instead, it would be the catalyst that unlocks the potential to innovate by making payments faster, safer, more reliable and accessible to all. While the last 12 months have brought market challenges, they have also highlighted the power of our model.

> "ClearBank is playing a crucial role in facilitating transformational change in the UK financial services market."
>
> **Shonaid Jemmett-Page**
> Chair

Chair's overview cont.

The high-profile collapse of banks on either side of the Atlantic, notably Silicon Valley Bank and Credit Suisse, has had an undeniable ripple effect. Although, reassuringly, the reformed global banking regulations since the 2008 crisis have largely stood up to the test, preventing wider contagion, with institutions now better capitalised. Most banks are caught between providing a safe place for customers' money and returning profits to their shareholders.

The markets also witnessed a new type of bank run, one not constituting people queuing outside of branches, but firms withdrawing their funds en masse, uncertain if they will be able to access those funds in just a few hours, let alone days. In this uncertain market, there has also been greater regulatory scrutiny of systems and control failures at non-bank providers of payment services, such as Electronic Money Institutions (EMIs).

All of this reinforces the benefit of ClearBank's model, delivering a resilient, financially sustainable and low-risk proposition, never lending any customer funds to third parties and all sterling deposits held securely at the Bank of England. We offer the stability and security of a fully regulated bank and the agility and technology-first model of non-bank providers. This allows firms to deliver innovative services without the cost and complexity of acquiring a banking licence.

Enabling innovation

As a result, ClearBank is playing a crucial role in facilitating transformational change in the UK financial services market. We do this by enabling and supporting innovation through our partnerships with other organisations, supporting new banks, established challengers and fintech firms of all shapes and sizes, through to community-focused organisations such as credit unions. Our flagship embedded banking collaboration with Tide has now reached 10% of the UK's small and medium-sized enterprise (SME) market, a remarkable achievement considering the competitive environment.

That resilience also means we are ideally equipped to navigate the evolving regulatory landscape, as shown by the significant update to our systems for the new Real-Time Gross Settlement (RTGS) standards. ClearBank built a new strategic architecture to support the transition, rather than a translation layer around existing systems, delivering API-based functionality that supports and leverages the enhanced data now available in CHAPS messages using the new ISO 20022 format.

This innovation must also be delivered with climate and communities in mind, and we continue to embed sustainability principles across the business. To accelerate that programme, this year we hired our first dedicated full-time resource reporting into a sustainability task force led by our Chief Financial Officer and an Executive Committee member.

Our diversity, equity and inclusion (DE&I) group, 'Dimensions,' continues its incredible work to ensure we celebrate and value our employees' uniqueness. It is directly influencing our policies and raising further awareness of challenges and issues so that we keep adapting and educating ourselves to support our colleagues and others we are connected to.

Outlook

With a state-of-the-art technology platform, a resilient business model proven during notable market stresses, and a highly motivated and talented team, I believe ClearBank has the key ingredients to continue its success. Building our unique business over the past eight years has been challenging but extremely rewarding in making us the clear market leader in our space.

The Bank is now building an even stronger future from these solid foundations. That begins with new products that will support revenue growth by meeting underserved market segments, for example, launching interest-bearing accounts that our clients can offer at scale more cost-effectively. It also means going beyond our home market to support clients on their expansion into Europe.

While the pace of change driven by our significant expansion has been demanding, I'm immensely proud of the dedication and hard work of our employees – our staff, executive and the Board – to remain focused on the mission to help our clients innovate, differentiate and grow.

Finally, I'd like to express my gratitude to my predecessor as Chair, David Gagie, who stepped down at the end of 2023. He has been instrumental in the growth of the organisation, with his experience being pivotal in leading the Board during a period of significant change. I'm grateful for his stable and effective leadership of the Board during his tenure and look forward to building on his work as we continue our journey. I'm privileged to step into the role of Chair and with this transition, I'm also delighted to welcome Andrew Neden as the new Chair of ClearBank's UK Board Audit and UK Board Remuneration Committees. He brings with him substantial experience which will be vital in continuing the growth journey of the Bank.

Shonaid Jemmett-Page
Chair
28 March 2024

Chief Executive's review

Another remarkable year

2023 has been a stand-out year for ClearBank on its journey as we report our first financial year of profitability. While the industry and the broader economy have faced some significant challenges, our achievements are notable, setting records across our key metrics as we press ahead on our path to sustainable growth.

The Bank now serves more than 220 clients and has signed significant multi-year deals with some of the industry's leading brands. We opened a record number of accounts on behalf of our clients, processed a record volume of transactions and saw customer deposits double in value. We've also welcomed over 330 new colleagues, from senior leaders and segment experts to engineers and product specialists, all attracted by our strategic vision and reputation.

Crucially, we have achieved this substantial progress and growth in 2023 while maintaining our focus on generating annual profitability. I mentioned our first quarter of profitability last year which was followed more recently by the announcement of profitability through the first half of 2023, paving the way for strong full year results.

That focus, in turn, will enable us to continue and accelerate our growth in the next 12 months. Against the backdrop of macroeconomic issues and several high-profile bank failures, these results are a testament to the strength of our model, our skilled and tenacious employees and the prowess of our diverse client base.

Embedded banking leader

The first half of 2023 saw systemic events, including the failure of Silicon Valley Bank and then Credit Suisse, with ramifications across the US and European financial services markets. This resulted in a flight to established and secure alternative banking partners like ClearBank. Our unique combination of fully licensed banking services, next-generation technology platform, and embedded banking proposition has drawn attention and ensured another period of accelerated growth and significant momentum across all lines of the business.

I'm particularly excited by the strength and growth in embedded banking partnerships, where we directly embed banking services, such as FSCS-protected accounts, for clients into their customer experience. With non-bank providers under increased regulatory scrutiny due to concerns around their systems and controls, and institutions seeking to increase the protection of deposits and provide better returns for their customers, our proposition stands out.

Chief Executive's review cont.

ClearBank is now a leading provider of embedded banking with end users almost doubling year-on-year. We're working with our newer embedded banking clients, such as Chip and Raisin UK, to offer market-leading savings rates to help consumers make their money work harder in a high-inflation environment. The recent market stress has further reinforced that, unlike non-bank offerings or those of the incumbents, ClearBank's embedded banking model is best in class. We deliver agility and stability, safeguarding client sterling funds at the Bank of England for maximum security of deposits and peace of mind for their customers. These strengths are further reflected in the diverse set of clients in our pipeline for the proposition over the next 12 months.

Foundations for future success

We made significant progress this year on our expansion objectives. We've continued innovating and investing in our products and delivering without compromise for our existing client base. Nowhere was this more apparent than in the RTGS Renewal Programme, with the CHAPS upgrade in 2023 representing a critical development in the ongoing delivery of efficient high-value payments. As the industry continues its efforts to digitise and deliver greater benefits to scheme participants, ClearBank remains at the heart of this evolution.

In a highly competitive market, we cannot rest on our laurels but must continue delivering new products and services. The addition of Confirmation of Payee (CoP) to our platform has made payments smoother and more secure. We're now leveraging this capability as a technical provider to benefit clients through our CoP-as-a-Service offering launched in 2023. Additionally, the introduction of cross-border GBP services enables our clients to remit funds to GBP accounts overseas. The wider group has also commenced development and testing work for direct access to TARGET2, SEPA Credit, and SEPA Instant ahead of its European expansion.

As part of our focus on delivery excellence, I was delighted to welcome Spiros Theodossiou as Chief Product and Technology Officer, leading the wider group's global product strategy and executing our product roadmap. He is working with teams across ClearBank to advance the Bank's capabilities, while his expertise from senior positions at Worldpay and PayPal will be invaluable on our journey. Spiros is supported by the highly experienced Megan Cooper as Chief Product Officer, bringing over a decade of experience as Chief Product Officer and Head of Digital Strategy at Barclays UK, and Chief Platform Officer at Starling Bank.

Together, they are working closely with the Bank's client management, engineering, and risk and compliance teams to develop and maintain the Bank's capabilities, aligning them with our clients' evolving needs. I'm excited by their perspectives and track record of driving product innovation that will help to ensure we make our vision a reality.

Our client success and brand also continued to be recognised by the industry. This year saw multiple awards for our teams and work, including being named as a Pioneer and Technology Partner of the Year at the British Bank Awards and FSTech's Financial Inclusion Award alongside our long-time partner, PayPoint.

Outlook

Our 2023 achievements are numerous. But we remain mindful that these are steps on our journey, not the destination, and we will continue to scale the Bank as we always have; sustainably and purposefully.

As institutions take flight to quality by seeking scale, security, and safety in their banking partner, we've seen significant increases in customer deposits and payment volumes. With a record financial year, we can capitalise on the opportunity to support more firms in more sectors, to offer unrivalled banking services.

Now, customers are demanding more from us, especially the ability to operate and transact cross-border which is driving the wider group's upcoming expansion to Europe. I'm excited by what the next 12 months will bring in terms of continued development through new products, new clients across every business line and further growth in our embedded banking proposition.

Innovation is in our DNA. As digital assets gain traction due to fundamental shifts in consumer behaviour, technological advancement and an emerging regulatory regime, ClearBank is also preparing for a future where we play an important role in the payments mix. We already work with the most reputable firms in the digital asset sector and have now established a team of sector experts to deliver our digital assets strategy and go-to-market plan.

I continue to have immense pride in and respect for all our colleagues, who have worked tirelessly to make a difference for our clients and their customers. I'm deeply grateful for their support and the ongoing confidence of our Board as we go from strength to strength, together.

Charles McManus
Chief Executive Officer
28 March 2024

Our business model

Financial technology with a banking licence, and expert guidance

Our propositions

We offer market-differentiating banking products to financial institutions, through our single API.

Accounts

Types of ClearBank accounts include:

Operating accounts
Designed to hold our clients' own business's operational funds.

Customer segregated accounts
Customers' accounts that sit alongside our clients' business operating accounts. Designed to hold customers' funds in a different account than our clients'*.

Client money accounts
Accounts that let our clients' business receive and hold money for (or on behalf of) their customers. These accounts separate customers' CASS 7 investment funds from the business's own operating accounts.

Multi-currency accounts
Holds multiple currencies within one account. These enable our clients' customers to see their individual balances in each currency, under one IBAN.

Clearing

Access the UK payment schemes via our single API. Connect to the schemes:

Faster Payments
24/7 Faster Payments to clear everyday transactions.

CHAPS
Clear same-day high-value transactions.

Bacs
Clear Direct Debit and Direct Credit transactions.

Our multi-currency clearing lets our clients and their customers make secure international transfers and gain access to foreign exchange.

Embedded banking

Financial institutions can offer their customers Financial Services Compensation Scheme (FSCS) protected accounts by leveraging our banking licence.

Eligible deposits are protected up to a total of £85,000 by FSCS, the UK's deposit guarantee scheme**.

We offer retail savings accounts and business current accounts for our embedded banking clients.

* In compliance with Payment Services Regulations 2017, the Electronic Money Regulations 2011 or such other applicable legislation.

** Any deposits customers hold above the limit are not protected, however all sterling deposits are held at the Bank of England.

Our business model cont.

Why ClearBank?

Cloud-based API

Our API is best in class and had never been done before – until we built it. By using the latest cloud technology, taking a highly resilient approach, and scaling consistently, we give financial institutions the opportunity to innovate at speed.

Safe and here to stay

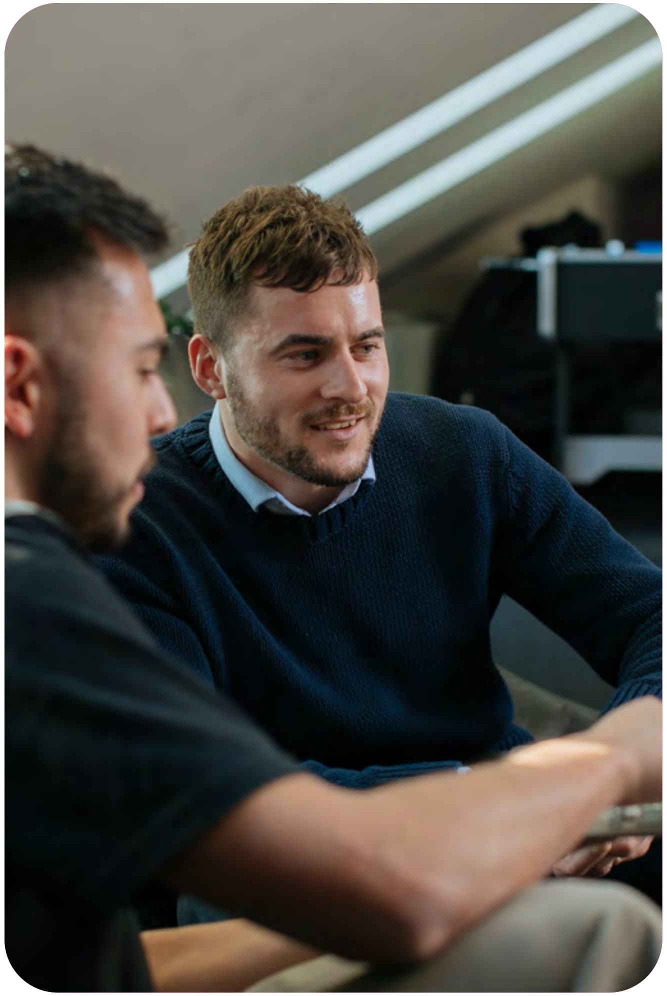
ClearBank is fully regulated with a banking licence and holds all GBP balances at the Bank of England. This means that our clients' customers can rest assured knowing their money is safe.

Powered by people

We're a group of spirited people who are never afraid to challenge the norm – becoming stronger, more energised and that much better when we're together. We work together so our clients have the best experience with a team who understand their business and know their industry to offer solutions and support.

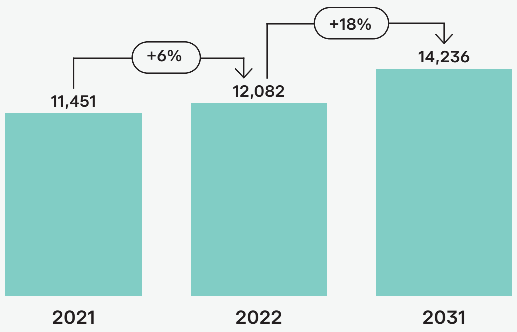
Operational resilience

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.



Market trends

UK payments activity is forecast to grow markedly into the next decade.



Payment volumes grew at 6% in 2022 and are forecast to continue growing at 2% per annum into the next decade given the increasing demand for real-time payments and better customer experience, regardless of the payments channel and distribution model.

The use of remote banking and digital payments adoption is expected to drive further demand for faster payments, while at the same time cash usage is forecast to halve. Customer-centric propositions, tailored to individual needs and enriched with value-added services, are predicted to gradually lead to the commoditisation of pure payment processing.

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

Source: UK Payments summary 2023 report by UK Finance.
Payment volumes shown exclude debit cards, credit cards and cash.

There is a need for balance between the risk and rewards of new, innovative propositions.

Embedded banking

Banking services offered by non-traditional banks are expected to drive payments growth in the UK and globally, according to recent consulting research.

Competitive landscape

The increased demand for embedded banking services will create fresh opportunities for new players to enter the market in various capacities (for example, middleware providers, next generation fintechs and neobanks) with differing propositions for end users.

Regulatory scrutiny

Such shifts in market demand and consumer purchasing habits will require robust processes, driven by automation and the embracing of new technologies.

Various recent market examples in the UK, Europe and the US highlight the need for a strong risk and compliance framework, one that evolves constantly and stays ahead of potential compliance requirements.

Here at ClearBank, we are working on differentiating our products and services in the market. In parallel, we are introducing new technologies, including Artificial Intelligence (AI), into our internal processes and controls to continue developing our resilient operating model.

The macroeconomic and regulatory landscape will continue to evolve.

Interest rate trends

The Bank of England last raised the Bank Rate in August 2023 to the current level of 5.25%, as inflation began to fall whilst remaining above the Bank's target level. Money markets have since forecast the next move in the Bank Rate to be a reduction by a cumulative amount of 75 basis points during the second half of 2024 (at the time of writing).

Central Bank Digital Currencies (CBDCs) and Stablecoins

A recent study from Boston Consulting Group (BCG) suggests that more than 90% of central banks are actively experimenting with CBDCs, with a view to complementing traditional payment rails.
ClearBank is actively participating in discussions with policy experts, regulators and clients, while concurrently developing our own digital assets strategy.

New Payments Architecture (NPA)

The NPA programme aims to upgrade the current interbank payment schemes (Bacs and Faster Payments) into one single system. However, as highlighted by Joe Garner's 'Future of Payments' review published in November 2023, concerns remain both over the delivery timelines – given that the work was initiated in 2016 and is due for deployment in 2026 – and the suitability of the NPA as a replacement of the current interbank payment systems. HM Treasury also questioned the suitability of the NPA and advised for an independent review on its scope, investment and expected benefits, considering other potential new initiatives (e.g. CBDCs).
At ClearBank we closely monitor developments, progress and timelines of the NPA programme as connectivity to the new system will need to be built ahead of its arrival.

Our strategy

Deepen UK market presence

Strengthening our positioning across current and new customer segments

Achievements in 2023

We have continued to grow in our core market with 46 new clients this year. As a result, ClearBank works with 15 of the UK's newest banks including Allica Bank and Alba Bank.

Our client, Allica Bank, is the fastest-growing tech company in the UK according to Deloitte Fast 50 and the new bank focused on serving small and medium-sized enterprise (SME) businesses with 10-250 employees. It has partnered with us for client money accounts and access to the UK payment schemes.

Alba Bank, the UK's newest challenger bank dedicated to supporting SMEs, has partnered with ClearBank to manage payments for its customers.

Our strategy cont.

Enrich and expand our offerings

Enhancing existing product offerings and expanding services to deepen client relationships

Achievements in 2023

Multiple new features have been added to our platform, reflecting our ongoing commitment to deliver best in class products.

This included CASS, offering seamless current account switching for our clients, which also met one of our final BCR commitments, and Confirmation of Payee-as-a-Service (CoPaaS), enabling clients to leverage ClearBank as a technical provider for inbound and outbound Confirmation of Payee (CoP) checks.

We successfully transitioned our CHAPS transactions onto the new ISO 20022 platform as part of the Bank of England's RTGS renewal programme. ClearBank also successfully built and tested direct access to TARGET2, SEPA CT and SEPA Instant ahead of the wider group's European expansion.

We introduced a cross-border GBP service allowing customers to remit GBP to any permissible overseas GBP account.

Creating value for our stakeholders

Allica Bank Case Study

Supporting the UK's fastest-growing SME bank

Allica Bank was founded to serve established UK small and medium sized businesses (businesses with 10-250 employees). It provides them with tailored, human support, backed up with the latest banking technology – which established SMEs struggle to get from the big banks. It offers business current accounts and tailored lending products, powered by market-leading lending technology, such as an automated, instant decision-in-principle for business mortgages. It aims to be the go-to bank for established businesses within the next decade and following significant growth in 2022 – including 534% revenue growth, reaching £1.35 billion in lending, and a 76% increase in staff – it is well positioned to meet this ambition.

ClearBank is a key enabler for Allica's ambitious growth. ClearBank provides Allica Bank with client money accounts and access to UK payment schemes, including Faster Payments (FPS), CHAPS and Bacs, powered by its API-first, cloud-native technology.

Allica launched its business current account to established businesses late last year, offering cashback rewards, no monthly fees and relationship manager support, along with a market-leading 3% AER integrated instant-access Savings Pot. It can also offer quick and secure transactions using FPS, Bacs and CHAPS. Allica believed it crucial to work with a provider that was closely aligned with its values and growth objectives to help it scale at pace.

Allica Bank

"By offering a relationship-backed service, powered by modern technology, Allica is building the future of banking for established businesses. It is vital that we work with industry-leading partners that can grow with us as we scale. ClearBank is a leader in its field and is an obvious partner for us – we are on the same path both in growth trajectory, and in our values."

Keith Middlemass
Chief Operating Officer, Allica Bank

Creating value for our stakeholders cont.

Manchester Credit Union Case Study

Transforming the member experience at Manchester Credit Union

Founded in 1991, Manchester Credit Union (MCU) is a financial cooperative owned and controlled by its members. It had worked with several bank partners but found these services were creating operational issues as its membership grew.

In preparation to meet its business growth goals, it conducted a review of its delivery partners to strengthen its messaging on technology, resilience and growth, and selected ClearBank.

With a growing loan book and approximately £14 million in savings to manage, the ability to offer real-time, 24/7 access to funds through Faster Payments has been transformational for MCU and its 30,000 members. Between October 2022 (the start of its financial year) and September 2023, it has seamlessly processed 672,593 FPS payments with ClearBank, consisting of share withdrawals and loan payments. A third of all payments are made 'out-of-hours', ensuring critical funds are available on demand and when members need them.

It has also seen significant operational benefits, with increased payment automation and operational efficiency, saving two senior team members a full day of work per week. As a result, Manchester Credit Union has managed a 30% growth in its membership without needing to hire any additional operational staff.

MANCHESTER CREDIT UNION

"Since starting to use ClearBank, our self-serve offer to members has been transformed. Being able to offer members access to their savings 24/7 has been transformational for how we serve our customers. Everything just works."

Mandy Wilcock
Chief Operating Officer, Manchester Credit Union

Creating value for our stakeholders cont.

Alba Bank Case Study

Supporting Scottish SMEs with Alba Bank

Alba Bank, the UK's newest challenger bank dedicated to supporting SMEs, has partnered with ClearBank to manage payments for its customers.

