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Tandem Bank Limited

Annual Report and Financial Statements
for the year ended 31 December 2022

Registered Number 00955491

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Tandem Bank Limited

Company Information

General Information: Tandem Bank Limited is incorporated in England and Wales. Registered Number: 00955491.		
Directors	Paul Pester	Independent Non-Executive Director and Chairperson
	David Fisher	Senior Independent Director
	Matthew Donaldson	Independent Non-Executive Director
	Talita Ferreira	Independent Non-Executive Director
	David Torpey	Independent Non-Executive Director
	Matthew Potter	Shareholder Non-Executive Director
	James Scott	Shareholder Non-Executive Director
	Alexander Mollart	Chief Executive Officer
	David McCarthy	Chief Financial Officer
Company Secretary	Ellen Hastings-Jones	
Registered Office	Hogarth House 136 High Holborn London WC1V 6PX	
Independent Auditors	PricewaterhouseCoopers LLP 7 More London Riverside London SE1 2RT	
Bankers	Barclays Bank plc NatWest Bank plc	

Tandem Bank Limited

Strategic Report for the year ended 31 December 2022

The Directors present their Strategic Report and audited Financial Statements of Tandem Bank Limited ('the Bank', 'TBL' or 'Tandem') for the year ended 31 December 2022. TBL is owned by Tandem Money Limited ('TML' or 'the Group'). The registered office for TBL is Hogarth House, 136 High Holborn, London, WC1V 6PX.

The Strategic Report may include forward-looking statements, which are based on assumptions, expectations, valuations, targets, estimates, forecasts and projections about future events. These forward-looking statements are subject to risks, uncertainties and assumptions about the Bank and the environment in which it operates.

These statements are made by the Directors in good faith based on the information available up to the time of their approval of this report and such statements should be considered with caution due to the inherent uncertainties underlying any forward-looking information.

Principal Activities and Business Model

Banking for a greener future.

To hit the Government's 2050 Net Zero goals, 29 million UK homes need to be retrofitted and 23 million UK electric vehicles will be required on our roads. This equates to £20 billion of borrowing for UK consumers.

As a greener, digital bank Tandem is well positioned to help UK households transition to a lower carbon lifestyle by offering easier ways to save, borrow, and spend a little bit greener via Tandem Marketplace. Tandem is now the fourth fastest growing digital banking application across Europe, supporting our mission 'to make it easier for people to choose a greener lifestyle'.

Following the successful acquisitions of Oplo and Allium respectively, Tandem has established an integrated consumer lending platform which enables customers to make greener financial choices for their home and everyday living.

Throughout 2022 Tandem has made significant progress on its mission. The transition to low carbon economy is underway and coupled with the cost of living crisis, consumers are transitioning to more affordable and sustainable solutions for their homes, their transport and their lifestyles.

Whilst the macro-environment changed significantly in the second half of the year, the Bank has grown its originations by 70% to £712m and its loan book by 147% to £1.1bn. This growth has seen the Bank's net interest income significantly improve, with a substantial reduction in statutory loss (refer to the Financial & Business Review).

Tandem has expanded its retail deposit franchise, building on its established Instant Access Savings Account (IASA) and adding various Fixed Term Deposit (FTD) products, both of which are accessed via our award winning app. The Bank increased its retail deposits to £1.8bn (being an uplift of 128%) across over 60,000 customers, and also entered into a partnership with Raisin to broaden its acquisition channels. Tandem will continue to enhance its deposit proposition by improving functionality, product features and overall customer experience.

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Strategic Report for the year ended 31 December 2022

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Financial and Business Review

2022 was a year of considerable progress and growth for the Bank. This was enabled by the acquisition and integration of Oplo which has increased the size of the balance sheet considerably and led to a significant step up in Net Interest Income. As a result, the Bank achieved a statutory loss before tax of £6.9m, a significant improvement on the £18.0m loss incurred in the prior period. Statutory loss after tax was £1.7m, due to a £5.3m tax credit on historic trading losses expected to be utilised in the near future (2021: £17.9m loss).

The Bank originated £712m of loans during the year across our different asset classes resulting in a 147% increase in loan book balance to £1,078.4m (2021: £436.8m). Consequently, net interest income significantly increased year on year from £15.1m to £55.4m. Both interest receivable and interest payable increased substantially as the general level of interest rates rose across the year.

The growth in loan assets was predominantly funded by a 128% increase in customer deposits to £1,754.9m (2021: £771.2m).

Total assets stood at £1,926.2m (2021: £853.7m), with the increase driven by growth in cash and balances at central banks due to the uplift in the deposit base.

Provision for bad and doubtful debts charges were £13.4m during the year (2021: £1.7m). This includes post model adjustments of £0.7m held against the potential impact of cost of living pressures. Most of this increase was about loan asset mix since the Oplo acquisition added the second charge mortgage, unsecured personal loans and motor finance categories of lending to the balance sheet. Whilst typically higher yielding, these assets also tend to require higher provisions.

The Bank experienced a 71% increase in administrative expenses to £52.2m (2021: £30.5m). Most of the increase was attributable to the Oplo acquisition but there were also material cost increases experienced with the general level of inflation.

The Bank secured £76m of new equity capital during the year and an additional £25m in January 2023 through three separate transactions with existing investors (see Note 34 of the Financial Statements for further information). The capital raised funded the Oplo acquisition and subsequently grow loan book assets through 2022. As a result, the Bank had an increase in its CET1 ratio to 15.1% (2021: 14.0%).

The Liquidity Coverage Ratio is the prime measure of the Bank's liquidity strength. The Bank ended the year with a ratio of 465% (2021: 570%) which is considerably ahead of the regulatory minimum of 100%. This followed a period of strong performance in gathering deposits that exceeded the Bank's immediate needs.

The Loans to Deposits Ratio stood at 61.5% (2021: 56.6%). As a predominantly retail funded bank, the aim is to cover loan assets fully with deposits. This target was exceeded by a considerable margin at the end of the year.

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External Environment

The price and supply shocks witnessed with high carbon fuels through 2022, acted to spur more mainstream consumers to investigate and transition to low carbon alternatives – such as high efficiency boilers, solar panels and heat pumps – saving money in the process, whilst enabling them to do their bit for the environment. The macro trends continued to drive the growth of these markets in which Tandem is such a key player.

Rising base rates through 2022 also threw into stark relief the benefits to consumers of choosing the best home for their savings, with many of the big banks failing to pass-on interest rate increases to their savings customers. Tandem's focus on providing easy to access, straightforward, well priced savings products continued to receive praise from commentators during the year and continued to attract depositors with retail deposits standing at £1.8bn as of year end.

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Strategic Report for the year ended 31 December 2022

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Key Performance Indicators ('KPIs')

The overall progress of the Bank against its targets is tracked at Board meetings. In addition to specific risks, individual strategic elements are monitored and examined monthly by the Executive Committee ('ExCo') and various Executive Sub-committees both by reference to KPIs and examining the Bank's risk exposures. Performance during the year, compared with prior year, is summarised below:

KPI	2022	2021	Definition, method of calculation and analysis
Total income	£57,227k	£14,802k	Interest income from customers, investment assets and fees, less interest payable to account holders and other commission expenses. 286% increase as a result of increase of loan assets due to the acquisition of Oplo and loan originations.
Loss before tax	£6,933k	£18,030k	62% decrease in loss before tax as a result of increase in post merger interest income and economies of scale in interest expense and administrative expenses.
Net interest margin ('NIM')	7.31%	3.53%	NIM represents net interest income / average lending assets. 378bps increase in NIM year-on-year due to the addition of Oplo assets offering a higher yield than most of the legacy Tandem portfolio.
Cost of risk ('CoR')	1.24%	0.41%	Average of the loan loss provision as a percentage of the total lending portfolio. 83bps increase in CoR due to acquisition of unsecured and second charge portfolios.
Loan to value ('LTV') (Mortgages)	54.9%	50.0%	Represents the total mortgage portfolio as a percentage of the total appraised value of the underlying properties. 490bps increase due to acquisition and origination of second charge proposition.
CET1 ratio	15.1%	14.0%	Measurement of core equity capital compared with total risk-weighted assets. 110 bps increase was bolstered by equity capital injections during the year.
Loans to deposits ratio	61.5%	56.6%	Measurement of loans issued to customer deposits. 490bps increase due to management of excess liquidity. 2021 figures reflected the liquidity requirements for the Oplo acquisition.