Alba Bank will be leveraging ClearBank and Mambu's partnership to offer near real-time payments to its customer base and will be accessing these services via a single API integration. Alba will be able to connect with multiple payment schemes, including Bacs, CHAPS and Faster Payments, all allowing transactions to clear rapidly and over a secure platform.

Founded by Scottish entrepreneur Jim McColl in 2018, with its headquarters in Glasgow, Alba Bank was established to provide commercial finance to UK SMEs which remain underserved by the mainstream banks. Bucking the trend of remote contact centres favoured by the big banks, Alba is developing a network of regional commercial finance experts with the experience to work alongside SMEs as they grow.

Alba was, earlier this year, granted its banking licence by the UK Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA), allowing it to move into mobilisation, during which time it is currently focusing on building out its team, operations and infrastructure.

ALBA BANK

"ClearBank has established a superb reputation among financial institutions and will provide us with the speed, agility and security that we need to help our SME customers grow and prosper."

Sandeep Kadam
Chief Technology Officer, Alba Bank

Creating value for our stakeholders cont.

BCB Group Case Study

Looking to the future with BCB Group

BCB Group is a leading crypto-dedicated payment services provider, serving many of the industry's largest clients. It provides payment services in over 30 currencies, FX, cryptocurrency liquidity, digital asset custody and BLINC, which is BCB's free, instant settlements network for the BCB client ecosystem.

It wanted to ensure that the fiat leg of the customer journey was underpinned by an experienced partner, one that aligned with its purpose and vision to deliver the best possible payment experience. It also wanted a banking partner who appreciated the role of digital assets in the evolving payments landscape and had a risk appetite that matched its own.

With ClearBank, BCB Group has gained cost-effective access to Faster Payments (FPS) – offering all the advantages of the UK's Faster Payments infrastructure to end customers, without incurring the significant costs of being a direct scheme member. Since working with us, it has seen a more than 400% increase in transaction volumes. Further, virtual accounts and virtual IBANs provide BCB with the flexibility to support its financial institution customers with one or just a small number of real accounts.

BCB GROUP

"ClearBank offered a powerful combination of a risk appetite that's supportive of the digital assets industry, proven payment capabilities, and market-leading account products. It also stands out for having experienced transaction bankers alongside a dedicated digital asset team and a compliance team that are specialists in our sector."

Oliver Tonkin
Co-Founder and Deputy CEO, BCB Group

Creating value for our stakeholders cont.

Celebrating our values

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

At our internal ClearBank events, we get together to review key achievements and celebrate where employees have actively demonstrated the ClearBank values within their roles. Here are some of our ClearAward winners in 2023.

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 which guide us on our way.

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.

ClearAward

Danielle Wade, Human Resources

Danielle plays a crucial role in leading, enhancing and communicating the employee reward processes at ClearBank. She held engaging sessions communicating our reward principles and processes to all colleagues, driving greater transparency and understanding on a topic important to all. She's a fantastic team member and truly deserves the recognition for her positive impact on our people.

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.

ClearAward

Luman Ali, Financial Crime

Financial crime and due diligence can be highly complex and challenging, with continuous and rapid change in the external environment. Luman consistently makes positive suggestions for efficiency and streamlining of processes, considering alternative perspectives and with a real ambition to evolve and grow ClearBank's financial crime department for the better.

Creating value for our stakeholders cont.

Employee awards

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.

ClearAward

Gurdeep Chana, Client Services

Gurdeep continuously pushes the boundaries of his knowledge in client services and payments. Gurdeep sets the curiosity bar sky-high and doesn't shy away from the unknown. His team hugely appreciate his passion and dedication.

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.

ClearAward

Peter Desborough, Internal Audit

Peter has shown exemplary commitment to our clients and incredible resilience when it comes to handling highly technical content. Peter truly embodies the spirit of 'better together' by working with our clients to produce great results.

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.

ClearAward

Simon Lam, Client Management

Simon drives high standards in client management and across ClearBank more broadly. He did a fantastic job with one of ClearBank's new embedded banking partners. His impressive commitment and diligence were key to securing this partnership and deservedly recognised.

Our people

Developing our talent

Achievements in 2023

We've continued to experience growth that we are all so proud of, and we have remained committed to creating a culture of trust, collaboration and making a positive impact. Throughout the year we've delivered a number of key initiatives for the business, which include:

- A wholesale change to the Family Leave employee offering, providing continued support to working parents. This enhanced policy sees improvements to what ClearBank offers for maternity, adoption, paternity and shared parental leave whilst also creating support for our colleagues who experience miscarriage or require additional fertility support. In conjunction, a refined Sickness Leave policy was also put in place to ensure that employees unable to work due to ill health have appropriate and reasonable support.
- Our flexible working policy, which works well for our people. Our model reflects the changing way in which the modern-day workplace functions best. In 2023 we consciously moved away from being a 'remote first' employer and now operate with a flexible working philosophy – empowering both colleagues and teams to set a cadence of working practices which promotes productivity and the ability to balance working lives. This means we offer employees the opportunity to work flexibly via a combination of remotely at home and in the office – benefiting both personal and business needs. Another example of our flexible approach is our continuation to offer employees the opportunity to work outside of the UK for up to 30 days per year.
- Seeing another year of significant improvement in our employee engagement score (scores are captured within a monthly survey and tracked throughout the year). Initiatives completed to raise this score included:
  - Refining our employee onboarding experience with streamlined pre-joining and day 1 processes, useful materials and communications as well as offering an in-depth overview of the organisation and invitations to welcome meetings with our CEO.
  - A dedicated programme offering a wide range of learning and development opportunities (refer to the 'investment in people' section below).
  - Implementing hiring guides and frameworks to ensure consistency and accuracy of hiring the right people into the right roles. To complement this, a new internal mobility platform was introduced, allowing ClearBank employees the ability to apply for internal vacancies to grow their careers within the organisation.

Similarly to last year, in 2023 we made substantial investments in our workforce, which saw ClearBank welcome more than 330 new joiners. This expansion of 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 and customer base.

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

At ClearBank we are passionate about empowering our employees to invest in their personal and professional development and are committed to providing robust training and development offerings. In 2023 we launched a variety of training including driving development, time management, prioritisation and resiliency, wellbeing and a dedicated line manager toolkit programme.

Nadine Adams
Chief Human Resources Officer

We continue to promote and develop our internal talent. In 2023, 13% of our employees were promoted or transitioned into different roles, leveraging their skillset, talent and career aspirations. Furthermore, ten individuals were promoted to our senior leadership team which means 31% of our leadership team now consists of internal promotions. This demonstrates our ongoing commitment to grow from within and reflects the number of opportunities ClearBank has to offer to develop careers and experiences.

Our people cont.

Diversity, equity and inclusion (DE&I)

ClearBank recognises that diversity is vital to the success of the business as different views and perspectives offer new ideas and unique ways of solving problems, which drives innovation and growth and ultimately leads to more robust decisions and outcomes. ClearBank is also a firm believer that an inclusive culture fosters greater employee engagement and collaboration. To ensure all employees feel a sense of inclusivity at work, we have continued to run, and will do so into 2024, a regular engagement survey which is anonymous, specifically focusing on how our people feel working at ClearBank.

To support our stance on diversity, equity and inclusion (DE&I), ClearBank founded a forum called 'Dimensions', comprising of a diverse group of colleagues with a defined mission statement to drive our DE&I agenda forward and identify key areas to improve. With one area of focus in 2023 being family and working parents, an employee resource group for parents at ClearBank was created in 2023.

As a member of the Women in Finance charter, ClearBank is committed to supporting the progression of women into senior roles in the financial services sector. In 2023, we achieved our target of 42% for female representation in senior management and have set an ambition to increase this to 45% by the end of 2024.

We've made significant progress because of these actions and through our DE&I training delivered for all colleagues. This is reflected by the increase in our overall female population of 76%. Despite this, our gender pay gap has widened from the previous year, with a median gender pay gap of 23.5% (2022: 13.8%*). The gender pay gap is based on average pay across the workforce and does not take role or seniority into consideration. At ClearBank, men and women are paid equally for equivalent roles across the business. Our pay gap in 2023 was substantially driven by the scaling up of our technology team where roles have comparatively higher salaries and where hiring is impacted by the available candidate gender mix in the industry. We remain committed to recruiting and promoting more women into technology roles and leadership positions, with Code First Girls exemplifying how ClearBank is building for the future.

2023 saw the inauguration of the Code First Girls programme to bolster the number of females and non-binary people within ClearBank's Technology function. Code First Girls partner with companies globally to help build the female and non-binary talent pipelines in Technology, with a mission to creating future leaders and Chief Technology Officers. This has seen a cohort of six females successfully completing an 18-week coding bootcamp, sponsored by ClearBank, which has resulted in permanent employment with the Technology team.

In 2023, in addition to introducing a truly flexible working philosophy and enhanced family leave policies, we launched a flexible public holiday scheme. This provides employees with the option to mark the key dates that matter to them personally and culturally, aligning to how ClearBank supports its diverse workforce. 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.

2024 outlook

As we step into 2024, we will continue supporting our people to achieve their professional growth and ambitions. We'll be offering learning and development initiatives that focus on line manager capabilities, as well as continued leadership coaching and a defined career pathway framework for all employees to plan their professional development in the organisation.

As ClearBank continues to grow and the wider group expands into multiple jurisdictions, we will refine and scale our employee culture to ensure a consistent experience for all employees, both present and future. This will include designing, launching and embedding a new employer brand – solidifying our mission, vision and values.

* This figure aligns to a new consistent reporting methodology and therefore differs from the 19.6% figure disclosed in the 2022 Annual Report.

Sustainability

ClearBank is committed to being a responsible business. We believe that establishing a sustainable business model will create inclusive and lasting impact for people and the planet.

20%

2022 to 2023 reduction in carbon intensity (tCO_2e: Payments Volume)

2030

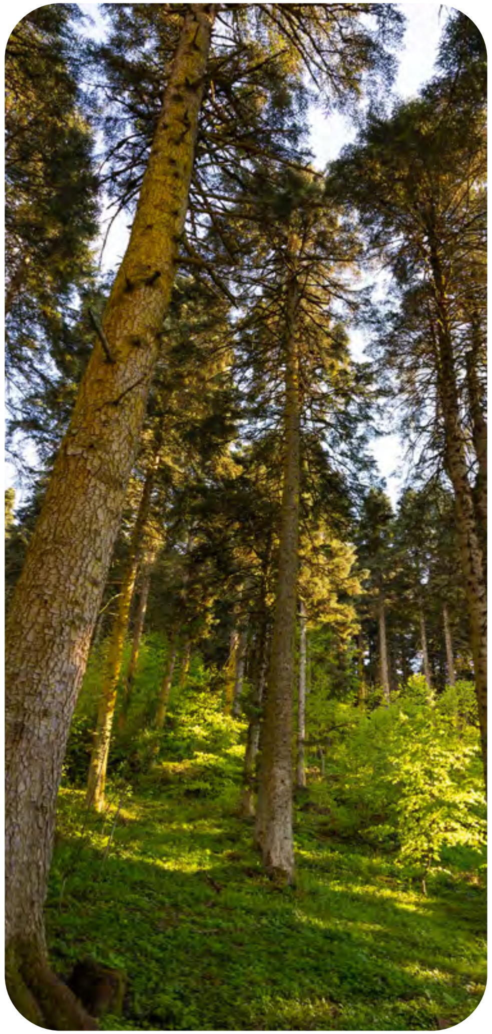
Our target for Net Zero carbon emissions across our own operations (Scope 1 & 2)

Introduction

Through our industry leadership, innovation and work with our clients, our goal is to be a catalyst for sustainable financial services and a force for good.

In this time of rapid change, our clients, people, regulators and investors continue to focus on the social and environmental impacts of doing business. That's why we included sustainability in our guiding Company-wide priorities throughout 2023 and will continue to pursue meaningful outcomes in 2024 and beyond. Sustainable business practices are not just an obligation to the communities we serve but are an essential element of our commercial strategy, attracting investments, clients and talented people while creating resilience in our end-to-end value chain.

Sustainability cont.



Environment

Climate change is the great challenge of our age and financial services play a critical role in climate action by enabling and encouraging the financing of sustainable outcomes, as set out in the 2015 Paris Agreement. ClearBank is steadfast in its commitment to delivering on the goals of the 2015 Agreement and working collaboratively with our wider value chain to decarbonise financial services and create a sustainable model for the future.

As a cloud-native digital bank, without physical branches and having a flexible working environment, ClearBank has a low impact business model relative to incumbent institutions. Our liquidity promise to our clients means that all their sterling deposits are held with the Bank of England. That gives our clients full confidence in liquidity on demand, but it also means that their deposits are not financing carbon intensive activities such as fossil fuel production. Building on our low impact business model, our goal is to be a leading voice in the industry for responsible business practices, and to use our influence to drive positive change.

Since 2021 we've been committed to achieving Net Zero emissions across our own operations (Scope 1 and 2 emissions) by 2030. However, we recognise that the majority of our emissions are upstream in our supply chain (Scope 3 emissions), so in 2024 we are focused on setting tangible reduction targets against indirect emissions in our value chain. This year we targeted investment on platform efficiency, which is driving down the carbon intensity of our core business and supports product affordability, while we also introduced detailed climate due diligence on our supply chain.

ClearBank is a proud member of Bankers for Net Zero and a contributor to project Perseus, an industry scheme to enable frictionless sharing of SME emissions data. This groundbreaking work has huge potential to unlock decarbonisation financing, and through our partnership with Normative we aim to drive SME adoption of carbon accounting software and expertise in 2024.

Communities

As part of our commitment to uplift vulnerable and underserved communities, ClearBank announced its first long-term charity partnership this year, with CALM – the Campaign Against Living Miserably. 125 lives are lost to suicide every week in the UK, and together with CALM we want to change that. Funds that we raise will help CALM to run their life-saving helpline and webchat, which are open every day of the year and offer practical support and advice to those who are struggling. All our employees are encouraged to use their two charitable volunteering days annually, whether fundraising for CALM or supporting another charity they are passionate about.

CAMPAIGN AGAINST LIVING MISERABLY

Sustainability cont.

People

We understand that our people are our greatest strength, and our goal is to make a tangible and lasting difference in their lives, supporting and prioritising their growth, engagement, inclusion, and wellbeing.

Please refer to pages 19-20 for more information on our progress for our people in 2023.

Clients

Our goal is to support our clients in making a positive impact on people and the planet and working together to bring innovative and inclusive products to market. We recognise that some communities are underserved by financial services so we are proud to work with large and small credit unions across the UK, serving communities that are unable to access credit from mainstream lenders.

In 2023 we began building our sustainability partnerships programme that will provide all our clients with access to best practice expertise and technology. ClearBank is conscious of the commercial opportunity in embedding sustainability across our business model, to serve increasingly conscious consumers. In doing so we aim to encourage positive change in the industry.

Suppliers

Much of our environmental and social impact is found in our supply chain, so our suppliers are critical to achieving our sustainability objectives. We set high standards for all new suppliers and in 2023 we launched detailed sustainability due diligence for all existing relationships to identify where we need to focus meaningful action to create a sustainable supply chain.

We've partnered with a market leading carbon accounting provider in Normative to evaluate our value chain emissions and engage with our suppliers on Net Zero. Together with their climate scientists, we will be building our Net Zero transition plan in 2024 and setting both short and long-term carbon reduction targets across all emissions categories (Scope 1, 2 and 3). Our smaller suppliers and clients can use the Normative platform for free, and through our partnership we aim to reach many more suppliers to encourage their sustainability journey.

Sustainability cont.

Governance

ClearBank has robust governance in place, setting standards ahead of expectations of our regulators. Our goal is to embed sustainability across our business, and to set an example for industry through transparency and purpose-driven decision making. Please see our Governance section from page 40 in this report.

For further detail on climate-related governance and managing climate risks at ClearBank, please see Climate related disclosures on pages 25-26.

Data privacy

Privacy and data protection are an integral part of ClearBank's products and services. We are committed to transparency and fairness in the use of personal information whilst also ensuring individual data subject rights are respected and where possible, giving users control on how this data is used.

Where personal information is used in algorithmic models, we endeavour to ensure models are explainable, fair and free from any material bias. Where personal information is shared with third parties, ClearBank will ensure this is made transparent and clear, with the option to opt out where possible.

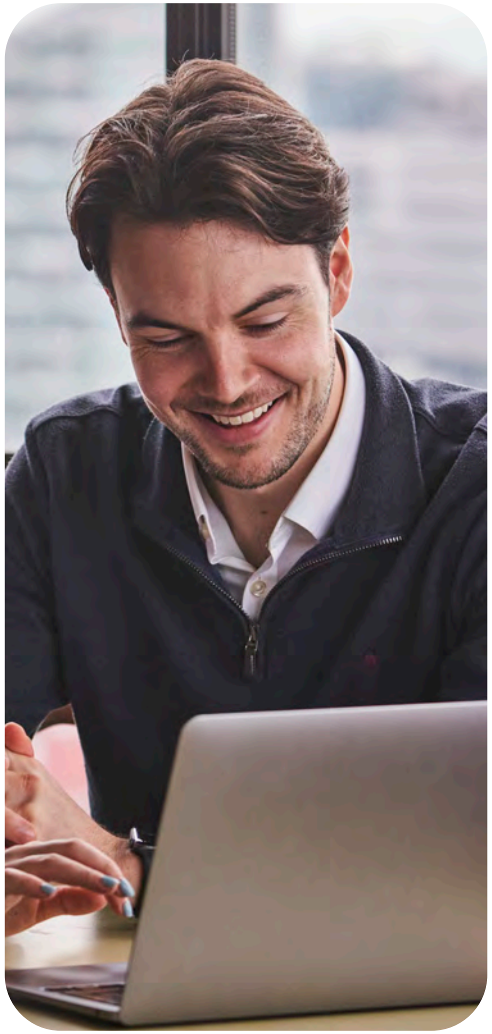
Respect for human rights

We are resolute in our respect for human rights and our commitment to ethical business practices. Our Code of Conduct helps us make the right choices for our clients and gives our clients, customers, regulators and the industry confidence in ClearBank. We are committed to a workplace culture that reflects our values of diversity, fairness, compassion, and non-discrimination and our equal opportunities policy is based on codes of practice produced by the Equality and Human Rights Commission and the Department for Work and Pensions.

ClearBank has an established Speak Up (whistleblowing) Policy, which encourages staff to disclose wrongdoing and, as noted in our Modern Slavery Statement, we work directly with government, regulators and law enforcement to help identify and tackle modern slavery and human trafficking. We conduct risk assessments, due diligence and screening for all clients and suppliers, and we will only deal with third parties that operate in a manner consistent with our values.

Anti-bribery and anti-corruption

We invest substantially in anti-financial crime capabilities, and bribery and corruption is a focus of controls across our value chain. These include due diligence and screening of all our clients and suppliers and their owners or controllers, informed by industry, geography and political exposure. Our employees are trained regularly on identifying and managing conflicts-of-interest and we record and oversee all gifts and entertainment at the Bank.



Climate related disclosures

Governance and risk management

Climate risk is managed by ClearBank's Enterprise Risk Management Framework (ERMF) as described on page 33 and supported by the Risk Appetite and Policy Frameworks. Climate risk features in ClearBank's Risk Taxonomy and therefore Board Risk Appetite Statements, supporting Board committees in determining the status of the risk and control landscape and to identify if the Bank is inside or outside risk appetite. Both the Risk Taxonomy and Board Risk Appetite statements are reviewed annually, ensuring continued alignment with ClearBank's overall strategy.

ClearBank's Head of Sustainability is responsible for climate risk and opportunity, reporting into ClearBank's Chief Financial Officer (CFO) who provides executive sponsorship and accountability. Climate considerations are embedded in ClearBank's Environmental, Social and Governance (ESG) Policy, which is reviewed annually by the Head of Sustainability and Head of Risk and is owned by ClearBank's CFO.

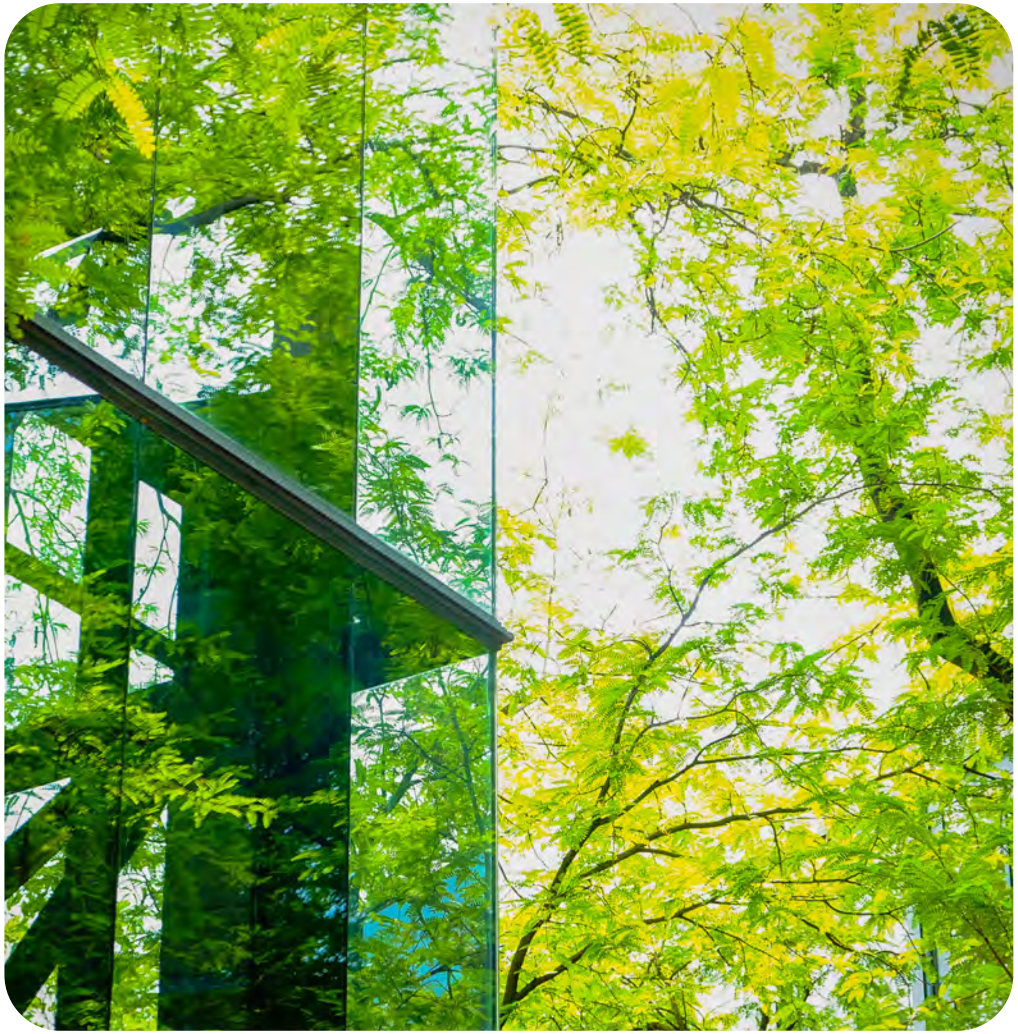
Risk and control metrics including climate risk are reported monthly by the Head of Sustainability to the Executive Risk Management Committee and bi-monthly to the Board Risk Committee via the ERMF. The Bank has an established Risk and Control Self-Assessment (RCSA) process which helps to inform the status of the control environment across the risk taxonomy against the risk appetite of the Bank.

In 2023 ClearBank established a climate risk materiality assessment aligned to ClearBank's ERMF. The materiality assessment is designed to identify material climate risk exposure and impacts under different scenarios and time horizons. The materiality assessment is reviewed annually by the Head of Sustainability and the Head of Risk supported by ClearBank business functions and approved by the Executive Risk Management Committee.

Strategy

ClearBank is a cloud-native digital bank, having a largely remote workforce and no physical branches, meaning our business model is inherently low impact relative to incumbent institutions. ClearBank does not invest or lend out sterling deposits, both of which can be highly exposed to climate risks. Deposits are instead held as Bank of England reserves with minimal climate risk exposure. While ClearBank holds small USD and EUR money market positions, the underlying assets are government bonds with low exposure to climate risk. As such, ClearBank's materiality analysis for the period April 2022 to April 2023 identified no material climate risks in the short (0-5 years) or medium (6-15 years) term.

Over the longer term (>15 years) it is feasible that severe but very low likelihood physical climate risks could impact business continuity and outsourcing risks through disruption to ClearBank's supply chain. For example, extreme flooding or heatwaves impacting employees or physical assets that ClearBank's suppliers depend upon for reliable operations.



Climate related disclosures cont.

ClearBank has established business continuity and supplier management controls in place, meaning there is currently no material impact to risk appetite. However, in recognition of the potential for supply chain risk over the long-term, ClearBank has increased monitoring of existing suppliers and established climate focused procurement practices in 2023.

ClearBank's climate risk materiality assessment scenarios were informed by the three major Climate Financial Risk Forum scenario categories, being orderly transition, disorderly transition and hot house world. ClearBank has not published scenarios in full due to the lack of material impact to ClearBank's business. While ClearBank's own climate risk exposure is not material, our goal is to demonstrate leadership on environmental action. With that in mind, sustainability has been established as a guiding Company-wide priority throughout 2023 through ClearBank's annual strategy process. ClearBank continues to closely monitor climate risks, particularly in the Bank's supply chain, with climate risk materiality assessment reviewed at least annually. ClearBank will identify material climate opportunities in 2024 through expansion of the climate risk materiality assessment and define ClearBank's Net Zero transition plan, including both short and long term carbon reduction targets.

Measurement

In 2021, ClearBank set emission reduction targets for ClearBank's own operations, covering Scope 1 & 2 emissions. ClearBank monitors progress to 2025 and 2030 targets through annual carbon footprint accounting and disclosures processes, supported by our advisory partner Normative including inputs from specialist climate scientists.

2025 – Carbon Neutral

Reduce Scope 1 and Scope 2 emissions in line with IPPC recommendations and offset residual emissions with meaningful carbon offset initiatives.

2030 – Net Zero

Eliminate Scope 1 and Scope 2 emissions.

Alongside annual carbon accounting, ClearBank monitors progress to decarbonisation by reporting on core platform emissions and carbon intensity. This data provides ClearBank's leadership with insight on a more regular cadence. To demonstrate commitment to sustainable business practice, ClearBank has linked executive remuneration to achieving its sustainability objectives as of 2023.

Metric	Calculation	Frequency
Platform GHG emissions	Azure Platform GHG emissions (tCO_2e)	IT Ops monthly
Platform carbon intensity	Azure Platform GHG emissions (tCO_2e)/ payments volume	IT Ops monthly ERMC monthly BRC bi-monthly

Non-financial information statement

This is the non-financial information statement prepared in accordance with requirements of Sections 414CA and 414CB of the Companies Act 2006. Information here is provided by cross reference in the table below.

Reporting Requirement	Reference	Policies and Standards governing ClearBank's approach*
Environmental matters	Sustainability – pages 21-24	Environmental, Social and Governance Policy Procurement Policy
Employees	Our people – pages 19-20	Conduct Rules Policy Diversity, Equity and Inclusion Policy Employee Benefit Policy Environmental, Social and Governance Policy Family Leave Policy Remuneration Policy Speak Up Policy
Respect for human rights	Sustainability – pages 21-24	Anti-Harassment Policy Data Lifecycle and Data Privacy Policies Modern Slavery Statement
Anti-corruption, anti-bribery	Sustainability – pages 21-24	Conduct Risk Policy Conflict of Interest Policy Financial Crime Compliance Policy Gifts and Entertainment Register Personal Account Dealing Policy
Description of business model	Our business model – pages 08-09	
Description of principal risks and impact of business activity	Risk management – pages 32-35	
Non-financial key performance indicators (KPIs)	Financial review - pages 28-31	

* This is not an exhaustive list of our policies.

Financial review

Another year of significant growth

Performance highlights

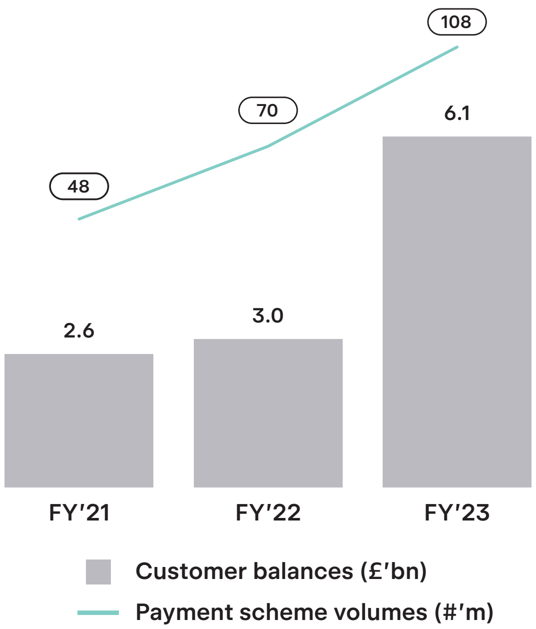
Following the pivotal end to 2022, when we turned the corner of profitability, I'm pleased to report ClearBank has now achieved its first full financial year of profit. 2023 was an exceptional year of accelerated growth across all lines of our business underpinning strong revenue performance. This growth, combined with our scalable operating model, has resulted in a profit before tax of £18.4m (2022: loss of £7.1m).

In the context of an uncertain market, our unique proposition combining innovative technology with the safety of a banking licence and sterling balances being held at the Bank of England, continued to attract new business. By the end of 2023, the total number of bank accounts held across all our product offerings reached 10.0m, representing a 22% increase (2022: 8.2m). This in turn supported higher payment volumes which totalled 108m for the year (2022: 70m).

Our embedded banking end-consumers have nearly doubled in number, growing by 93% to 1,211k FSCS-protected bank account holders by the end of 2023 (2022: 629k). We worked with our incumbent embedded banking partners like Chip to offer market-leading savings rates to consumers, making their funds go further in a high-inflation setting and supporting them through the current cost-of-living challenges. The result was a two-fold increase in customer deposits to £6.1bn (2022: £3.0bn) with all sterling funds continuing to be held safely at the Bank of England.

1.2m

Embedded banking end-consumers in 2023



> "I'm proud to announce our first full-year profitability in 2023, a significant landmark for ClearBank."
>
> **Mark Fairless**
> Chief Financial Officer

Financial review cont.

Our income increased 91% year on year, as payment volumes, customer balances and client numbers all showed significant growth

The first quarter of 2023 was dominated by systemic events, including the failure of Silicon Valley Bank, leading to a rippling effect across financial services. The flight to more established and secure banking partners also contributed towards ClearBank's record deposit growth.

Income

Total income nearly doubled to £111.3m (2022: £58.3m) thanks to strong momentum from unprecedented deposit inflows, record transactional activity and additional new clients won.

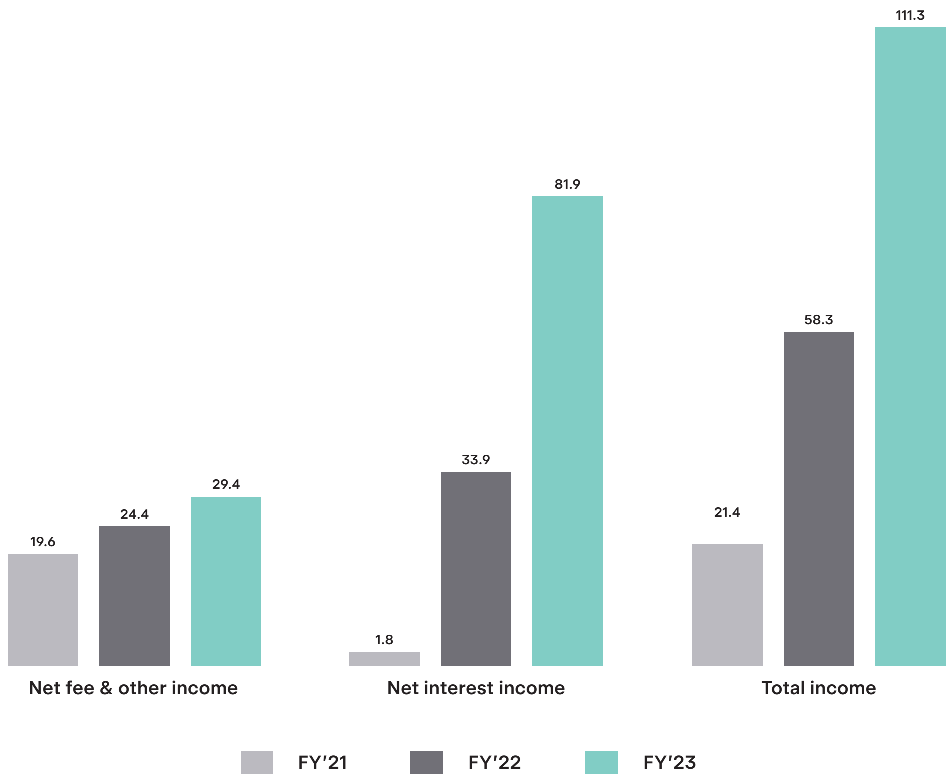
Net interest income grew by 142% to £81.9m (2022: £33.9m) underpinned by the significant deposit growth in a sustained higher base-rate environment. Interest income remains a key pillar of ClearBank's earnings, as the underlying customer deposits directly correlate with the capacity to drive payment transaction volumes. Moreover, our business model – differentiated from traditional banks – enables highly competitive interest savings rates to be passed onto our embedded banking partnerships' end-consumers.

Gross fee income increased to £31.4m in 2023, representing a 23% uplift (2022: £25.5m). This was driven by both record transaction volumes generating greater net transaction fees, and more customers onboarding with ClearBank. Our pipeline of fee income is expected to result in higher growth during 2024.

As well as introducing a brand-new embedded banking partner in 2023, we welcome new agency customers taking our total number of clients to 221 (2022: 198). These trends resulted in additional fixed platform fees as well as new transaction volumes for the business. Total payment scheme volumes, which were aided by a sharp rise in open banking driven A2A (account to account) transactions using Faster Payment Scheme (FPS), grew by 54%.

We've built a reputation as the industry leader and enabler of real-time clearing and embedded banking. As financial institutions increasingly look towards ClearBank as a partner that combines speed, agility and security, our customer list continues to expand. Staying at the forefront of the latest payments innovation and forging valuable new relationships have meant our pipeline for new business is as strong as ever. As a sign of their trust and confidence, two of our largest embedded banking clients have recently signed long-term, multi-year contracts with ClearBank.

Net Income (£'m)



Financial review cont.

Financial Key Performance Indicators (KPIs)

	2023 £'000	2022[2] £'000
Net income[1]	**111,768**	58,368
Staff costs[1]	**(47,465)**	(34,945)[2]
Depreciation, amortisation & impairment	**(11,349)**	(9,377)
Other operating expenses[1]	**(34,336)**	(20,871)
Total operating expenses	**(93,150)**	(65,193)[2]
Operating profit/(loss)	**18,618**	(6,825)[2]

1 Net income excludes £421k (2022: £84k) of fee expenses, staff costs exclude £7,853k (2022: £1,611k) and other operating expenses exclude £4,780k (2022: £6,892k) which were recharged to the parent and fellow subsidiary.

2 The Company has restated the prior year comparatives in the financial statements in relation to share-based payments.

Costs

While income nearly doubled with 91% growth, total operating expenses (net of recharges) increased by 43% to £93.2m (2022: £65.2m). This resulted in a much improved Cost:Income ratio of 83% for 2023 compared to 117% in the previous year. Leveraging and enhancing the scalability of our operating model, balanced with our investment in future products and capabilities, have helped to deliver sustained monthly profitability since Q4 of 2022.

In line with our expansion plans, staff costs were the biggest cost driver due to ongoing strategic investments in our technology and product innovation. Technology was the largest area of headcount growth as we continue enhancing our platform's functionality and resilience in addition to developing new product features and propositions. We also maintained our investment in optimising the Bank's processes and controls in advance of future growth and scaling. In 2023's prevailing macroeconomic climate, wage inflation also had an impact.

Depreciation, amortisation and impairment have risen by 21% reflecting the ongoing capitalisation of technology investment for our best in class, cloud-native API. With payments infrastructure innovation remaining core to our business, now a profitable one, ClearBank continued to benefit from the UK Government's R&D tax incentive scheme.

Other Key Performance Indicators (KPIs)

(+103% YoY)
Deposits at Bank of England

£6.1bn

(+91% YoY)
Net income in FY'23

£111.8m

(+62% YoY)
Dec'23 Payment Scheme Transaction Volume vs Dec'22

11.0m

(+54% YoY)
FY'23 Payment Scheme Transaction Volume vs FY'22

108m

Financial review cont.

Our capital and liquidity positions are very strong, thanks to our unique business model and profitability

Capital, liquidity and balance sheet

Becoming profitable means ClearBank is now capital generative, so our CET1 capital increased to £60.5m (2022: £33.4m). The decrease in our CET1 ratio to 74% (2022: 88%) reflects an uplift of our Risk Weighted Assets (RWAs), in particular our Operational Risk RWA which in turn was driven by higher income growth in 2023. The Bank's six months profit during H1'23 was recognised as CET1 capital in September 2023 following ClearBank's first interim profit verification process.

High Quality Liquid Assets (HQLA) were £6,187m (2022: £3,081m) at the close of 2023, with all GBP balances continuing to be held at the Bank of England. Our HQLA balance climbed sharply following the financial market events of early 2023 and a notable rise in embedded banking account balances.

On the balance sheet date there were also £77m (2022: £121m) equivalent of non-sterling investments held in highly liquid money market funds, all backed by leading government securities.

Outlook

2023 has been another milestone year, with full year profitability and significant growth across our balance sheet, our clients and in our transaction volumes. We will take this opportunity to scale up investment in the business further for the next stage of our growth, as well as focus on driving higher fee income in future years.

Our pipeline for new business is the strongest we have seen and we anticipate this will translate into higher fee income growth in 2024. ClearBank's unique technology offers more efficient and cost-effective transactions for our clients. This, together with our unique business model centred on financial safety coupled with a thirst for innovation, differentiates us in our chosen markets and enables our organic growth.

FY'22: 88%
CET 1 Ratio
74%

FY'22: 297%
LCR
426%

FY'22: 5,429%
NSFR
10,564%

Risk management

Ensuring the safety and scalability of our business

Key highlights of 2023

2023 has been a year of considerable growth for ClearBank. The volume of new and existing customers that we serve continues to exceed expectations alongside an ambitious product roadmap. With an ever-changing regulatory environment, challenging economic conditions and continued geopolitical instability being features of 2023 likely to continue into 2024, the strength of our risk management framework continues to be a critical part of our ongoing success to ensure that we are able to achieve our strategic objectives.

Our Enterprise Risk Management Framework (ERMF) and risk strategy remains consistent with last year, supported by key risk initiatives, which are set each year and against which, progress is tracked through the year. These initiatives ensure that we are able to maintain the effectiveness of risk management commensurate with growth and expansion.

Our risk management vision for ClearBank remains as follows:

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

Progress of our vision and strategy is reflected in our achievements for 2023, where key activity has been focussed on:

Risk and Control Self Assessment (RCSAs) – the next iteration of our RCSAs to reflect the growing nature of our business, and to ensure that we understand our key risks and controls as we grow. We delivered our objectives for 2023 in respect of this refresh with further phases planned for 2024.

Consumer Duty regulatory change, which was a 2023-and-beyond initiative having a widespread impact on the industry and saw us review and refresh our policies, procedures, processes, and management information, among other things. We will continue to embed this change through 2024.

Conduct regime – enhancements to training and communication, particularly as it relates to areas of conduct both in respect of consumer duty and ongoing adherence to the high standards we expect from all of our staff.

Products and services – support to the delivery of products and services critical to our customers, including enhancements to our decision making processes and oversight of products and services.

Screening stability – reviewing key tools supporting our ongoing compliance in light of our future growth, including sanctions screening and transaction monitoring. 2023 saw us implement enhanced transaction monitoring capabilities to continue our commitment to preventing and detecting financial crime. Finance crime risk will continue to be a priority in 2024, particularly as we see changes introduced in relation to Authorised Push Payment (APP) fraud.

Real Time Gross Settlement (RTGS) – Delivery of changes associated with and the improvements to Real Time Gross Settlement (RTGS) and Clearing House Automated Payments Systems (CHAPS) with the Bank of England.

Oversight and testing through quality assurance and thematic reviews has continued to identify areas for further improvement.

As we continue to grow, ensuring the safety and scalability of our UK business is essential for our global development. Further enhancements to operational resilience, cyber and data security were delivered in 2023 and will remain a focus into 2024.

The Risk team has ensured its capacity and expertise is fit for the growth of the business, investing in our people and ensured we have also scaled our resources commensurate with the broader organisation.

Emma Hagan
Chief Risk and Compliance Officer

Risk management cont.

Outlook for 2024

Our key areas of focus in 2024 will be the following:

European expansion – meeting our strategic objectives for our wider group's European expansion will continue to be a priority.

Consumer Duty – further embedding of the Consumer Duty and its requirements, not just for ClearBank but also for each of our embedded banking clients, will continue to require our close attention.

Diversity and inclusion and the regulators' impending requirement for firms to collect more complex data.

Sustainability – collaboration with ClearBank's sustainability team to ensure key objectives are met and continue to align to our values and business objectives.

FSCS compliance to support growth in deposits remains important to us given our growth, particularly as it relates to consumer and SME deposits, and ensuring our control environment is fit to support this growth.

RCSA – the next phase of our RCSA refresh programme, including ensuring that it supports multiple jurisdictions.

Model risk – building out of our model risk management framework, including expectations as it relates to the use of AI and understanding the use cases for AI within the organisation and the associated risks.

Financial crime including systems and tools for scalability.

APP fraud and regulatory changes planned for implementation in 2024, which will likely see us make process changes to address these requirements, as well as understanding any further work required to mitigate the risks associated with this type of fraud across our business areas.

Enterprise risk management framework (ERMF)

We continue to manage our risks using an ERMF that has 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 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

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 34-35) to which ClearBank is exposed. Please see page 43 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.

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.

Risk management cont.

Stable Improving

Key Risks	2023 change in risk profile	2024 risk outlook	How key risks are mitigated	Commentary
Compliance Risk Includes financial crime compliance and regulatory compliance risks	Stable	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. Also includes regular oversight and control testing activities to demonstrate compliance and identify any processes or controls that may require strengthening.	The introduction of the Consumer Duty has been a major piece of work in 2023. This has been implemented on time with significant collaboration with our embedded banking clients. Increased reporting and collaboration will continue as this further embeds in 2024. Financial crime continues to be challenged by the volatility of geopolitical events around the world. However, a stable risk profile has been maintained throughout 2023. Enhancements to systems and tools are planned for 2024.
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 and robust product life-cycle governance. Additionally, through ongoing improvements to our complaints monitoring and oversight, both in our clearing portfolio and embedded banking partnerships.	Throughout 2023 there has been an ongoing focus on enhancing understanding of conduct standards. This has centred on delivering further training and additional guidance in a number of key areas, ensuring that ClearBank continues to operate as a customer focused organisation as it grows and expands.
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. This is 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.	With interest rates reaching a 15 year high of 5.25% in August 2023, our customers have benefited from competitive rate offerings through our embedded banking clients. This also had a positive impact on ClearBank's balance sheet. The stable outlook over the course of 2024 is driven by the simple structure and composition of our balance sheet. Whilst the overall volume will grow, we will continue to manage financial risks in a way that is conservative and consistent with 2023.