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Strategic Report for the year ended 31 December 2022

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Risk Management

Approach to Risk Management

The Tandem Board, as the governing body of TML and its underlying entities, is responsible for ensuring that effective systems and controls are in place to manage risks and for exercising oversight to ensure that these are effective over time. The Board delegates authority for day-to-day risk management to Senior Management, and by extension the first line business, and exercises oversight of these arrangements through appropriate systems of governance, MI and reporting. This is achieved through the Risk Management Framework ('RMF') and is described in more detail below.

The Board considers that as at 31st December 2022 it had in place adequate systems and controls with regard to Tandem's risk profile and strategy. Whilst risk cannot be eliminated, the Board is satisfied that the systems of internal control embedded within the RMF have worked effectively during the last financial year to identify, monitor, manage and control all relevant risks.

Risk Strategy and Culture

Tandem's risk strategy is to continue to create and maintain a robust risk culture and embed effective risk management practices in order to ensure that the Bank delivers a responsible and sustainable business.

The Board are committed to promoting a risk aware culture, where appropriate decision making and behaviours are modelled by the Board of Directors, ExCo and Senior Management and thereby sets the standard across the organisation.

Tandem's risk culture aims to ensure that all business functions and employees consider their role in risk management and work appropriately with the risk function during the development of new products, procedures, policies and systems.

This approach is further supported by Tandem's Conduct Risk Framework, which sets out the key components that support the establishment and maintenance of a positive risk culture:

- Top-down risk aware culture;
- Competence and capability;
- Fitness and propriety;
- Performance management (which focuses on behaviours as well as delivery);
- Happiness and wellbeing;
- Psychological safety;
- Incentives;
- Conflicts of Interest;
- Whistleblowing;
- Individual empowerment and accountability; and
- Openness to challenge

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Strategic Report for the year ended 31 December 2022

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Risk Strategy and Culture (continued)

Through the above mechanisms, Tandem seeks to embed a culture that supports and enables the management of risks to the business, the realisation of positive customer outcomes, and ongoing compliance with all regulatory and legal requirements.

The Board and Senior Management encourage a culture of transparency and openness to ensure that issues are escalated promptly, where required. This includes ensuring broad awareness of the whistleblowing process with training and awareness activities for all staff members.

The Chair of the Audit Committee is the appointed Whistleblower Champion, with the Chief Audit Officer assigned as the point of contact on whistleblowing matters.

Development of Risk Management at Tandem

During the year, a key priority has been to grow and shape Tandem's risk resource and capability in line with strategic developments and operational growth. This has meant that Risk Function capability and capacity has been significantly enhanced, with a focus on delivering a strong risk and compliance function to support the enlarged Group and Bank following the acquisition of Oplo.

Tandem will continue to review, refine and evolve its approach to risk management in recognition of changes in the scope and scale of the business, and in line with the changing regulatory landscape.

Risk Management Framework

The Bank's RMF outlines Tandem's approach to risk management and how the key risk exposures of the Bank are identified, assessed and managed ensuring that risk exposure does not exceed Risk Appetite.



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Risk Management Framework (continued)

The Bank's RMF is a Board defined document, designed to ensure a holistic and consistent approach to the management and aggregation of all risks and is fully integrated into the management of the business and decision-making, ensuring risk-related decisions are consistent with the Bank's strategy and approved risk appetite framework (and in compliance with the standards set by regulators). The purpose of the RMF is to establish a structured approach to identify, manage, monitor and report risks, which:

- Facilitates internal dialogue on risk;
- Clarifies roles and responsibilities; and
- Enables the assessment of risk at an enterprise level

This enables the Board to discharge its responsibilities for risk management and oversight by:

- Defining the Principal Risks that arise from the business strategy;
- Outlining the mechanism to set and monitor Risk Appetite for each of the Principal Risks; and;
- Setting out mechanisms for delegation and reporting to allow the Board to oversee adherence to Risk Appetite

The framework is periodically reviewed, updated and approved by the Board to reflect any changes to the business and external regulations, law, corporate governance and industry best practice. This helps the Bank to ensure it continues to meet its responsibilities to its customers, shareholders and regulators.