Risk management cont.

Stable — Improving

Key Risks	2023 change in risk profile	2024 risk outlook	How key risks are mitigated	Commentary
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	Stable	Mitigated through a number of operational frameworks, models, and strategies, with regular and comprehensive risk and control self-assessments and control testing activities. These ensure we fully understand our risk exposure and take further risk mitigation actions where necessary to strengthen the control environment and remain within risk appetite.	This risk has remained stable throughout 2023 across operational risk sub-types. The continued growth of our number of clearing clients and embedded banking clients will increase our inherent outsourcing risk exposure in 2024. Therefore, we will continue our focus on ensuring the oversight and control environment is strengthened commensurately to maintain outsourcing risks within tolerance. People risk will remain an area for close monitoring into 2024 given the high degree of change, growing organisational complexity and external economic factors. Planned implementation of additional risk management tools and other initiatives are designed to improve employee experience and reduce manual intervention in support of maintaining a stable risk profile in 2024.
Strategic Risk Includes environmental and social, political, and economic risks as well as business and competition risks	Improving	Improving	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, and monitoring diversity and inclusion data – for example gender diversity at a senior leadership level. It also means keeping close to external factors, macroeconomic trends and geopolitical events that could impact our customers and our strategy.	Despite external uncertainties, it has been a strong year for ClearBank. New business closed against targets have been exceeded. Transaction volumes and customer onboarding numbers have also been exceeded. As the Bank continues to focus on scale and the development of more diverse product offerings, this momentum is anticipated to remain in 2024. With the regulator expecting more complex and diversity reporting, existing capabilities will be a focal point as well as employee engagement to collect data that is often obtained at onboarding.

Section 172 statement

Companies Act 2006 (s172)

The matters in Section 172 of the UK Companies Act 2006 are key for the sustainable long-term success of a company and the contribution it makes to wider society.

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, the Directors have taken into consideration the long-term impact of any decisions on stakeholder relationships, whilst always maintaining its high business conduct standards. During the year, the Directors have had regard, amongst other matters, to:

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

The Directors have always taken decisions for the long-term running of the Bank, and ensured that management operates the business in a responsible manner.

With the continuous and rapid growth of the Bank, the number of its stakeholders has subsequently increased, not only in the UK but across multiple geographic locations. The Directors recognise the need to engage with as many stakeholders as practicably possible and are aware of the different mechanisms to connect with them. Given the growth of the Bank, this engagement often takes place at operational level in an effort to connect with a larger number of stakeholders in more jurisdictions simultaneously. ClearBank understands that the business can only grow and prosper by understanding and respecting the views and needs of our key stakeholders.

ClearBank aims to be a technology driven bank where people want to invest, and for which people want to work. This requires the Board of Directors, Executive Committee, senior management and other employees to maintain a strategic, sustainable and financial driven approach, aligned with the requirements and expectations as set out in Section 172 of the UK Companies Act 2006.

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

We explain how the business engages with our stakeholders within the next pages of the strategic report, whilst in the Governance section starting from page 40, we explain the Board's involvement.

Section 172 statement cont.

People

Why we engage

Continued success and the achievement of our strategy is dependent on the exceptional colleagues we employ. ClearBank places great importance on employee involvement and well-being, with our people at the heart of everything we do. 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, experience and drive are what enable us to provide innovative new products, an exceptional level of service to our clients and to expand our business proposition.

For more details on the ways in which we engage with colleagues and the various employee initiatives undertaken, please refer to Our people section on pages 19-20.

How we engage

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 people updates, notable customer and industry related news and other relevant business developments.

A third and significant channel of employee engagement is our monthly 'Peakon' surveys sent out by the CEO, which focuses on how people feel about working for ClearBank. This is vital in enabling management to gauge the overall sense of inclusion and level of satisfaction, which are drawn from anonymised employee feedback and tangible survey metrics. It also provides an ongoing basis for constructive dialogue between the executive and our colleagues, in turn helping to build new initiatives.

Principal decisions

The Board approved key policy enhancements in 2023 impacting our people, namely the Family Leave & Sick Leave Policy. The renewed policy captures positive changes for all colleagues in relation to adoption, maternity and paternity leave, including shared parental leave. These improvements demonstrate ClearBank's commitment to a supportive culture for working parents.

With the scaling of the business and the need for robust, consistent recruitment practices, the Board oversaw the development of the new 'Hiring at ClearBank Guide' and the launch of hiring manager training by the Bank's Talent Acquisition team. Line managers and new joiners alike will continue benefitting from these tools, which were part of a broader investment in training and development, something management and the Board are passionate about.

Both initiatives followed specific feedback received from employees through the engagement methods outlined in this section.

Clients

Why we engage

ClearBank's success has been built on the long-standing and trusted relationships established with our clients. We now support over 220 financial institutions which include banks, fintechs, credit unions 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 customer propositions to meet their expanding array of needs. Therefore, understanding these evolving needs, the inefficiencies they face in terms of legacy systems and the costs and risks of innovating themselves in a challenging landscape, is central to our long-term strategy.

How we engage

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 owner 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 phone conversations, face to face meetings, independent research, as well as by attending industry related events. For the second year running, we held and scaled up our successful client events. These provided opportunities, once again, to engage with our clients in person, strengthen our relationships and take on board their views and valued feedback.

Principal decisions

The Board oversaw organisational changes across the sales function, particularly the setting up of Revenue Operations in 2023. This new team is bringing a more structured approach, coupled with highly effective processes and tools, to better manage and serve our clients. Moreover, the Board approved the added leadership to our embedded banking and non-regulated segments, which will bring a dedicated focus on working with key clients and developing the right embedded banking offering to the market.

The Board was kept informed of the implementation of Salesforce, the customer relationship management (CRM) system, which successfully went live in 2023 and brought significant efficiency gains, enabling ClearBank to serve our clients more impactfully. The Bank also developed its Partners and Channels function to support our growth and enrich the implementation and delivery of ClearBank products and services across our clients.

Section 172 statement cont.

Suppliers

Why we engage

Our suppliers play a key part in enabling us to deliver a leading service to our clients by amplifying efficiencies and the reliability and competitiveness of 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 specialised expertise, innovative technologies and 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 on board with the direction we are taking the business at every stage of our development.

How we engage

Our relationships with our suppliers and our engagement with them are governed by our supplier management procedures, including our onboarding, 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 to manage the supplier relationships and to complete service, performance and contractual reviews which enable a strong business-focused collaboration with our suppliers.

As part of our ongoing oversight processes, the Supplier Owner conducts periodic reviews as mandated by the supplier risk classification. These have the objective of considering regulatory obligations, contractual obligations, costs, risks and overall service provider performance. These reviews are tailored to the supplier's needs and provide them the opportunity to interact with other stakeholders 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.

ClearBank publishes its Supplier Payment Practices reports every six months, which are approved and signed by the Chief Financial Officer on behalf of the Bank.

Principal decisions

The Board approved the Bank's decision to invest significantly in a centralised Procurement & Third-Party Operations team in order to increase its focus and capability in this area. Through this newly centralised function, ClearBank will apply a more strategic view of its supply base, with the aim of achieving maximum long-term contribution from existing suppliers, allied with maintaining a minimised risk outlook. The function will also be looking to significantly develop its policies and procedures through the introduction of newly structured, agile, safe and repeatable processes, which will be executed by our skilled and professional colleagues. This will ensure ClearBank and our suppliers, both existing and new alike, experience optimal outcomes.

ClearBank's ambitions to become a leading voice in our industry means we are committed to driving positive change and sustainability through our supply chain. During the year, ClearBank introduced enhanced climate due diligence for all existing supplier relationships, whilst also adding a new sustainability section in the updated request-for-approval (RFP) document which is part of the Bank's procurement process. These steps will encourage our suppliers to consider their environmental impact and the meaningful action they can take to improve their own carbon footprint, whilst collaborating with ClearBank on our mutual sustainability journeys.

Section 172 statement cont.

Environment

Why we engage

We recognise that environmental issues, particularly climate change, are amongst the biggest challenges facing the world today, affecting all 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 Sustainability section on pages 21-24 for details about environmental considerations being made by ClearBank.

How we engage

ClearBank's engagement includes our carbon ambitions and strategies, analysis of our greenhouse gas (GHG) emissions 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.

We engage internally through climate-related workshops and stand-up sessions, regular email updates and our internal knowledge resource, the ClearImpact Hub. We also launched our free 'Green Development' training for our technology and data engineers. Externally, ClearBank engages through environmental disclosures, attending industry events and liaising with suppliers on carbon emissions.

Principal decisions

ClearBank has made the environment, alongside sustainability more broadly, a key Company priority with dedicated resources assigned and senior-level sponsorship in the form of the Sustainability Taskforce.

During the year, as part of enhancing governance on sustainability matters, the Board agreed and approved the following which will have a significant impact on the Bank's approach to climate change: Environmental risk assessment; materiality assessment; carbon reduction targets including Scope 3; sustainability strategy; Company-wide sustainability policy; and the linking of executive remuneration to sustainability objectives.

Shareholders

Why we engage

ClearBank cultivates long term partnerships with our investors who share our vision. The Board values their trust, expertise and views, and favours open dialogue with all our investors as we believe in a straightforward and transparent approach to investor engagement.

How we engage

The Board ensures that all our investors receive timely information. This includes our monthly financial performance and management reporting through investor packs and quarterly meetings to discuss progress against our business priorities, market updates and any other points of interest. Investors monitor the Bank's performance and balance sheet position, holding the Board to account on progress against our plan.

Each year we hold ClearBank's workshops as part of our strategic planning, where investors, the Board and our executive team meet in person to discuss and agree our long term objectives and the key business priorities for the forthcoming year. This strategy forms the basis of the annual budget and five-year planning process. Following Board review and approval of the plan and budget, investors are provided opportunities for further challenge, feedback and their final approval.

Principal decisions

During the year, the corporate restructure of the wider group was completed, ensuring our investors maintained their stakes in the business through the Bank's immediate and ultimate parent companies, ClearBank Group Holdings Limited and CB Growth Holdings Limited, respectively. Furthermore, changes in the Board composition and new appointments will ensure continuity in the leadership of the Bank and established relationships with investors, as the business transitions into the group structure and progresses with international expansion.

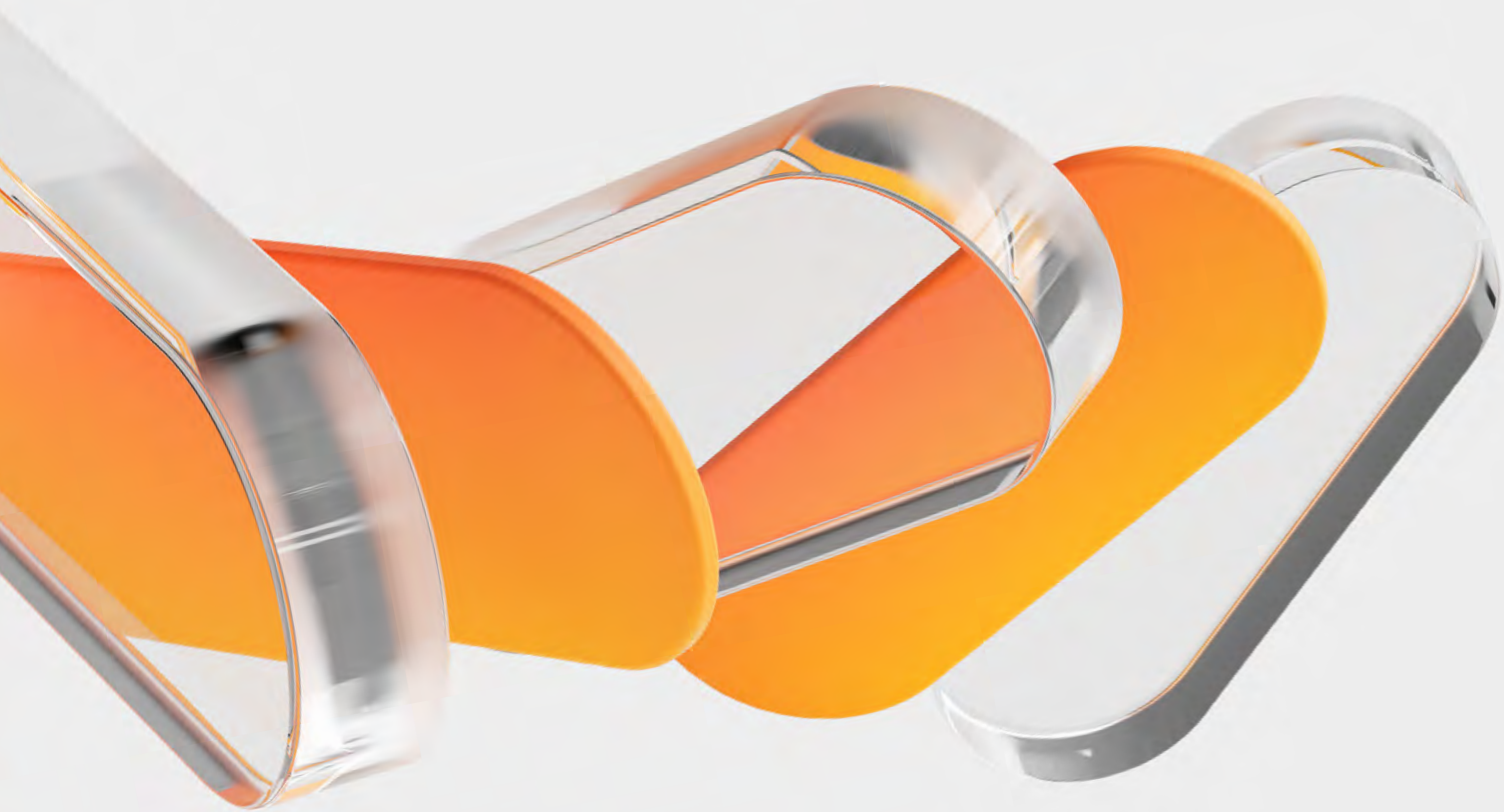
The Board alongside the investors continues to carefully evaluate investment opportunities as they arise, ensuring alignment with our long term strategy and driving optimal returns on capital investment.

The Strategic Report was approved by the Board of Directors on 28 March 2024 and signed on its behalf by:

CAMcM

Charles McManus
Chief Executive Officer

Governance



Section contents

Differentiate.

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.

Shonaid Jemmett-Page
Chair of the Board and the Board Nomination Committee

Appointed
July 2016

Background
An experienced director, business leader and finance professional, Shonaid currently holds Non-Executive appointments across a variety of financial services, public and private businesses. Shonaid is currently a Non-Executive Director of Aviva plc and QinetiQ Group plc. She was previously Chair of MS Amlin and has held a number of senior roles during her executive career including as Chief Operating Officer of CDC Group. Shonaid was appointed as Chair of the Board in November 2023.

Charles McManus
CEO and Executive Director

Appointed
December 2015

Background
An international banking professional with over 30 years of experience in global investment banking, wealth management and retail banking. With extensive leadership experience and expertise in the field, prior to joining ClearBank, Charles was the Group CFO of RBS Ulster Bank Group, before which he was CFO of Europe and Asia for The Royal Bank of Canada.

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.

Committee membership:

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

Meet the Board cont.

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

ClearBank uses the UK Corporate Governance Code (published July 2018) (the 'Code') as guidance for its Corporate Governance wherever practicable and appropriate, having regard to its ownership structure, size and scope of operations.

Andrew Neden

Chair of the Board Audit and Board Remuneration Committees

Appointed

January 2024

Background

A Chartered Accountant with over 40 years' experience in financial services in the UK and overseas, Andrew was the global Chief Operating Officer for KPMG's financial services business. He is Chair of the Nottingham Building Society and of AETNA Insurance Company Limited, as well as chairing the Board Audit Committee of ABC International Bank plc. He was appointed as Chair of ClearBank's Board Audit and Board Remuneration Committees in January 2024.

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 Limited and Director of Operations at CLS Services Ltd. He is currently a Non-Executive Director on the Boards of the Digital Pound Foundation and RTGS.global. Phil has been appointed as the Consumer Duty Champion on ClearBank's Board.

Catherine Doran

Senior Independent Non-Executive Director and Chair of the 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.

Committee membership:

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

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, shareholders, the wider community and the environment.

The Board has responsibility to maintain a system of internal controls, which provides 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 the 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 annually.

Board committees

The Board has established a number of Board Committees, through which responsibility is delegated for certain matters, 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.

The Terms of Reference outline each Committee's role and responsibilities as well as 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 at least once a month 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 2023

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, the Chief Executive Officer and the Company Secretary. Each Director may review the agenda and propose items for discussion, with the Chair's agreement. An annual calendar of scheduled and ad-hoc Board meetings is structured to ensure that all matters are given due consideration, also allowing a periodic review in line with financial and regulatory cycles. These meetings are also scheduled to coincide with relevant key dates and events.

> "The Board is responsible for ensuring that executive members maintain an effective risk management and oversight process across ClearBank."
>
> **Shonaid Jemmett-Page**
> Chair

Board and committee structure cont.

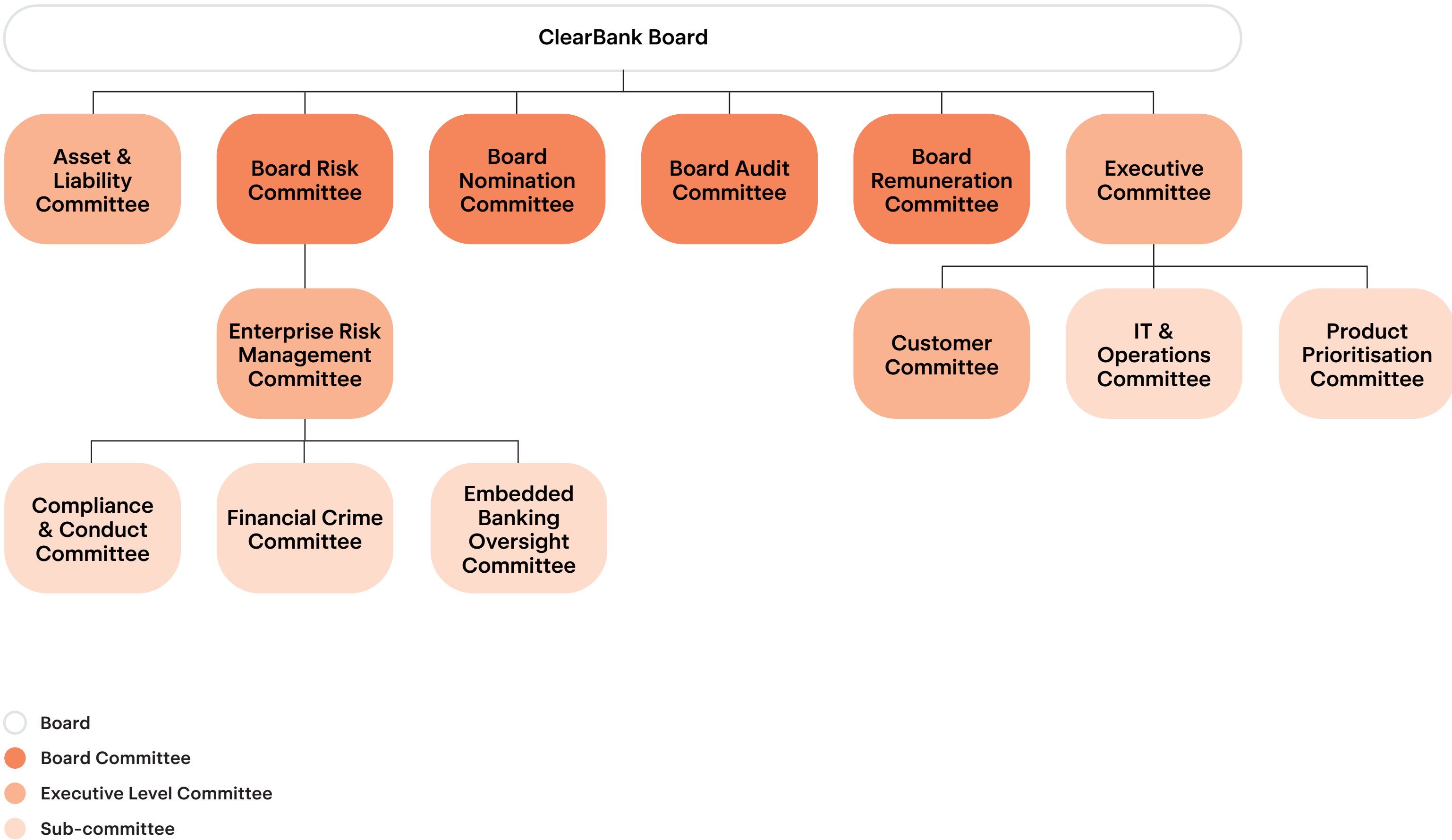
The Directors receive detailed papers, including relevant updates on business performance and regulatory interactions, in advance of each Board meeting.

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 46.

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 opportunities, 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.



Board and committee structure cont.

- 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, Equity & Inclusion (DE&I) review and initiatives, including formalising the DE&I framework, policy and plan for 2023.
- 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 Plan.
- Capital planning and considering and approving the Internal Capital Adequacy Assessment Process (ICAAP).
- Reviewing the refresh and assessment of the liquidity assumptions and stress modelling to verify their ongoing adequacy.
- 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 product, technology, 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 Mark Fairless as Chief Financial Officer and Executive Director on 19 January 2023. David Gagie stepped down as Chair and Director with effect from 31 October 2023, with Shonaid Jemmett-Page becoming the new Chair of the Board. In January 2024, Andrew Neden was appointed as a Non-Executive Director and consequently the Board is composed of six Directors, being the independent Chair, two Executive Directors and three independent Non-Executive Directors.

Board meetings

A month-by-month annual governance calendar is maintained to ensure that all relevant matters are considered at appropriate times in the financial and regulatory cycle. 14 Board meetings were held during 2023 (2022: 12).

Board and committee attendance

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

Attendance*	Board	Board Audit Committee	Board Risk Committee	Board Remuneration Committee	Board Nomination Committee
David Gagie	10/10	4/4	12/12	4/4	6/6
Charles McManus	14/14	5/5	14/14	4/5	8/8
Mark Fairless	14/14	5/5	13/14	1/1	-
Shonaid Jemmett-Page	14/14	5/5	13/14	5/5	7/8
Phil Kenworthy	14/14	5/5	13/14	5/5	8/8
Catherine Doran	14/14	5/5	14/14	5/5	7/8

* Includes 6 ad-hoc Board, 1 ad-hoc Board Audit Committee, 8 ad-hoc Board Risk Committee and 2 ad-hoc Board Remuneration Committee meetings, respectively.

Approved by the Board of Directors and signed on behalf of the Board on 28 March 2024.

Phil House

Phil House
Chief Governance and Legal Officer

Phil House
Chief Governance and Legal Officer

Board Audit Committee report

Maintaining integrity

Chair's overview

2023 was a notable year as the Committee closely monitored the reporting of the Bank's financial performance characterised by sustained monthly and quarterly profitability leading up to the first full financial year of reported profit. Key to this activity were the Committee's review and challenge of the financial results presented by the Chief Financial Officer throughout the period, ensuring they were supported by robust processes and an effective financial control environment.

ClearBank's profitability this year was accompanied by its inaugural interim profit verification (IPV) which was successfully executed with the co-ordination of our incumbent statutory auditors, BDO. The IPV process and subsequent submission to the PRA for permission allowed the Bank to recognise its H1 2023 profit as CET1 Capital ahead of year end, in conformance with our capital risk management plans.

The embedded banking proposition was also a major feature of the Bank's business this year backed by significant momentum as management sought to establish important new partnerships. In addition, following the financial market events of early 2023 which the Committee observed for ongoing potential consequences, the Bank catered for increased deposit inflows from both embedded banking end-consumers as well as agency banking customers. The Committee continued to oversee the enhancement of the Bank's internal control environment and risk management processes underpinning its embedded banking partnerships, working in close collaboration with the Board Risk Committee. This oversight extended to tailored audits performed by the Bank's Internal Audit team inside some of our embedded banking partners' business operations.

Another major theme of 2023 has been the international expansion plans of the wider business. To that end, the Committee was watchful of the associated risk to the Bank's operations and financial reporting, in particular scrutinising the intercompany expenses recharge model and its application by financial control. The expenses model will continue being developed and fine-tuned as the wider group transitions towards its target state, commensurate with its future international structure and operations which leverage the business's proprietary technology asset at its heart. Also in connection to this theme, following a successful application process with HMRC led by the Head of Tax, ClearBank UK has been registered as part of a UK VAT group together with its immediate parent company, ClearBank Group Holdings Limited.

As will be evident from the Sustainability section on pages 21-24, ClearBank's Environmental, Social and Governance (ESG) strategy is an increasingly significant area of focus for the Bank. The Board Audit Committee provides oversight and assurance over the Bank's climate and sustainability disclosures which currently comprise the Streamlined Energy and Carbon Reporting (SECR) and the UK Climate Related Financial Disclosures, the latter being reported for the first time in 2023. Whilst the Committee continues to monitor the impact of climate change on the Bank's financial statements, the impacts are not material at this time.

Continued focus on internal processes and controls

In line with the Bank's expansion plans centred on safety, efficiency and scalability built upon a strong control environment, the Committee endorsed the Finance System and Change Transformation programme, including the Finance Change Roadmap. The programme is being led by the new Head of Finance Change together with the Chief Financial Officer who has injected renewed vigour into this critical initiative since joining the Bank at the start of 2023. It will ensure Finance can realise its vision of becoming a highly optimised function enabling the Bank's sustainable growth ambitions. An important development under this programme during the year was the approval of a new Treasury Management System which is currently undergoing implementation and will provide a step change in the Bank's daily treasury operations.

Oversight of the broader internal control environment across the Bank is a vital aspect of the Committee's remit. Throughout the year the Committee reviewed the audit reports issued by the Internal Audit team, assessing the current-state adequacy and effectiveness of the Bank's internal systems and controls, as well as monitoring management's responsiveness in remediating audit findings and actions.

The annual Audit Plan is an essential part of the Bank's agenda for strengthening the internal control environment and continuous improvement to keep pace with changes within the Bank and externally. The Committee reviewed progress against the fully risk-based annual Audit Plan together with the results of other assurance work performed by the Internal Audit function. In addition to the spotlight internally during the year on Embedded Banking, the payment system transformation in the industry was also a significant highlight, which included the historic RTGS renewal, as well as other areas of regulatory attention, particularly the PRA's focus on operational risk and resilience.

Board Audit Committee report cont.

Internal and external auditors

During the period, the Committee commissioned KPMG to perform an independent External Quality Assessment of the Bank's Internal Audit function, undertaken in line with global internal auditing best practice. The Committee was extremely pleased to receive a very highly-rated report which positioned the Internal Audit function as leading in its peer group. The Committee wishes to congratulate the Chief Internal Auditor and his team on this excellent and very well-deserved result.

Turning to the external audit, the relationship with the Bank's external auditor remains a key element of the Committee's role, and the Committee welcomed a new lead audit engagement partner, Stefan Beyers, for the 2023 financial year following the rotation of the previous lead audit partner, Matthew Hopkins. With the co-operation of the new audit partner and his team and support from Finance, the Committee oversaw an enhanced timeline for the annual audit process which resulted in audit planning procedures being completed, followed by the issuance of the audit plan earlier during the year compared to previous years. This was welcomed by the Committee.

As a Public Interest Entity (PIE) in the UK, the Statutory Auditors and Third Country Regulations (SATCAR) requires the Bank to conduct a tender at least every ten years. The current auditors, BDO, were first appointed for the year ended 31 December 2016 and since then there have been eight years of uninterrupted engagements with them. In light of this, the Committee directed a formal audit tender process in line with recommended best practice which was completed in January 2024, with the decision taken by the Committee to retain BDO.

Committee's 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 including one ad-hoc. The Committee membership comprises three independent Non-Executive Directors. In addition, the Chair of the Board and the Chief Executive Officer may 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 41-42.

Significant accounting judgements

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 2023.

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 cont.

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.

Board Audit Committee report cont.

Financial reporting

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, are fair, balanced and understandable and provide the information necessary for stakeholders to assess the financial position and 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 finance and business performance reports, quarterly.
- Reviewing the administration of the BCR grant.
- Reviewing the annual budget and five-year business plan.
- Reviewing the internal capital adequacy assessment process (ICAAP) in conjunction with the Board Risk Committee.
- Horizon scanning for upcoming accounting changes that may impact financial operations and planning.
- Review of the Bank's renewed tax strategy.
- Reviewing the effectiveness of the Committee and its terms of reference.

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.
- Ensuring appropriate and independent methods and tools are applied to audit work via the annual review of the Internal Audit Methodology.
- Approving the annual Audit Plan and any associated risk-based adjustments to it.
- 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 Board Audit 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 an assessment of the function's compliance with core internal auditing standards as well as a review of the function's development of a data analytics roadmap.
- Overseeing the continuation of the 'Combined Assurance' approach between Second and Third Lines.

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 2023 audit of the Bank at £377.5k, 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.
- Approving the non-audit service in relation to the interim profit verification (IPV) and agreement of the associated fee with the external auditor.

Board Audit Committee report cont.

Outlook

The Committee has approved the 2024 Internal Audit Plan, which is focused on embedded banking as the Bank continues its drive for growth in this customer proposition. The Internal Audit team will also be building out their data analytics approach during 2024, having already established the data analytics roadmap as referenced earlier in this report.

The Bank's financial performance following a highly successful year will remain a core part of the Committee's oversight responsibilities through 2024. This will be vital given the evolving macroeconomic environment and the expected changes in the Bank's revenue mix, as management continue to win new clients and deepen existing client relationships with an expanded product proposition, which will increase fee income. The Committee will also be considering the impact of the latest UK Audit Reform updates and any steps that may need to be undertaken in preparation for the introduction of new legislation and regulation. In addition, non-financial reporting will continue to draw the Committee's attention particularly in relation to the Bank's developing sustainability metrics and measures.

In 2024, it is anticipated that a key focus of the Committee will remain activities to strengthen and optimise the internal control environment and overseeing management in progressing the numerous initiatives, not least the Finance System and Change Transformation Programme.

As the wider ClearBank group embeds its new corporate structure arrangements in line with the planned direction of travel, the Committee will supervise the transition of the Bank's Finance and Internal Audit teams to become highly effective group functions of the broader business.

Andrew Neden
Chair of the Board Audit Committee
28 March 2024

Board Risk Committee report

Prioritising safety and scalability

Chair's overview

Safety and scalability have remained top of our agenda as we prepare for further growth of our UK business and the wider group looks to expand internationally. The Committee has had regular discussions on various items impacting our strategy, from a decision on material issues to consideration of a ClearBank digital asset offering. There continues to be standing discussions on operational resilience, financial crime, information security and cyber security risks.

The Committee has 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 completed implementation of the FCA's new Consumer Duty obligations and reporting requirements. 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 is aligned 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 including the Board Chair, with standing invitations to the 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 and qualifications are shown on pages 41-42, and attendance at Committee meetings during the year are shown on page 46.

Key topics discussed by the Committee in 2023 are set out below.

Risk strategy

The Committee undertook the following during the year:

- Review, challenge and discussion of the Bank's expansion plans and the associated risks.
- Review and recommendation for approval to the Board of the 2023 Risk Strategy, with ongoing discussions to ensure it remains proportionate and fit for growth throughout the year. This also included frequent review of our top risks.
- Review and discussion relating to material products, strategic relationships and other commercial changes.
- Review of various roadmaps including information security, data and sanctions.

Board Risk Committee report cont.

Risk appetite and culture

The Committee reviewed the following during the year:

- ClearBank Risk appetite statements which are designed to support the effective operation of the Bank's ERMF as outlined in the Risk Management section on page 33.
- Risk appetite reporting and monitoring, which reflect the changes made in the above areas within the existing governance structure.
- Discussions on the Modern Slavery Act and ClearBank's commitment to ensuring ethical business practices are adhered to across our business, clients, suppliers and third parties. Please see page 21 in the Sustainability section for more details.

Conduct and compliance reporting

The Committee reviewed the following during the year:

- Regular reporting on Consumer Duty implementation and the Bank's preparedness to meet reporting obligations.
- FSCS compliance and the support required to accommodate growth, now and in the future.
- The Money Laundering Reporting Officer (MLRO) report and enterprise-wide risk assessment of ClearBank's financial crime control environment and its continued effectiveness.
- Sanctions screening enhancements to ensure all tools which are used in this activity meet the capability requirements of the business.

Operational and information technology risk

The Committee reviewed the following during the year:

- The automation and scalability roadmap which highlights the efficiencies the business will look to deliver through 2024. These enhancements will form the foundations for the next phase of the Bank's progress.
- The information security roadmap which captures key areas of development in 2023 and the look ahead into 2024.
- The data governance roadmap for building a data-native Bank and planning to ensure we deliver improved business outcomes through accurate and targeted decisions in a fast-growing environment.
- Operational resilience self-assessment and the maturity of the process. Following feedback from the Board, the methodology for identifying important business services, determining impact tolerances and the approach to scenario testing that are severe but plausible, was enhanced.
- Business continuity, crisis management and incident management updates.
- Material post incident reviews, the outputs of these reviews and the effectiveness of the process currently in place.

Financial risk

The Committee reviewed the following during the year:

- Scenario selection and outputs for the ICAAP in conjunction with the Board Audit Committee.
- FX and liquidity risks impacting the Bank.

2023 has been a year of significant progress against a number of key initiatives overseen by the Committee. In 2024, this work will continue building on the achievements to date and protecting the Bank against the risks it will face as it expands and scales the business.

Catherine Doran
Chair of the Board Risk Committee
28 March 2024

Board Remuneration Committee report

Inclusive culture

The Remuneration Committee ensures that remuneration arrangements support the strategic aims of the business and the current stage of organisational maturity and growth in conformance with the Bank's risk framework to enable the recruitment, motivation and retention of all employees within the required regulatory framework.

Chair's overview

On behalf of the Committee, I am pleased to present the Board Remuneration Committee Report for 2023. In line with previous years, ClearBank's remuneration arrangements are designed to be clear and transparent, linked to performance and aligned to the business strategy, values and culture. Underpinned by a strong employee value proposition, this ensures that we continue to retain and attract motivated and talented individuals whilst driving the right individual behaviours.

The role of the Committee is increasingly important in the current economic environment where both internal and external talent are driven by a range of motivating factors which have evolved from previous years. As a result, employee education and training has been a key focus area throughout 2023 ensuring understanding of ClearBank's reward practices and approach whilst also promoting increased financial literacy.

Committee's roles and responsibilities

The Committee's roles and responsibilities include the following:

- Working closely with the Human Resources and Reward team throughout the year deciding on critical people, performance and pay issues.
- Agreeing the framework and policy for terms of employment, remuneration and benefits.
- Seeking periodic internal assurances that the remuneration processes and principles as set out in its remuneration policy are being implemented.
- 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.
- Holding a robust understanding of the Bank's employee value proposition in order for effective remuneration policies to be reviewed and implemented accordingly.
- Setting remuneration packages for individuals subject to the FCA's SMCR, with the Committee authorised to obtain information about remuneration in other companies of comparable scale and complexity.

Membership and meetings

The Committee's membership is made up of four independent Non-Executive Directors including the Board Chair. In addition, the Chief Executive Officer and the Chief Human Resources Officer 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 Committee met on five 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.

Board Remuneration Committee report cont.

Key activities in 2023

The Committee undertook the following activities during the year:

- Oversaw the appointment of Mark Fairless, Chief Financial Officer and Spiros Theodossiou, Chief Technology and Product Officer.
- Continued to ensure all colleagues are paid market competitive salaries that are affordable at ClearBank's current stage of growth and sustainable going forward.
- Reviewed remuneration policies to ensure ClearBank attracts, motivates and retains high calibre employees, including all incentive plans across the management team and executive to ensure they remain fit for purpose.
- Oversaw the implementation of fair and transparent reward principles across the Bank resulting in better than industry average employee engagement scores.
- Promoted further education across the business on reward practices and saving for the future whilst also highlighting focusing on the importance of financial literacy training.
- Promoted the alignment and achievement of the annual balanced scorecard, longer-term strategic objectives and ongoing incentivisation.
- Monitored the year-on-year movement of gender diversity metrics and agreed with the management team areas of ongoing focus.
- Reviewed the overall employee proposition and approved any relevant changes in light of the Bank's 2023 strategy.
- Supported appropriate risk management, conduct and culture.
- Reviewed risk incidents and considered the appropriateness of performance-related bonus adjustments.
- Agreed terms for cessation of employment (in line with the Remuneration Policy) and ensured 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.
- Exercised judgement in the application of the remuneration policy so as to promote the long-term success and future value creation of the business.
- Ensured management does not permit reward for failure or conduct that is not in line with our values and behaviours.

Remuneration policy

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

Andrew Neden
Chair of the Board Remuneration Committee
28 March 2024

Board Nomination Committee report

Diverse talent

The Board Nomination Committee ensures the Board and the senior executive team retain an appropriate balance of skills, objectives and diversity 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 UK Executive Committee in light of ClearBank scaling to ensure that the appropriate skills and experience exist across the senior executive team. With this objective, there was a particular focus on further strengthening succession plans and assessment of internal talent. Ensuring ClearBank has a diverse range of perspectives, experiences, knowledge and skills is key to our continuing effectiveness.

The Board underwent several changes in 2023 starting with the appointment of Mark Fairless who joined ClearBank as Chief Financial Officer and Executive Director. This was followed by the resignation of the Chair of the Board, David Gagie, who departed ClearBank to pursue his passion in academia. Upon his departure, Shonaid Jemmett-Page was appointed as Chair of the ClearBank Board in November 2023. Shonaid previously held the role of Senior Independent Director and has been a part of ClearBank's Board since its early establishment. This appointment ensures continuity in leadership of the UK Bank, something that the Committee keeps under close review. The appointment also leverages Shonaid's experience on other Boards particularly as it relates to operating in a group structure with an international remit.

Talent management and succession planning for roles below Board level has been an important topic of discussion, and the Committee has continued to monitor activities and initiatives to develop the talent pipeline. During the year, Spiros Theodossiou joined ClearBank as Chief Product and Technology Officer, bringing additional skills and capabilities to complement the existing executive team and align to the future strategic growth plans.

Committee's roles and responsibilities

The Committee has responsibility for:

- Keeping the size, structure and composition of the Board and its Committees under review.
- Considering the leadership needs of the Bank and succession planning for Directors and senior executives.
- Making recommendations to the Board in respect to any adjustments to the Board's composition.
- Overseeing the training and development plan of the Non-Executive Directors.

Membership and meetings

The Committee's membership is made up of four independent Non-Executive Directors including the Board Chair. In addition, the Chief Executive Officer and Chief Human Resources Officer may be invited to attend meetings on an ad-hoc basis. Throughout the course of 2023, the Committee met on eight occasions.

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.

Key activities in 2023

The Committee undertook the following core activities during the year:

- Consideration and approval of the succession plan for all Directors on the ClearBank Board, executive members and SMF holders.
- Assessment and reappointment of two Non-Executive Directors to the Board.
- Evaluating potential skills gaps across Board, executive and SMF level as a result of continued growth and the wider group's international expansion.
- Recruitment strategy and progress for senior level appointments across the UK Bank, including executive and Board-level appointments.
- Assessing the independent Non-Executive Directors' skill-sets, knowledge, suitability and experience to ensure that an appropriate balance of skills, knowledge and experience has been maintained.
- Identification of training requirements for the independent Non-Executive Directors, with development plans in place to ensure that the Board maintains the required level of skills and capabilities.

The Committee also keeps under review:

- The leadership needs, and succession plans, for the Group in relation to both Executive Directors and other senior executives.
- The skills and experience of the Board and its Committee members.

- Future requirements of the Bank to ensure the Board composition remains fit for growth.
- 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.
- The impact of material changes to corporate governance regulation and legislation affecting the Bank.

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

Shonaid Jemmett-Page
Chair of the Board Nomination Committee
28 March 2024

Directors' report

The Directors present their report and the financial statements of ClearBank Limited for the year ended 31 December 2023.

The 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 Company for the year are set out in the Statement of Comprehensive Income on page 69. No dividend was declared or paid during 2023 (2022: £nil).

2023 key events

In March 2023, the Company received £11.3 million as capital injection from its now ultimate parent undertaking, CB Growth Holdings Limited, which subscribed to 11.3 million Ordinary Shares at £1.00 each.

In December 2023, the corporate restructure which commenced in 2022 was completed. As a result, ClearBank Group Holdings Limited became the Company's immediate parent with 100 per cent ownership, which in turn is 100 per cent owned by CB Growth Holdings Limited.

During the year, the Company granted a total of 56,044 employee share options. The awards are subject to the service-based vesting condition that the employees remain in the employment of the Company until the end of the agreed vesting period. The total estimated fair value of options granted is £7.1 million.

Share capital

Details of the share capital, together with details of shares allotted during the year, is disclosed in Note 22 to the financial statements on pages 91-92.

Going concern statement

The financial statements are prepared on a going concern basis, as the Directors are satisfied that the Company has the resources to continue in business for the foreseeable future (taken as 12 months from the date of approval of the financial statements). In making this assessment, the Directors have considered a wide range of information relating to present and future conditions, including the current macroeconomic and geopolitical uncertainties, where we do not see any material impact, either directly as a business or indirectly through our partners, on the current state of the balance sheet, projections of profitability, cash flows, capital resources and the longer-term strategy of the business.

The capital and liquidity plans, including stress tests, have been reviewed by the Directors. The forecasts and projections show that it will be able to operate at adequate levels of both liquidity and capital for the foreseeable future, including under a range of stressed scenarios. After making due enquiries and following receipt of a further £12.0 million in total of capital from investors after the balance sheet date, the Directors believe that ClearBank has sufficient resources to continue its activities for the foreseeable future and to continue its expansion, and has sufficient capital to enable it to continue to meet its regulatory capital requirements as set out by the Prudential Regulation Authority.

Post balance sheet events

On 26 January 2024 and on 28 February 2024, the Company received £3.0 million and £9.0 million, respectively, as capital injections from its immediate parent, ClearBank Group Holdings Limited, which in turn subscribed to 3 million and 9 million Ordinary Shares at £1.00 each in the Company.

Future developments in the business, research and development and details of expansion outside the UK

We have established ClearBank as a key player in UK clearing and continue to attract more clients by enhancing our products and services, being at the forefront of innovation and developing new partnerships. In 2024 we will look to continue the momentum, scaling the business safely and executing our strategy of bringing new embedded banking propositions to the financial services market.

The Bank will continue to support the international expansion objectives of the wider group headed by its parent, ClearBank Group Holdings Limited, with an initial focus of expanding into Europe through the group's European subsidiary based in the Netherlands.

The Bank will also ramp up its multicurrency and FX solutions products which we will focus on developing and offering to more of our clients so that they can benefit from crossborder and international activities.