Risk Appetite

The Board-approved risk appetite defines the type and level of risks that the Bank is prepared to accept in pursuit of its strategic objectives, both under normal and stressed business conditions.

Risk appetite is expressed within the Consolidated Statement of Risk Appetite, which comprises both qualitative and quantitative statements for managing each of the principal risk types with a limit structure in place to ensure delivery against appetite.

Furthermore, risk appetite considers the material risks to the Bank, with consideration given to the potential impact on elements such as the Balance Sheet, sustainability, customers, employees, reputation, regulators and stakeholders.

Three lines of Defence

The Risk and Compliance Function is responsible for providing oversight and reporting to the Board regarding the level of risk to which Tandem is exposed and the extent to which the risks in the corporate plan are consistent with Board-approved risk appetite. It is independent from the operational teams and is actively involved in all material risk management decisions in order to be able to deliver a complete view of the whole range of risks of the Bank. Tandem's approach to risk management follows the best practise 'Three Lines of Defence' model, to ensure adequate oversight and assurance over risk management:

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Three lines of Defence (continued)

- **First line of defence** represents the core business units and operational functions responsible for understanding and managing the risks in their respective areas. It contains the staff responsible for identifying and managing risk, as part of their accountability for achieving their objectives.
- **Second line of defence** comprises the Risk and Compliance Function who provide independent oversight and challenge of the first line of defence. The function provides the frameworks, tools and techniques to enable risk and compliance to be managed in the first line, conducts monitoring to judge how effectively they are operating, and helps to ensure consistency of definitions and measurement of risk across the Bank.
- **Third line of defence** is provided by the internal audit function (which is currently outsourced). This sits outside of the risk management processes of the first and second line, with its main role being to ensure that the first two lines are operating effectively. Tasked by (and reporting to) the Audit Committee, it provides an evaluation on the effectiveness of governance, risk management and internal controls to the Board and senior management. Further, it also gives assurance to regulators and external auditors as appropriate.

Risk Governance and Oversight

Tandem's Board comprises nine individuals and is majority independent. Following an external search process, Paul Pester was appointed to the role of Independent Non-Executive Chair in June 2022.

Tandem continues to enhance its corporate governance and risk management capability and there is an ongoing focus on enhancing and embedding a 'risk aware' culture across the Bank. Following the Oplo acquisition, Tandem's governance structure has been reorganised to support the larger Group and Bank and its key areas of risk, to ensure appropriate oversight of strategy, performance and culture. Split between the Board of Directors and the Executive Team, it supports the Management in their oversight of performance and delegations from the Board for the day-to-day activities of the business. In addition to the formal committee structures, Tandem has clear arrangements in place for the apportionment of accountability in line with the Senior Managers and Certification Regime ('SMCR'), and providing appropriate delegated authority for day-to-day decision-making along with adequate oversight.

The ongoing enhancement and embedding of the RMF is a key priority, including enhancing the quality of data and management information which will continue to be facilitated by the technology team.

The Board has established a Risk Committee comprising Independent Non-Executive Directors ('INEDs') who keep the design and performance of the Bank's RMF under regular scrutiny. The role of the Risk Committee is to support the Board in the oversight of Risk Management systems and controls and the monitoring of Tandem's Risk Profile relative to the Board-approved Risk Appetite.

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Strategic Report for the year ended 31 December 2022

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Principal Risks & Uncertainties

The Bank, in the execution of its strategy, is exposed to risks, some of which have been described in Note 29 of these Financial Statements.

The Directors are satisfied that there are reasonable systems and controls are in place to manage risks and for exercising oversight. The Bank has implemented and enhanced its RMF which includes a clear articulation of Risk Appetite and underlying triggers and limit framework. This is implemented through the principle of the Three Lines of Defence Model.