Directors

The Directors holding office during the year ended 31 December 2023 were as follows:

Shonaid Jemmett-Page	Charles McManus
Mark Fairless	Philip Kenworthy
Catherine Doran	David Gagie^
Glen Lucken^	

^ Director resigned during the year.

Andrew Neden was appointed as a Director of the Company on 25 January 2024.

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

Directors' report cont.

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 Company'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 Company primarily finances its activities by the issue of ordinary share capital to investors. It also holds other financial instruments on its balance sheet, including cash deposits held at the Bank of England, short term receivables and amounts due to customers classified as financial liabilities. Please refer to Note 24 for further details. None of these financial instruments are used for the purposes of financial risk management, and the majority are held at amortised cost which therefore does not cause exposure to price risk. See Note 25 for more details on financial risk management.

The Company has assessed there is no credit risk associated with the financial assets held at amortised cost and has recognised immaterial ECL under IFRS 9. At the year end, the Company held a currency swap exposure with an external financial institution which unwound the next day at fixed settlement amounts with no corresponding exchange or liquidity risk due to its short-term nature. The Company's banking deposits are subject to variable interest rates and it has assessed a 100 basis points (2022: 25 basis points) increase or decrease in the Bank of England base rate would have had a £17.0 million (2022: £5.9 million) annualised impact on 2023 performance. This is based on the assumption of no management action being taken, such as passing the interest impact onto the Company's clients.

Branches

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

Policies concerning people with disabilities

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

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

Approach to employee involvement

ClearBank places great importance on employee involvement, with our people at the heart of everything we do. We hold weekly Company-wide meetings where a range of 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, providing up-to-date news about customers and the market, internal processes and policies and various other matters which concern our employees.

We have a bi-monthly engagement survey for employees to share their feedback, the results of which are discussed by the executive and senior leaders, as well as by department leads with their team. We continue to provide a range of employee incentives including the share option scheme to enable our employees to benefit from the Company's future success.

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 meets the mandatory reporting criteria for SECR legislation. Our independent carbon accounting advisors, Normative, have worked with us to calculate our greenhouse gas (GHG) emissions for the purposes of complying with the SECR requirements.

Methodology & rationale

In 2023, ClearBank appointed Normative to support our emissions calculations and advise on the development of ClearBank's science-based targets and Net Zero transition plan. SECR reporting has been prepared in accordance with the Greenhouse Gas (GHG) Protocol Corporate Standard, combining both activity and spend input data and leveraging independent data sources such as DEFRA, Exiobase and AIB to estimate emissions.

Directors' report cont.

We have shown location-based emissions under Scope 2, which reveals the carbon intensity of the local grid. Where there are data limitations such as with shared office space, energy usage has been estimated and allocated according to square footage.

ClearBank has re-calculated 2022 emissions to enhance the accuracy of our baseline year, which will enable targeted intervention and ongoing monitoring of science-based targets going forward. 2022 adjusted emissions see an increase in Scope 2 emissions from the inclusion of our London shared office space's gas and electricity emissions. Adjusted Scope 3 emissions are substantially less than reported in 2022 due to increased granularity of goods and services spend data and the removal of employee pensions from reporting in line with GHG Protocol guidance.

ClearBank continues to produce no Scope 1 emissions. Market-based Scope 2 emissions fell by 11% on 2022, despite ClearBank's 39% growth in full time equivalent (FTE) staff, representing a 36% reduction in carbon intensity (Scope 2 emissions/PV). ClearBank maintains focus on eliminating Scope 2 emissions through adoption of clean energy, having already transitioned direct energy provisions to 100% renewable in our Bristol office. This target also requires our shared office space in London to transition to renewable energy, which ClearBank is actively pursuing.

Scope 3 emissions make up the vast majority of ClearBank's GHG emissions, with purchased goods and services being ClearBank's largest category of emissions. In 2023, ClearBank reduced Scope 3 carbon intensity (Scope 3 emissions/PV) by 20%. Absolute Scope 3 emissions increased by 10% compared to 2022, as the business grew rapidly with payments volume increasing by 38% over the same period.

Efficiency and reduction actions taken within the year

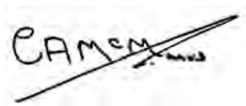
ClearBank established a Sustainability function in 2023 as well as a dedicated technology team focused on the efficiency of our Azure platform. ClearBank's investment in architectural improvements and compute density, together with Microsoft and UK Grid emissions improvements, meant ClearBank's Azure emissions remained broadly level in 2023, avoiding at least 120 tCO_2e, despite the substantial growth in payments volume. The carbon intensity of our Azure platform is now reported regularly to Executive and Board Risk Committees.

ClearBank launched enhanced supplier sustainability due diligence and emissions data capture in Q4, which will deliver the supply chain visibility required for targeted stewardship and engagement in 2024 and beyond. Supply chain is a key focus area for ClearBank with the vast majority of our emissions being upstream. In consideration of the downstream use of our products, ClearBank launched a product carbon intensity pilot in 2023 with the goal of generating regular carbon intensity reporting at product level in 2024.

	2023	2022 (Adjusted)	2022 (Reported)
Total Energy Consumption (kWh)	**124,071**	138,922	170,713
Emission from combustion of gas (Scope 1)	**–**	–	–
Emission from purchased gas & electricity (Scope 2)[1]	**26.9**	30.2	8.4
Emissions of upstream activities (Scope 3)[2]	**2,217.7**	2,014.6	2,989.7
Total emissions	**2,244.6**	2,044.8	2,998.1
Payments Volume (PV, million)[3]	**214.7**	155.1	n/a
Payments Carbon Intensity ratio (tCO_2e/PV)[4]	**10.5**	13.2	n/a

1. 2022 adjustment includes reporting gas heating of communal office areas outside of ClearBank's control in Scope 2.
2. 2022 adjustments driven by increased granularity of spend data and improved alignment to GHG Protocol Scope 3 categories, including removal of employee pensions emissions.
3. Includes internal transfers between ClearBank customers in addition to payment scheme transactions.
4. Payments carbon intensity included for 2023. As a digital bank, payment volume is considered a better indicator of ClearBank's scale and growth than full time equivalent (FTE) intensity as reported in 2022.

Approved by the Board of Directors and signed on behalf of the Board on 28 March 2024.



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 Company financial statements for each financial year. Under that law, they are required to prepare 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 Company and of the profit or loss of the Company for that period. In preparing the Company financial statements, the Directors are required to:

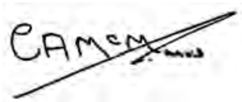
- Select suitable accounting policies and then apply them consistently.
- Make judgements and estimates that are reasonable and prudent.
- State whether they have been prepared in accordance with UK adopted international accounting standards.
- Assess the Company's ability to continue as a going concern, 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 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

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

Approved by the Board of Directors and signed on behalf of the Board on 28 March 2024.



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 Company's affairs as at 31 December 2023 and of the Company's profit for the year then ended;
- the financial statements have been properly prepared in accordance with UK adopted international accounting standards; 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 'Company') for the year ended 31 December 2023 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows, and notes to the financial statements, including a summary of material accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards as applied in accordance with the provisions of the Companies Act 2006.

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 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 8 years, covering the years ended 31 December 2016 to 31 December 2023. We remain independent of the 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 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. Our evaluation of the Directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included:

- obtaining the Directors' assessment of the going concern assumption applied in the financial statements and evaluating the appropriateness of Directors' method of assessing going concern in light of the current macroeconomic environment, inflationary pressures, and the cost of living crisis, 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;
- challenging 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);
- testing the sensitivity of certain assumptions applied in the forecast through independent sensitivity analysis;
- confirming the arithmetical accuracy of the forecasts;
- considering the historical accuracy of forecasts through comparison of actual results with prior years forecasts; and
- assessing whether additional funds are required to execute the base assumptions in the Company's business plan, sensitising those assumptions in consideration of subsequent events, and reviewing fundraisings executed to date to supporting documentation.

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 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.

Independent auditor's report cont.

to the members of ClearBank Limited

Overview

		2023	2022
Key audit matters	Capitalisation of software development costs	✔	✔
	Recognition of deferred tax assets	✘	✔
	Going concern	✘	✔
	In the prior year, recognition of deferred tax assets and going concern were key audit matters. As a result of the continued growth of the Company, and the profitability of the period under audit, the audit risk with respect to these areas has reduced, as have the resources allocated towards these areas in the overall audit strategy. As such, recognition of deferred tax assets and going concern are no longer considered to be key audit matters.		
Materiality	*Financial statements as a whole*		
	£1,167k (2022: £914k) based on 1.5% (2022: 1.5%) of three-year average of total expenses excluding interest expenses (2022: three-year average of total expenses).		

An overview of the scope of our audit

Our audit was scoped by obtaining an understanding of the Company and its environment, including the Company'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.

Climate change

Our work on the assessment of potential impacts of climate-related risks on the Company's operations and financial statements included:

- enquiries and challenge of management to understand the actions they have taken to identify climate-related risks and their potential impacts on the financial statements and adequately disclose climate-related risks within the annual report;
- our own qualitative risk assessment taking into consideration the sector in which the Company operates and how climate change affects this particular sector;
- review of the minutes of Board and Audit Committee meetings and other papers related to climate change and performing a risk assessment as to how the impact of the Company's commitments as set out in the Strategic Report may affect the financial statements and our audit.

We challenged the extent to which climate-related considerations, including the expected cash flows from the initiatives and commitments have been reflected, where appropriate, in the Directors' going concern assessment.

We also assessed the consistency of management's disclosures included as Statutory Other Information in the climate related disclosures on pages 25-26, with the financial statements and with our knowledge obtained from the audit.

Based on our risk assessment procedures, we did not identify there to be any Key Audit Matters materially impacted by climate-related risks.

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.

Independent auditor's report cont.

to the members of ClearBank Limited

Key audit matter		How the scope of our audit addressed the key audit matter
Capitalisation of software development costs – £21.4 million (2022: £9.7 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 financial statements. Further information on the balance is included in Note 15 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 Company'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 production release 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. For staff costs, we have audited the Company'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. 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.

Independent auditor's report cont.

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:

	2023 £k	2022 £k
Materiality	**1,167**	914
Basis for determining materiality	**1.5% of three-year average expenses, excluding interest expense**	1.5% of three-year average expenses
Rationale for the benchmark applied	**We consider expenses to be the key consideration for members of the Company in assessing the financial performance of the Company at this stage of its development.** **We continue to apply a three-year average benchmark given the magnitude of increase in expenses.** **In 2023, we excluded the interest expense given the magnitude of increase in the period.**	We consider expenses to be the key consideration for members of the Company in assessing the financial performance of the Company at this stage of its development. Given the magnitude of increase in expenses in 2022, we moved to a three-year average benchmark.
Performance materiality	**875**	685
Basis for determining performance materiality	75% of the above materiality levels based on our risk assessment together with our assessment of the Company's overall control environment and history of misstatements.	
Rationale for the percentage applied for performance materiality	Various criteria were considered in order to determine the performance materiality threshold, such as past significant misstatements, management's historic response to proposed adjustments, the complexity of the audit, and the brought forward adjustments from prior periods.	

Independent auditor's report cont.

to the members of ClearBank Limited

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £58k (2022: £36k). 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 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 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 Company, or returns adequate for our audit have not been received from branches not visited by us; or • the 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.

Independent auditor's report cont.

to the members of ClearBank Limited

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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

Extent to which the audit was capable of detecting irregularities, including fraud

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

Non-compliance with laws and regulations

Based on:

- our understanding of the Company and the industry in which it operates;
- discussion with management, those charged with governance, members of the Audit Committee, members of the Board of Directors, and members of Internal Audit; and
- discussion with personnel in the legal department

we considered the significant laws and regulations to be the Companies Act 2006, UK tax legislation, and UK adopted International Accounting Standards. We also considered the Company's compliance with the licence conditions and supervisory requirements of the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA).

The Company is also subject to laws and regulations where the consequence of non-compliance could have a material effect on the amount or disclosures in the financial statements, for example through the imposition of fines or litigations. We identified such laws and regulations to relate to employment taxes, health and safety, and the Bribery Act 2010.

Our procedures in respect of the above included:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations;
- enquiring of management, the Audit Committee, and the Board of Directors of their knowledge of 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;
- reviewing correspondence with regulatory and tax authorities for any instances of non-compliance with laws and regulations;
- involvement of tax specialists in the audit;
- reviewing legal expenditure accounts to understand the nature of expenditure incurred; and
- obtaining an understanding and considering the effectiveness of the control environment related to monitoring compliance with laws and regulations.

Independent auditor's report cont.

to the members of ClearBank Limited

Fraud

We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our procedures included:

- enquiring with management and those charged with governance, including the Audit Committee and the Board of Directors, and Internal Audit, regarding any known or suspected instances of fraud;
- obtaining an understanding of the Group's policies and procedures relating to:
  - detecting and responding to the risks of fraud; and
  - internal controls established to mitigate risks related to fraud;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reviewing of minutes of meetings of those charged with governance for any known or suspected instances of fraud; and
- discussing amongst the engagement team as to how and where fraud might occur in the financial statements.

Based on our risk assessment, we considered the areas most susceptible to fraud to be management override of controls and capitalisation of software development. Our procedures in respect of the above included:

- 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;
- in response to the risk of fraud in the capitalisation of software development costs, the procedures performed in the key audit matter section above;
- 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;
- 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 who were all deemed to have appropriate competence and capabilities 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 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 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 Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Stefan Beyers

Stefan Beyers (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, UK
28 March 2024

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

Financial statements

Section contents

Grow.

Statement of comprehensive income

	Notes	Year ended 31 Dec 2023 £'000	Restated[1] Year ended 31 Dec 2022 £'000
Interest income	7	**243,956**	43,774
Interest expense	7	**(162,042)**	(9,911)
Net interest income		**81,914**	33,863
Fee income	7	**31,390**	25,455
Fee expenses	7	**(2,620)**	(1,047)
Net fee income		**28,770**	24,408
Other income	7	**663**	13
Total income		**111,347**	58,284
Staff costs[1]	9	**(55,318)**	(36,556)
Depreciation	16, 17	**(2,212)**	(1,334)
Amortisation of intangibles	15	**(8,869)**	(7,823)
Impairments	8	**(268)**	(220)
Other operating expenses	8	**(39,116)**	(27,763)
Operating expenses[1]		**(105,783)**	(73,696)
Expenses recharged		**13,054**	8,587
Operating profit/(loss)[1]		**18,618**	(6,825)
Other losses		**(111)**	(181)
Finance costs		**(78)**	(55)
Profit/(loss) for the year before taxation[1]		**18,429**	(7,061)
Income tax credit	11	**3,967**	17,821
Profit for the year after taxation[1]		**22,396**	10,760
Total comprehensive income for the year[1]		**22,396**	10,760

1. The Company has restated the prior year comparatives. See Note 32 for additional information.
2. There was no other comprehensive income for the current and prior years.

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

Statement of financial position

ClearBank Limited Company Number: 09736376

	Notes	As at 31 Dec 2023 £'000	Restated[1] As at 31 Dec 2022 £'000
Assets			
Cash and cash equivalents	12	**6,256,126**	3,125,862
Loans and advances to banks	13	**19,525**	9,156
Receivables	18	**9,768**	6,212
Collateral placed	13	**1,352**	433
Due from UK tax authorities		**3,542**	4,363
Intangible assets	15	**41,806**	29,184
Property, plant and equipment	16	**97**	566
Right-of-use assets	17	**952**	2,677
Deferred tax asset	19	**33,682**	25,956
Total assets		**6,366,850**	3,204,409
Liabilities			
Customer deposits		**6,147,363**	2,982,259
Other payables	20	**82,372**	109,307
Lease obligations	17	**1,003**	2,789
Deferred income	21	**6,444**	22,742
Current tax liability		**142**	–
Total liabilities		**6,237,324**	3,117,097
Equity			
Called up share capital	22	**–**	–
Share premium	22	**203,445**	192,145
Share-based payment reserve[1]		**–**	21,408
Capital contribution reserve		**26,805**	–
Retained losses[1]		**(100,724)**	(126,241)
Total equity		**129,526**	87,312
Total equity and liabilities		**6,366,850**	3,204,409

1. The Company has restated the prior year comparatives. See Note 32 for additional information.

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

The financial statements were approved by the Board on 28 March 2024.

Charles McManus
Chief Executive Officer
28 March 2024

Mark Fairless
Chief Financial Officer
28 March 2024

Statement of changes in equity

	Share capital[2] £'000	Share premium £'000	Share-based payment reserve £'000	Capital contribution reserve £000	Retained losses £'000	Total £'000
Balance at 1 January 2022	–	191,612	17,190	–	(137,022)	71,780
Restated profit for the year[1]	–	–	–	–	10,760	10,760
Issue of share capital	–	533	–	–	–	533
Restated share-based payments[1]	–	–	4,218	–	21	4,239
Restated balance at 31 December 2022[1]	**–**	**192,145**	**21,408**	**–**	**(126,241)**	**87,312**
Profit for the year	–	–	–	–	22,396	22,396
Issue of share capital[2]	–	11,300	–	–	–	11,300
Share-based payments[3]	–	–	(21,408)	26,805	1,332	6,729
Tax on share-based payments	–	–	–	–	1,789	1,789
Balance at 31 December 2023	**–**	**203,445**	**–**	**26,805**	**(100,724)**	**129,526**

1. The Company has restated the prior year comparatives. See Note 32 for additional information.
2. The Company's share capital of £140.90 is further disclosed in Note 22.
3. Transfer of share-based payment reserve to the newly established capital contribution reserve took place following the insertion of the ultimate parent entity, CB Growth Holdings Limited. See Note 26 for further information.

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

Statement of cash flows

	As at 31 Dec 2023 £'000	Restated[1] As at 31 Dec 2022 £'000
Cash flows from operating activities		
Profit for the year after tax[1]	22,396	10,760
Adjustments for non-cash items		
Depreciation of property, plant and equipment	510	304
Profit on disposals of property, plant and equipment	–	(18)
Depreciation of right-of-use assets	1,702	1,030
Amortisation of intangibles	8,869	7,823
Impairments of intangibles	246	192
Share-based payment expense[1]	6,729	4,239
Tax benefit	(3,967)	(17,794)
Foreign currency differences	43	34
Net interest income	(81,914)	(33,863)
Other income	(380)	–
Operating cash flows before changes in working capital	(45,766)	(27,293)
Net changes in working capital		
Increase in collateral	(919)	(27)
Increase in loans and advances to banks	(10,369)	(3,194)
Increase in receivables	(3,547)	(1,734)
(Decrease)/increase in payables	(26,935)	99,458
Decrease in deferred income	(16,298)	(22,487)
Increase in amounts due to customers	3,152,204	335,213
Cash generated by operations	3,048,370	379,936
Interest received	243,957	43,774
Interest paid	(149,139)	(7,622)
Tax paid	(640)	–
Net cash generated from operating activities	3,142,548	416,088
Cash flows used in investing activities		
Purchase of property, plant and equipment	(41)	(403)
Purchase of intangible assets	(21,737)	(10,203)
Net cash used in investing activities	(21,778)	(10,606)
Cash flows from financing activities		
Proceeds from issue of Ordinary Shares	11,300	533
Principal paid on lease liabilities	(1,763)	(916)
Net cash generated from/(used in) financing activities	9,537	(383)
Net increase in cash and cash equivalents	3,130,307	405,099
Cash and cash equivalents at beginning of the year	3,125,862	2,720,797
Effect of foreign exchange rate changes	(43)	(34)
Cash and cash equivalents at end of the year	6,256,126	3,125,862

1. The Company has restated the prior year comparatives. See Note 32 for additional information.

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

Notes to the financial statements

1. Basis of preparation

1.1. General information

These are the financial statements of ClearBank Limited (the 'Company'). The Company provides banking services in the United Kingdom.

Following the liquidation of its last remaining subsidiary in the year, the Company no longer owned any subsidiary undertakings on the balance sheet date of 31 December 2023. Consequently, consolidated group financial statements are not presented.

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 can be found at the end of this document on page 102.

1.2. Basis of preparation

The financial statements have been prepared in accordance with UK-adopted international financial reporting standards (IFRS).

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

The 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.

1.3. 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 the parent entities. The Directors have also considered the minimum capital requirements set by the Prudential Regulation Authority (PRA) and are satisfied that the Company 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 Company. Please see page 57 on the Directors' Report for further discussion on the assessment of the going concern basis.

The Company's business model remains largely unchanged and all sterling customer funds continue to be held at the Bank of England. The effectiveness of the Company'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.

2. Accounting judgements and significant estimates

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 material accounting policies adopted in the preparation of these financial statements. Judgements disclosed below are those made by management in the application of the Company's accounting policies. As required by IAS 1 Presentation of Financial Statements, estimates are differentiated as those judgements which relate to management assumptions about the future and have other sources of estimation uncertainty.

A. Accounting 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 Company. 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. 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. In accordance with IAS 36 Impairment of Assets, 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. Significant estimates

Significant estimates are those with a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year. The following was considered by management as a significant estimate within the scope of IAS 1:

2.3. Amortisation of internally developed software

The useful economic life over which internally developed software is amortised is determined by the expected duration of the intangible assets which is determined with reference to past experience, and management's future expectation of developments in technology in the financial payments landscape. Management have estimated the capitalised internally developed software to have a useful economic life of five years.

Notes to the financial statements continued

2. Accounting judgements and significant estimates continued

B. Significant estimates continued

Consequently, during the year, internally developed software was amortised over five years from going live. The amortisation for the year was £8.6 million (2022: £7.8 million). A reduction in the average amortisation period by one year would increase the amortisation expense for the year by £9.3 million (2022: £5.7 million).

The financial statements also include other areas of judgement and accounting estimates. While these do not meet the definition of significant accounting estimates under IAS 1, the recognition and measurement of certain material assets and liabilities are based on assumptions and/or can be subject to longer term uncertainties.

3. New standards, amendments to standards and interpretations adopted in the 2023 financial statements

The Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies are effective from 1 January 2023. In line with the key effects and requirements, the Company has reviewed and disclosed its material accounting policies in these financial statements (Note 6) superseding the previously disclosed significant accounting policies.

There are no other new standards, amendments and interpretations issued by the IASB that are effective for the first time for periods beginning on or after 1 January 2023 that have a material effect on the Company, as they are either not relevant to the Company's activities or require accounting which is consistent with the Company'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 Company's annual accounting periods beginning on or after 1 January 2024. The Company 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 financial statements of the Company.

5. Changes in accounting policies

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

6. Material accounting policies

The material accounting policies used in the preparation of these financial statements, as set out below, have been applied consistently to all periods presented in these 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 Company 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 Company recognises 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 Company's performance as the Company performs its obligation;
- the Company's performance creates or enhances a customer-controlled asset; and
- the Company's performance does not create an asset with an alternative use, and the Company 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 right-to-consideration basis.

Notes to the financial statements continued

6. Material accounting policies continued

6.1. Revenue recognition continued

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 when the checks have been completed.

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		✓
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 Company'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. The contract price is the standalone selling price of specific services provided in such contracts.

Practical exemptions

The Company has taken advantage of the practical exemptions provided by IFRS 15:

- 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;
- 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; and
- to recognise revenue in the amount to which the Company has a right to invoice corresponding with the performance completed to date.

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.

6.2. Tax

Current tax

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

Research and Development (R&D) tax 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 and Disclosure of Government Assistance.

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.

Notes to the financial statements continued

6. Material accounting policies continued

6.2. Tax continued

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 19 include further detail of circumstances in which the Company does not recognise temporary differences. Deferred tax assets and liabilities are offset only if there is a legally enforceable right to do so and they relate to income taxes levied by the same tax authority.

6.3. Intangible assets

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.

Purchased and internally developed software

Several factors are taken into account when considering whether purchased software, licences 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 Company 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 the 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

Notes to the financial statements continued

6. Material accounting policies continued

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 uses an incremental borrowing rate (IBR) 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 Company 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

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 on the Statement of Financial Position 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.

Financial instruments (other than derivatives)

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

Financial assets and financial liabilities are recognised in the Company's Statement of Financial Position when the Company becomes party to the contractual provisions of the instrument. The Company derecognises a financial asset when the contractual rights to receive cash flows have expired or been forfeited by the Company, or alternatively, when there is a transfer of control based on whether the Company transfers or retain substantially all the risks and rewards of ownership. A financial liability is derecognised when, and only when the liability is extinguished.

Classification and measurement of financial assets and financial liabilities

Initial measurement

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

Subsequent measurement

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

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

Category	Accounting policies
Financial assets at FVTPL	These financial assets are subsequently measured at fair value. Net gains and losses, including interest and dividend income, are recognised in the 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 the Statement of Comprehensive Income. Any gain or loss on de-recognition is recognised in Statement of Comprehensive Income.

Notes to the financial statements continued

6. Material accounting policies continued

6.7. Financial instruments continued

Business model assessment

The Company 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 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 when the Company changes its business model for managing financial assets, in which case the reclassification is applied prospectively. Reclassifications are expected to occur infrequently.

Assessment whether contractual cash flows are solely payments of principal and interest (SPPI)

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 SPPI, the Company 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 Company 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 Company'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 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 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 Company 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 Company'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 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 Company 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 Company recognises purchases and sales of financial investments on trade date, which is the date that the Company 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 Company 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).

The Company has pledged cash collateral for the payment schemes and placed an initial margin with an FX provider. This is identified separately in the Statement of Financial Position and not included as a component of cash and cash equivalents.

Notes to the financial statements continued

6. Material accounting policies continued

6.7. Financial instruments continued

The Company receives and accepts collateral in the form of cash and is recognised when placed with the Company. 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.

Financial liabilities and equity

Management also determines the classification of financial liabilities at initial recognition. The Company classifies its financial liabilities, as measured at either amortised cost or FVTPL.

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

An equity instrument is any contract that evidences a residual interest in the assets of the Company 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.

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 Company 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 Company 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 Company 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 Company'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 Company 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. 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.

6.9. 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.

6.10. Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, and it is probable that the Company 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.

Notes to the financial statements continued

6. Material accounting policies continued

6.11. Employee benefits

Defined contribution pension

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

Under a defined contribution plan, the Company'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 ultimate parent company, CB Growth Holdings Limited. None of the Company's plans are cash-settled.

The Company accounts for these plans as group share based payment arrangements in accordance with the requirements of IFRS 2. As the receiving entity of employee services, the Company recognises share-based remuneration expense with respect to its employees awarded share options in the Statement of Comprehensive Income. It recognises corresponding credits in the capital contribution reserve as a component of the Statement of Changes in Equity.

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).

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.

For market-based performance conditions, the estimate of the vesting period length is consistent with the assumptions used in estimating the fair value of the options granted, and it is not subsequently revised. Market performance conditions only impact the estimated fair value of the equity instruments and the number of vested options ultimately exercised by holders does not affect the expense recorded in any period.

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. On a cumulative basis, no amount is ultimately recognised if the share options do not vest due to a failure to satisfy a non-market vesting condition, or there is a forfeiture.

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.

6.12. Government grants

Recognition of the Capability and Innovation Fund grant income in the Statement of Comprehensive Income is dependent on the Company 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 Statement of Cash Flows 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 Company and are included in other operating expenses in the Statement of Comprehensive Income.

Notes to the financial statements continued

7. Income

Net interest income

Interest income and expenses shown below all relate to financial instruments held at amortised cost and are measured using the effective interest rate (EIR).

	Year ended 31 Dec 2023 £'000	Year ended 31 Dec 2022 £'000
Interest received on cash and cash equivalents	243,956	43,774
Interest paid on customer deposits	(162,042)	(9,911)
Total net interest income	81,914	33,863

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 2023 £'000	Year ended 31 Dec 2022 £'000
Transaction fee income	16,906	12,496
Non-transaction fee income	14,484	12,959
Total fee income	31,390	25,455
Fee expenses[1]	(2,620)	(1,047)
Net fee income	28,770	24,408

1. Fee expenses include £421k (2022: £84k) which have been recharged to ClearBank Group Holdings Ltd.

Other income

	Year ended 31 Dec 2023 £'000	Year ended 31 Dec 2022 £'000
R&D tax credits	380	–
Other income	283	13
Total other income	663	13
Timing of revenue recognition		
Over time	20,162	17,355
At a point in time	11,361	8,113
Total[1]	31,523	25,468

1. Excludes R&D income of £380k (2022: £nil) and grant related income of £150k (2022: £nil) which are subject to IAS 20 – Accounting for Government Grants and Disclosure of Government Assistance.

Notes to the financial statements continued

8. Profit/(loss) for the year

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

	Year ended 31 Dec 2023 £'000	Restated[3] Year ended 31 Dec 2022 £'000
Staff costs[3]	**55,318**	36,556
Professional fees	**17,251**	12,126
IT and software	**11,175**	7,122
IT contractors	**3,179**	1,226
Scheme costs	**859**	848
Depreciation	**2,212**	1,334
Amortisation of intangibles	**8,869**	7,823
Impairment of intangibles	**246**	191
Impairment of investments	**22**	29
Gain on foreign exchange	**(15)**	(11)
Irrecoverable VAT	**4,664**	4,423
Other expenses	**2,003**	2,029
Total	**105,783**	73,696
Expenses recharged[1]	**(13,054)**	(8,587)
Total[2]	**92,729**	65,109

1. Expenses recharged to parent company and fellow group subsidiary include £7,853k (2022: £1,611k) of staff costs; £3,256k (2022: £5,157k) of professional fees; £717k (2022: £nil) of IT costs; £172k (2022: £1,078k) of irrecoverable VAT; £125k (2022: £657k) of other operating expenses; £421k (2022: £84k) of fee expenses; in addition to £510k (2022: £nil) mark-up.
2. Grant income of £16.4m (2022: £20.2m) was recognised during the year and has been offset by an equal amount of relevant grant related expense. See Note 21 for more details.
3. The Company has restated the prior year comparatives to recognise the SBP options which had forfeited or lapsed prior to 1 January 2023 and which were not recognised in the 2022 financial statements. See Note 32 for additional information.

9. Staff costs

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

	Year ended 31 Dec 2023 £'000	Restated[1] Year ended 31 Dec 2022 £'000
Salaries and wages	**41,232**	26,382
Social security costs	**5,147**	3,561
Retirement obligations	**2,210**	2,374
Share-based payments[1]	**6,729**	4,239
Total staff costs	**55,318**	36,556

1. The Company has restated the prior year comparatives to recognise the SBP options which had forfeited or lapsed prior to 1 January 2023 and which were not recognised in the 2022 financial statements. See Note 32 for additional information.

Employee numbers

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

	Year ended 31 Dec 2023	Year ended 31 Dec 2022
Executives[1]	**13**	13
Legal and Regulatory	**20**	11
Risk and Compliance	**21**	24
Programme management	**1**	5
Sales and Marketing	**60**	36
Finance and Treasury	**26**	18
Technology	**200**	132
Human Resources and Administration	**26**	16
Operations	**142**	94
Internal Audit	**7**	4
Total average number of employees during the year	**516**	353

1. Includes Non-Executive Directors.

Notes to the financial statements continued

10. Auditor's remuneration

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

	Year ended 31 Dec 2023 £'000	Year ended 31 Dec 2022 £'000
Fees for audit services		
Fees for audit of the Company's financial statements	378	315
Fees for non-audit services: Interim profit verification	55	–
Total auditor's remuneration	433	315

11. Tax

This note analyses the income tax credit recognised in the 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 2023 £'000	Year ended 31 Dec 2022 £'000
Current tax		
Current tax on (profit) / loss for the year	(1,608)	1,106
Adjustments in respect of prior years	(821)	3,257
Total current tax	(2,429)	4,363
Deferred tax		
Origination and reversal of timing differences	5,767	14,959
Adjustments in respect of prior years	151	(1,501)
Effect on deferred tax of changes in tax rates	478	–
Total deferred tax	6,396	13,458
Total tax credited to Statement of Comprehensive Income	3,967	17,821

b) Reconciliation of the total income tax credit

The tax credit shown in the Statement of Comprehensive Income differs from the tax credit that would apply if all profit/(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 2023 and 2022 is as follows:

	Year ended 31 Dec 2023 £'000	Restated[1] Year ended 31 Dec 2022 £'000
Profit / (loss) on ordinary activities before tax[1]	18,429	(7,061)
Tax at UK standard rate of 23.5% (2022: 19%)[1]	(4,335)	1,342
Effects of:		
Adjustments in respect of prior years	(670)	1,756
Movement in deferred tax on share-based payments	(1,481)	–
Non-deductible expenses[1]	(1,808)	(1,068)
Non-taxable income	3	–
Deferred tax previously not recognised	9,744	14,412
Other temporary differences on which deferred tax was not previously recognised	–	472
Effect of rate changes	478	15
Effect of group relief, other reliefs and charges	897	–
Effect of SME R&D claims	1,139	892
Total tax credited to income statement	3,967	17,821

1. The Company has restated the prior year comparatives to recognise the SBP options which had forfeited or lapsed prior to 1 January 2023 and which were not recognised in the 2022 financial statements. See Note 32 for additional information.

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.

Notes to the financial statements continued

11. Tax continued

The Company intends to claim for UK R&D tax relief under the SME regime in respect of the accounting period ended 31 December 2023 resulting in an enhanced tax deduction of £4.8 million (net £1.1 million) which will partially offset the current year tax liability. The Company also intends to claim under the RDEC scheme for the accounting period ended 31 December 2023 resulting in a RDEC tax credit of £365k which will be offset against the current year tax liability.

At 31 December 2023 the company has receivable credits of £3.5 million in respect of claims made in prior years when the Company was loss making.

12. Cash and cash equivalents

	31 Dec 2023 £'000	31 Dec 2022 £'000
Cash at central bank (Bank of England)	6,173,122	2,989,083
Cash at commercial banks	5,978	15,719
Money market fund investments	77,026	121,060
Cash and cash equivalents	6,256,126	3,125,862

Of the cash and cash equivalents shown, £6,147 million (2022: £2,982 million) relates to customer deposits.

13. Loans and advances to banks and collateral placed with schemes

	31 Dec 2023 £'000	31 Dec 2022 £'000
Loans and advances to banks	19,525	9,156
Collateral placed	1,352	433

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. Collateral placed includes £900k (2022: £nil) placed as initial margin with an FX provider. It also includes cash collateral paid of £114k (2022: £110k) and £338k (2022: £323k) for use of the Swift financial messaging service and Visa card payment schemes, respectively. These amounts are treated as encumbered assets that are not used for any other purpose.

14. Investment in subsidiary undertakings

	Total £'000
Costs	
As at 1 January 2022	191
Additions	15
Liquidation	(206)
As at 31 December 2022	–
As at 31 December 2023	–
Provision for impairment	
As at 1 January 2022	191
Provided for the year	15
Liquidation	(206)
As at 31 December 2022	–
As at 31 December 2023	–
Net book value	
As at 31 December 2023	–
As at 31 December 2022	–

During the year the subsidiary below was struck off. The Company's investment in the subsidiary had a brought forward cost of £nil (2022 £nil) at the start of the year. Following the striking off of ClearBank Europe DAC, there were no remaining subsidiaries of the Company as at 31 December 2023.

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

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

Notes to the financial statements continued

15. Intangible assets

	Software costs £'000	Other intangibles £'000	Total £'000
Costs			
As at 1 January 2022	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**
Additions	**21,380**	**357**	**21,737**
Impairment	**(246)**	**–**	**(246)**
As at 31 December 2023	**71,503**	**1,445**	**72,948**
Accumulated amortisation			
As at 1 January 2022	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**
Charge for the year	**8,679**	**190**	**8,869**
As at 31 December 2023	**30,558**	**584**	**31,142**
Net book value			
As at 31 December 2023	**40,945**	**861**	**41,806**
As at 31 December 2022	28,490	694	29,184

The following table splits out the significant intangible assets:

Year ended 31 December 2023

Name	Amortisation period remaining (months)	Cost £'000	Accumulated amortisation £'000	Carrying value £'000
Core banking infrastructure	**35**	**21,973**	**13,666**	**8,307**
Multi-currency functionality	**40**	**8,767**	**2,835**	**5,932**
Embedded banking	**27**	**5,771**	**3,297**	**2,474**
Core payment schemes	**48**	**15,414**	**4,052**	**11,362**
International infrastructure	**58**	**6,919**	**316**	**6,603**
CRM functionality	**56**	**5,881**	**1,281**	**4,600**
Total		**64,725**	**25,447**	**39,278**

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

Notes to the financial statements continued

15. Intangible assets continued

Grant income

Included in the cost of internally developed software is £8.1 million (2022: £8.1 million) of grant income from the Capability and Innovation Fund. During the year, a further £1.7 million (2022: £1.1 million) was released to the Statement of Comprehensive Income as amortisation on internally developed software. £4.7 million (2022: £6.3 million) is still to be amortised over the remaining useful lives of the relevant internally developed software assets. For further details see Note 21.

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 Company'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 (2022: £0.2 million) in the Statement of Comprehensive Income.

16. Property, plant and equipment

	Computer equipment £'000	Office equipment £'000	Leasehold improvements £'000	Total £'000
Cost				
As at 1 January 2022	1,364	185	434	1,983
Additions	380	23	–	403
Disposal	(55)	(11)	(98)	(164)
As at 31 December 2022	**1,689**	**197**	**336**	**2,222**
Additions	**19**	**22**	**–**	**41**
As at 31 December 2023	**1,708**	**219**	**336**	**2,263**
Accumulated depreciation				
As at 1 January 2022	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**
Depreciation charge for the year	**457**	**53**	**–**	**510**
As at 31 December 2023	**1,678**	**152**	**336**	**2,166**
Net book value				
As at 31 December 2023	**30**	**67**	**–**	**97**
As at 31 December 2022	468	98	–	566

Notes to the financial statements continued

17. Leases

Right-of-use assets

	Buildings £'000
As at 1 January 2022	510
Additions	3,197
Depreciation charge	(1,030)
At 31 December 2022	**2,677**
Reassessment	**(23)**
Depreciation charge	**(1,702)**
At 31 December 2023	**952**

Lease obligations

	Buildings £'000
As at 1 January 2022	509
Additions	3,196
Interest expense	55
Lease payments	(971)
At 31 December 2022	**2,789**
Reassessment	**(23)**
Interest expense	**77**
Lease payments	**(1,840)**
At 31 December 2023	**1,003**

	Buildings Year ended 31 Dec 2023 £'000	Buildings Year ended 31 Dec 2022 £'000
Lease liabilities:		
Not later than 1 year	**1,003**	1,785
Later than 1 year and not later than 5 years	**–**	1,004
	1,003	2,789
Analysed as:		
Amounts due for settlement within 12 months	**1,003**	1,785
Amounts due for settlement after 12 months	**–**	1,004
	1,003	2,789

The Company does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are managed by the Company's finance functions. The Company's lease liabilities as of December 2023 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 0.78 years (2022: 1.78 years). Following the exercise of the extension option for the Bristol office premises in 2022, there remains no further extension option clauses associated with any of the leases currently held by the Company. The Company's obligations under leases are secured by the lessor's rights over the leased premises.

The present value of the Company's lease obligations as at 31 December 2023 is estimated to be £1.0 million (2022: £2.8 million).

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 reassessments occur. Interest expense on lease liabilities amounted to £0.1 million in 2023 (2022: £0.1 million). The total cash outflow for leases amounted to £1.8 million (2022: £1.0 million).

The Company leases IT equipment with contract terms of less than one year to three years. These leases are leases of low-value items. The Company has elected not to recognise right-of-use assets and lease obligations for these leases. The expense relating to short-term leases recognised in the Statement of Comprehensive Income during the year was £0.6m (2022: £nil).

Notes to the financial statements continued

18. Receivables and other assets

	Year ended 31 Dec 2023 £'000	Year ended 31 Dec 2022 £'000
Receivables		
Trade receivables	**425**	170
Prepayments	**4,156**	2,868
Accrued income	**93**	76
Intercompany receivables	**1,623**	1,985
Other receivables	**1,286**	1,113
VAT receivable	**2,185**	–
Total receivables	**9,768**	6,212

Intercompany receivables constitute recharged expenses due from ClearBank Group Holdings Limited, the Company's immediate parent, and ClearBank Europe N.V., a fellow group subsidiary, at 31 December 2023.

Other receivables include leasehold property deposits of £0.5 million (2022: £0.5 million) and intra-day customer balances of £0.7 million (2022: £0.5 million) which clear and settle on the following day.

Notes to the financial statements continued

19. 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 2023 £'000	Year ended 31 Dec 2022 £'000
Deferred tax asset	**36,985**	29,582
Deferred tax liability	**(3,303)**	(3,626)
Net deferred tax asset	**33,682**	25,956

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 2022	13,342	304	528	509	14,683	(2,158)	(2,158)
Charge to the Income Statement relating to prior periods	–	–	–	(72)	(72)	(1,505)	(1,505)
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)**
Credit/(charge) to the Income Statement relating to prior periods	**–**	**(300)**	**–**	**(38)**	**(338)**	**492**	**492**
Credit/(charge) to the Income Statement	**2,167**	**17**	**4,152**	**77**	**6,413**	**(169)**	**(169)**
Credit/(charge) to Equity	**–**	**–**	**1,789**	**–**	**1,789**	**–**	**–**
Other	**–**	**–**	**–**	**(461)**	**(461)**	**–**	**–**
At 31 December 2023	**29,921**	**465**	**6,469**	**130**	**36,985**	**(3,303)**	**(3,303)**

Notes to the financial statements continued

19. Deferred tax assets and liabilities continued

Deferred tax recognition

A deferred tax asset has been recognised in respect of all unused tax losses and temporary timing differences arising (2022: £12.1 million unrecognised) as it is considered probable that there will be sufficient future profits available against which the Company can use the benefits. There is currently no expiration date of the Company's tax losses.

	31 Dec 2023		31 Dec 2022	
In £'000	Gross Amount	Tax Effect	Gross Amount	Tax Effect
Deductible temporary differences	–	–	30,054	7,513
Tax losses	–	–	18,413	4,603
Unrecognised deferred tax asset	–	–	48,467	12,116

20. Other payables

	Year ended 31 Dec 2023 £'000	Year ended 31 Dec 2022 £'000
Other payables		
Taxes and social security costs	1,970	1,532
Accruals	11,805	7,729
VAT payable	–	415
Intercompany payables	62,608	92,512
Other payables	5,989	7,119
	82,372	109,307

The carrying amounts approximate fair value.

Intercompany payables constitute £62.3 million (2022: £92.1 million) of cash deposits held by the Company on behalf of the parent and other group entities, in addition to interest payable accrued on those deposits amounting to £0.3 million (2022: £0.4 million).

Other payables include supplier account trade payables of £1.3 million (2022: £3.7 million) due within 30 days, customer funds pending next day clearance of £2.2 million (2022: £1.0 million) and amounts due within one year or on demand of £1.7 million (2022: £1.7 million) relating to previously recovered VAT.

Notes to the financial statements continued

21. Deferred income

	Year ended 31 Dec 2023 £'000	Year ended 31 Dec 2022 £'000
Banking Corporation Remedies (BCR) grant	**6,282**	22,742
Fee income received in advance	**162**	–
Deferred income	**6,444**	22,742

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 the Banking Competition Remedies (BCR). 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 small and medium enterprise (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.

During the year, there was no additional amount (2022: £2.5 million) deducted from deferred income against internally developed software intangible assets. On the balance sheet the Company offset £8.1 million (2022: £8.1 million) of grant income in arriving at the carrying amount of internally developed software intangible assets purchased (see Note 15 for further details).

During the year the Company offset £16.4 million (2022: £20.2 million) of grant income against £16.4 million (2022: £20.2 million) of eligible costs resulting in a net £nil (2022: £nil) impact in other operating expenses presented in the Statement of Comprehensive Income. There were no unfulfilled conditions attached to Government assistance amounting to £6.3 million (2022: £22.8 million) at 31 December 2023, however its release was subject to approval of the reporting period by the BCR.

22. Share capital

Allotted, issued and fully paid	**2023 Number**	2022 Number	**2023 £**	2022 £
Class A Ordinary Shares of £0.00001 each				
At 1 January	–	1,859,533	–	18.6
Issued during 2022	–	189,168	–	5.0
Redesignated as Ordinary Shares	–	(2,048,701)	–	(23.6)
At 31 December	–	–	–	–
Class B2 Ordinary Shares of £0.00001 each				
At 1 January	–	120,000	–	1.2
Redesignated as Ordinary Shares	–	(120,000)	–	(1.2)
At 31 December	–	–	–	–
Class C1 Ordinary Shares of £0.00001 each				
At 1 January	–	80,000	–	0.8
Cancellation of shares	–	(80,000)	–	(0.8)
At 31 December	–	–	–	–
Class C2 Ordinary Shares of £0.00001 each				
At 1 January	–	120,000	–	1.2
Redesignated as Deferred Shares	–	(120,000)	–	(1.2)
At 31 December	–	–	–	–
Class D Ordinary Shares of £0.00001 each				
At 1 January	–	1	–	–
Redesignated as Deferred Shares	–	(1)	–	–
At 31 December	–	–	–	–

Notes to the financial statements continued

22. Share capital continued

Allotted, issued and fully paid	2023 Number	2022 Number	2023 £	2022 £
Ordinary Shares of £0.00001 each				
At 1 January	**2,669,309**	–	**26.7**	–
Redesignated from Class A and Class B2 Ordinary Shares	–	2,168,701	–	21.7
Issued during the period[1]	**11,300,000**	500,608	**113.0**	5.0
At 31 December	**13,969,309**	2,669,309	**139.7**	26.7
Deferred Shares of £0.00001 each				
At 1 January	**120,001**	–	**1.2**	–
Redesignated from Class C2 and Class D Ordinary Shares	–	120,001	–	1.2
At 31 December	**120,001**	120,001	**1.2**	1.2
Total Share Capital at 31 December	**14,089,310**	2,789,310	**140.9**	27.9

1 In March 2023, the Company issued 11,300,000 Ordinary Shares of £0.00001 each for £11.3m to CB Growth Holdings Limited.

In November 2022, the Company issued 500,000 Ordinary Shares of £0.00001 each for £0.5m to CB Growth Holdings Limited, its ultimate parent undertaking. Additionally, in December 2022 following the exercise of their options by three employees, the Company issued 301 Ordinary Shares of £0.00001 at £66.36 per share, 69 Ordinary Shares at £72.00 per share and 238 Ordinary Shares at £34.00 per share, respectively.

Only Ordinary Shares have full voting rights attached.

As part of the corporate restructure which completed in 2023, the Company's share capital was subject to two share-for-share exchange transactions resulting in changes in its ownership. The total number of Company shares implicated by the transactions was 2,169,309 Ordinary Shares and 120,001 Deferred Shares.

In the first share-for-share exchange, CB Growth Holdings Limited, a company incorporated in Jersey, became the owner of the Company. Under the exchange offer, the Company's shareholders were entitled to receive, for each existing ClearBank Limited share, one new CB Growth Holdings Limited Share of the same class.

This was followed by the second share-for-share exchange during which ClearBank Group Holdings Limited, a company incorporated in the United Kingdom and a subsidiary of CB Growth Holdings Limited, issued new shares to CB Growth Holdings Limited in exchange for receiving all of the issued shares of the Company as consideration. As a result, ClearBank Group Holdings Limited became the Company's owner and immediate parent and was simultaneously inserted as the intermediary holding entity between the Company and its now ultimate parent undertaking, CB Growth Holdings Limited.

Share premium account

	2023 £'000	2022 £'000
Share premium account		
At 1 January	**192,145**	191,612
Issue of shares	**11,300**	533
At 31 December	**203,445**	192,145

Notes to the financial statements continued

23. Capital management

The Company's objectives when managing capital are: i) to safeguard the Company'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 Company's management and Board. The Company is required to maintain appropriate levels of capital in accordance with total capital requirements issued by the PRA. During the period, the Company 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 £60.5 million (2022: £33.4 million). This CET1 capital number is comprised of the Company's net equity of £129.5 million (2022: £87.3 million), less certain capital deductions, including the intangible asset balance of £41.8 million (2022: £29.2 million).

CET 1 capital resources

	As at 31 Dec 2023 £'000	Restated[1] As at 31 Dec 2022 £'000
Share capital	–	–
Retained losses[1]	(100,724)	(126,241)
Share premium	203,445	192,145
Share based payment reserve[1]	–	21,408
Capital contribution reserve	26,805	–
Less ineligible assets:		
Intangibles	(41,806)	(29,184)
Deferred tax	(27,249)	(24,753)
Total CET1	60,471	33,375
Net Equity	129,526	87,312

1. The Company has restated the prior year comparatives to recognise the SBP options which had forfeited or lapsed prior to 1 January 2023 and which were not recognised in the 2022 financial statements. See Note 32 for additional information.

24. Financial instruments

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

At 31 December 2023	Fair value mandatorily at FVTPL £'000	Amortised cost £'000	Total £'000
Financial assets			
Loans and advances to bank	–	19,525	19,525
Receivables and other assets	114	4,664	4,778
Cash and cash equivalents	–	6,256,126	6,256,126
Total financial assets	114	6,280,315	6,280,429
Financial liabilities			
Customer deposits	–	6,147,363	6,147,363
Payables	–	76,648	76,648
Lease obligations	–	1,003	1,003
Total financial liabilities	–	6,225,014	6,225,014

Notes to the financial statements continued

24. Financial instruments continued

At 31 December 2022	Fair value mandatorily at FVTPL £'000	Amortised cost £'000	Total £'000
Financial assets			
Loans and advances to bank	–	9,156	9,156
Receivables and other assets	124	3,771	3,895
Cash and cash equivalents	–	3,125,862	3,125,862
Total financial assets	124	3,138,789	3,138,913
Financial liabilities			
Customer deposits	–	2,982,259	2,982,259
Payables	–	105,292	105,292
Lease obligations	–	2,789	2,789
Total financial liabilities	–	3,090,340	3,090,340

25. Financial risk management

Risk is an inherent part of the Company's business activities. The Company 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 Company's policies are aligned with the Company's overall strategy, business plans and risk appetite. No balances are past due or impaired at 31 December 2023 or at 31 December 2022.

The key focus of financial risk management for the Company 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 Company'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 Company is not able to meet its financial obligations as they fall due, or can do so only at excessive cost.

The Company 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 Company can be required to pay. The vast majority of the Company's financial assets of £6,280 million (2022: £3,139 million) constitute cash and cash equivalents repayable on demand.

Notes to the financial statements continued

25. Financial risk management continued

Liquidity risk continued

31 December 2023	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	**6,119,638**	**–**	**–**	**27,725**	**–**	**–**	**6,147,363**
Payables	**62,356**	**6,277**	**7,152**	**863**	**–**	**–**	**76,648**
Lease obligations	**–**	**144**	**460**	**421**	**–**	**–**	**1,025**
Total financial liabilities	**6,181,994**	**6,421**	**7,612**	**29,009**	**–**	**–**	**6,225,036**

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

Notes to the financial statements continued

25. Financial risk management continued

Credit risk

Credit risk is the risk of financial loss to the Company if a client or counterparty fails to meet its contractual obligations to repay the Company 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 Company does not provide retail credit to customers and is therefore not exposed to retail credit risks.

The Company 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 Company manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties 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 Company holds collateral from clients in the form of cash in a Mandated Minimum Balance ('MMB') account. The MMB is an account held separately from clients' operational accounts and it is required to be held throughout the term of the contract. The collateral is held to cover fees, charges and other payment outflows owed to the Company in the event of a client not maintaining sufficient operational account funds to settle these transactions. The Company does not lend, advance funds or offer overdraft facilities to clients and therefore has no direct credit exposure to its customers.

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

	At 31 Dec 2023 £'000	At 31 Dec 2022 £'000
Customer deposits		
Mandated minimum balance account	**27,725**	26,988
Other deposits from customers	**6,119,638**	2,955,271
Total deposits from customers	**6,147,363**	2,982,259

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.

The Company 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 Company's fees receivable are short term and do not contain significant financing components.

Customer default

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

1. 90 days past due.
2. The client's outstanding balance is in excess of their Mandated Minimum Balance (their 'collateral').

The Company 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 Company 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 counterparties.

Notes to the financial statements continued

25. Financial risk management continued

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 Company'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 Company'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 100 basis point (2022: 25 basis point) increase or decrease in the Bank of England base rate would have had a £17.0 million (2022: £5.9 million) annualised impact on 2023 performance. It was deemed appropriate to increase the sensitivity factor in 2023 given the movements seen in the base rate. For the purposes of this analysis, the components of net interest income were flexed on a monthly basis using monthly average rates while balances with significant customers considered individually. This sensitivity analysis is based on the assumption of no management action being taken, such as passing the interest impact onto the Company's customers.

Capital risk

Capital risk is the risk that the Company has insufficient capital to cover regulatory requirements and/or support its growth plans. The Company 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 2023 and 31 December 2022. Further information is provided in the Risk Management section of the Annual Report.

26. Share-based payments

Employee benefit trust

In November 2016, the Company established an employee benefit trust (EBT) to facilitate share-based payments (SBP) to key employees through issuance of either share options or shares. On 30 April 2023, the Company completed the share-for-share exchange with CB Growth Holdings Limited (CBGH) with CBGH becoming the Company's ultimate parent entity. As part of the insertion of CBGH, all options previously granted over the Company's shares and shares held by the EBT were transferred on a like-for-like basis to CBGH shares, with a Group SBP arrangement established. All new options from this date are granted over CBGH shares. In accordance with IFRS 10, the EBT is no longer controlled by the Company and therefore not consolidated into the Company's accounts for the year ended 31 December 2023.

Share-based payments – options

The Company is part of an equity-settled Group SBP scheme for remuneration of its employees. Options under this scheme allow holders to acquire Ordinary Shares in CBGH upon vesting. The options will become exercisable upon a change in control event, which is considered to be the earlier of CBGH being acquired by another entity or an Initial Public Offering.

Under the Group SBP arrangement, the Company is a receiving entity of the share option schemes held by its employees, with CBGH the issuing and settling entity. Prior to the share options transferring to CBGH under the Group SBP scheme, the Company was the issuing, receiving and settling entity of the share options. As the receiving entity, the Company recognises SBP expenses in its Statement of Comprehensive Income with an offset in equity. Up to the creation of the Group SBP arrangement on 30 April 2023, the Company recognised the equity component within the SBP reserve. Post 30 April 2023, the Company recognises the equity component as a capital contribution. The Company transferred its SBP reserve recognised to 30 April 2023 to the capital contribution reserve.

In December 2023, certain Company employees transferred employment contracts to the Company's immediate parent, ClearBank Group Holdings Limited. Under the Group SBP arrangement, ClearBank Group Holdings Limited became the receiving entity and will recognise the SBP expense accordingly from January 2024 onwards. The Company has retained the cumulative SBP expense and associated equity component for services received up to the date of employment transfer.

The following options and awards have been granted to the Company's employees and remain outstanding:

Exercise Price (£)	2023 No.	Restated[1] 2022 No.
0.00001	**107,932**	143,264
3.74	**2,800**	2,800
34.00	**3,803**	3,803
66.36	**13,719**	15,940
66.41	**1,562**	1,658
72.00	**4,372**	5,779
146.13	**4,916**	–
Total	**139,104**	173,244

1. The Company has restated the prior year comparatives to recognise the SBP options which had forfeited or lapsed prior to 1 January 2023 and which were not recognised in the 2022 financial statements. See Note 32 for additional information.

The total cumulative fair value of options granted and outstanding at 31 December 2023 is £26.8 million (restated 2022: £21.4 million).

Notes to the financial statements continued

26. Share-based payments continued

	Weighted average exercise price 2023 £	2023 No.	Restated Weighted average exercise price 2022 £	Restated[1] 2022 No.
Outstanding as at 1 January	**9.95**	**173,244**	9.59	241,462
Granted	**18.38**	**56,044**	7.33	67,629
Exercised	**–**	**–**	(54.33)	(608)
Forfeited	**(10.50)**	**(4,389)**	(2.26)	(135,239)
Transferred to parent entity	**(6.07)**	**(85,795)**	–	–
Outstanding as at 31 December	**15.72**	**139,104**	9.95	173,244

1. The Company has restated the prior year comparatives to recognise the SBP options which had forfeited or lapsed prior to 1 January 2023 and which were not recognised in the 2022 financial statements. See Note 32 for additional information.

The weighted average fair value of options granted during the year was £127.28 (restated 2022: £110.82).

The fair value of the options granted subject to non-market performance conditions are determined using a Black-Scholes model. The fair value of the options granted subject to market performance conditions are determined using a Monte Carlo simulation. The inputs into the models are as follows:

	2023	2022
Expected life (years)	**2.5 – 3.5**	3.0 – 4.0
Expected volatility (%)	**34.5 – 42.1**	42.6 – 45.3
Risk free rate (%)	**3.75 – 4.89**	1.31 – 1.75
Dividend yield (%)	**–**	–
Attrition rate (%)	**–**	–

The underlying expected volatility was determined by reference to historical data of the Company's selected comparators' shares over a period relevant to the expected remaining term of the share option grants.

During the year ended 31 December 2023, £6.7 million (restated 2022: £4.2 million) was charged to the Statement of Comprehensive Income in relation to these options.

27. Related party transactions

During the year, the Company recharged expenses which were incurred on their behalf to its parent and fellow group subsidiary under common control of the parent. Additionally, the Company held bank deposits placed by the parent, the subsidiary and the ultimate parent entity.

More details are provided below.

2023	ClearBank Group Holdings Limited	ClearBank Europe N.V.	CB Growth Holdings Limited
Nature of related party relationship	Parent	Fellow subsidiary	Ultimate parent
Expenses recharged by Company (£'m)	**4.2[1]**	**8.9**	**–**
Balance owed to the Company (£'m)	**1.5**	**0.2**	**–**
Intercompany deposits held by the Company[2] (£'m)	**55.2**	**6.9**	**0.5**

2022	ClearBank Group Holdings Limited	ClearBank Europe N.V.	CB Growth Holdings Limited
Nature of related party relationship	Parent	Fellow subsidiary[3]	Ultimate parent
Expenses recharged by Company (£'m)	8.6	–	–
Balance owed to the Company (£'m)	2.0	–	–
Intercompany deposits held by the Company[2] (£'m)	3.4	–	89.1

1. Shown net of £4.4m expenses recharged by the Company offset by £0.2m incurred for group oversight costs.
2. Intercompany deposits are included in the Company's Cash and Cash Equivalents (Note 12) and shown as intercompany payables in Note 20.
3. ClearBank Europe N.V. was incorporated as a subsidiary of ClearBank Group Holdings Limited in March 2023 and did not exist in 2022.

Transactions with other related parties

During the year, the Company paid consultancy service costs totalling £366k (2022: £Nil) to CB Investment Growth Limited, an entity controlled by the significant shareholders of the Company's ultimate parent, CB Growth Holdings Limited, and which provided key management personnel services to the Company's immediate parent, CB Group Holdings Limited. These costs were incurred on behalf of, and recharged to, CB Group Holdings Limited during the period. On 31 December 2023, the Company was due £111k (2022: £Nil) from CB Investment Growth Limited for overpayment in respect of those costs.

During the year, the Company processed payments of £625k (2022: £Nil) constituting Directors' emoluments to a former Director of its ultimate parent, CB Growth Limited, which were made on behalf of, and recharged to, CB Growth Limited.

Notes to the financial statements continued

27. Related party transactions continued

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 Company, directly or indirectly, including any Director. Key management personnel for the Company have been determined to be the Directors (both Executive and Non-Executive) and members of the Executive Committee.

Key management personnel compensation

	Year ended 31 Dec 2023 £'000	Year ended 31 Dec 2022 £'000
Salaries and wages	3,538	2,916
Social security costs	460	419
Retirement obligations	166	99
Termination benefits	100	186
Share-based payments[1]	7,698	3,985
Total key management costs	**11,962**	**7,605**

1. Share-based payments represents the total value of options granted.

Aggregate Directors' remuneration[1]

	Year ended 31 Dec 2023 £'000	Year ended 31 Dec 2022 £'000
Salaries and wages	1,230	1,243
Social security costs	162	185
Retirement obligations	8	6
Termination benefits	100	183
Share-based payments[2]	1,974	650
Total Directors' remuneration	**3,474**	**2,267**

1. Constitutes the aggregate Directors' remuneration, inclusive of both Executive and Non-Executive Directors.
2. Share-based payments represents the total value of options granted.

In 2023, one Director (2022: one) was a member of the Company's defined contribution scheme. Two Directors (2022: one) received share options under the Company's long term incentive schemes.

Remuneration of the highest paid Director

	Year ended 31 Dec 2023 £'000	Year ended 31 Dec 2022 £'000
Salaries and wages	309	418
Social security costs	41	58
Retirement obligations	8	–
Share-based payments[1]	1,086	650
Total highest paid Director	**1,444**	**1,126**

1. Share-based payments represents the total value of options granted.

28. Post-employment obligations

The Company operates a defined contribution scheme. Participants receive a monthly pension supplementary to their salaries. The Company pays contributions to a separately administered pension scheme. The Company has no further payment obligations once the contributions have been paid. The contributions are presented in staff costs in the Statement of Comprehensive Income. The pension cost charge for the year was £2.2 million (2022: £2.4 million).

29. Contingent liabilities and commitments

There are no contingent liabilities as at 31 December 2023 (2022: £nil).

30. Events after the reporting year end

The Company issued 3 million Ordinary Shares for £1.00 each on 26 January 2024 and 9 million Ordinary Shares for £1.00 each on 28 February 2024 to ClearBank Group Holdings Limited. In January 2024, the residual BCR grant of £6.3m (see Note 21) was fully released against eligible costs and as a result there was no balance remaining within deferred income in connection to the grant.

31. Ultimate controlling party

The immediate parent undertaking of the Company is ClearBank Group Holdings Limited and the ultimate controlling party is CB Growth Holdings Limited. ClearBank Group Holdings Limited is the largest group of which the Company is a member preparing consolidated financial statements. A copy of these consolidated financial statements for the year ended 31 December 2023 can be found at Companies House, England and Wales.

Notes to the financial statements continued

32. Prior year restatement

During the year, the Company implemented a system-based solution for managing share-based payment options. The Company performed a reconciliation between data in the new system with the IFRS 2 accounting models which identified some options that had forfeited or lapsed, but had not been recognised in the correct accounting period. In addition, a small population of options had incorrect exercise prices which led to incorrect grant-date fair values being used. The Company has restated the prior year comparatives to recognise the accounting impacts of these corrections in the 2022 financial statements. The impact of £3.5 million on the prior year financial statements is as follows:

Statement of comprehensive Income

	Reported Year ended 31 Dec 2022 £'000	Adjustment £'000	Restated Year ended 31 Dec 2022 £'000
Staff costs	(40,060)	3,504	(36,556)
Operating expenses	(77,200)	3,504	(73,696)
Operating loss	(10,329)	3,504	(6,825)
Loss for the year before taxation	(10,565)	3,504	(7,061)
Profit for the year after taxation	7,256	3,504	10,760
Total comprehensive income for the year	7,256	3,504	10,760

Statement of financial position

	Reported As at 31 Dec 2022 £'000	Adjustment £'000	Restated As at 31 Dec 2022 £'000
Total assets	3,204,409		3,204,409
Total liabilities	3,117,097		3,117,097
Share-based payment reserve	24,933	(3,525)	21,408
Retained losses	(129,766)	3,525	(126,241)
Total equity	87,312	–	87,312
Total equity and liabilities	3,204,409	–	3,204,409

Statement of changes in equity

	Share-based payment reserve £'000	Retained earnings £'000
Profit for the year - reported	–	7,256
Adjustment	–	3,504
Profit for the year - restated	–	10,760
Share-based payments - reported	7,743	–
Adjustment	(3,525)	21
Share-based payments - restated	4,218	21
At 31 December 2022 - reported	24,933	(129,766)
Adjustment	(3,525)	3,525
At 31 December 2022 - restated	21,408	126,241

Statement of cash flows

	Report As at 31 Dec 2022 £'000	Adjustment £'000	Restated As at 31 Dec 2022 £'000
Cash flow from operating activities			
Profit for the year	7,256	3,504	10,760
Adjustments for non-cash movements			
Share based payments	7,743	(3,504)	4,239

Glossary

ALCO	Asset and Liability Committee
API	Application Programme 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
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
LCR	Liquidity Coverage Ratio
MILB	Mandated Intra-Day Liquidity Balance
MMB	Minimum Mandated Balance
NomCo	Nomination Committee
NSFR	Net Stable Funding Ratio
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
SEPA	Single Euro Payments Area
SMEs	Small and Medium-sized Enterprises
SPPI	Solely Payments of Principal and Interest
TARGET	Trans-European Automated Real-time Gross Settlement Express Transfer
VAT	Value Added Tax

Key information

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