Principal Risks represent the overarching risks that the Bank faces which could materially impact the achievement of its strategic objectives. These risks, and their definitions, are provided below:

Credit Risk
<p><u>Definition</u></p> <p>Risk of financial losses to the Bank resulting from borrower or counterparty failure to repay a debt or meet their contractual obligations (including second order losses relating to partner retailer conduct failures).</p>
<p><u>Where Tandem is Exposed</u></p> <p>The Bank faces this risk from lending to individual and commercial customers in either its secured or unsecured lending practices and through transacting with wholesale counterparties for the purposes of treasury management.</p>
<p><u>Key Mitigation Actions</u></p> <ul style="list-style-type: none"> • Credit policy, incorporating prudent lending criteria, aligned with Board approved risk appetite. • Effective credit risk sanctioning processes with independent monitoring and risk management. • Monthly monitoring and review to identify movements in key credit risk metrics for the early identification of any adverse trends to facilitate remediation activities where appropriate (including ongoing implications related to high-inflation environment and macroeconomic uncertainty). • Stress testing of credit portfolios. • Effective arrears and collection teams, aiding comprehensive underwriting and credit sanctioning procedures. • Limitation of concentration risk by size of total loan exposure to a borrower, specific sector, product type and / or geographic location. • Obtaining suitable and sufficient security for loans where relevant.

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Strategic Report for the year ended 31 December 2022

(continued)

Principal Risks & Uncertainties (continued)

Capital Risk
<u>Definition</u> Risk that Tandem's capital resources are inadequate in relation to its assets, current liabilities and regulatory expectations, bearing no or limited capacity to absorb unexpected losses.
<u>Where Tandem is Exposed</u> Tandem holds capital against any risk it is or might be exposed to in pursuit of its corporate objectives.
<u>Key Mitigation Actions</u> <ul style="list-style-type: none"> • Comprehensive assessment of capital requirements through the ICAAP. • Close monitoring of capital resources and leverage ratios to ensure the Bank maintains adequate levels of capital on both a current and forecast basis to support delivery of the Regulatory Business Plan (RBP), while ensuring compliance with regulatory minimums at all times. • Comprehensive stress testing analysis to evidence sufficient levels of capital adequacy and availability of management actions under various adverse scenarios. • Stress testing of credit portfolios.

Liquidity & Funding Risk
<u>Definition</u> Risk that the Bank is unable to meet its obligations as they are expected to fall due or can do so only at exceptional cost.
<u>Where Tandem is Exposed</u> Tandem faces this risk in the management of its liquidity and funding practices.
<u>Key Mitigation Actions</u> <ul style="list-style-type: none"> • Ensuring the Bank has access to sufficient liquidity (of both amount and quality) to cover its operations over an adequate period, whilst ensuring it meets regulatory requirements for liquid assets. • Dedicated Treasury team implementing robust liquidity management and monitoring, planning and reporting capabilities. • Undertaking daily monitoring against several market and Bank-specific EWIs and regular stress tests. • Maintaining a Liquidity Contingency Plan detailing management actions and strategies available in stressed conditions.

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Strategic Report for the year ended 31 December 2022

(continued)

Principal Risks & Uncertainties (continued)

Market Risk
<u>Definition</u> Risk of losses arising from adverse movements in market prices.
<u>Where Tandem is Exposed</u> Market risk arises in the form of interest rate risk management of operational, financing and investment activities.
<u>Key Mitigation Actions</u> <ul style="list-style-type: none"> • Interest Rate Risk Management Policy, which sets the standards for management of Interest Rate Risk by Treasury. • Ongoing monitoring of interest rate movements and their impact on the Balance Sheet stress testing interest rate risk exposures. • Hedging of interest rate risk exposures to ensure these remain within Risk Appetite.

Operational Risk
<u>Definition</u> Risk of losses or impact on customers, reputation or resilience, resulting from inadequate or failed procedures, systems and controls, including those resulting from disruption or damage to technology, poor implementation of software or cyber / data breaches.
<u>Where Tandem is Exposed</u> Tandem faces this risk in the day-to-day management of: legal and regulatory activities; people; information security; cyber; IT; business continuity; data; financial crime; and financial reporting risks.
<u>Key Mitigation Actions</u> <ul style="list-style-type: none"> • Implementation and embedding of Operational RMF, utilising the principal of identify, assess, monitor and report. • Maintaining a Risk Register, Control Library and associated processes (including Risk and Control Self Assessments). • Identifying control failures through Incident Management and thorough investigation and rectification of control failures through root cause analysis. • IT controls, ensuring resilience and appropriate management of the operational IT environment. • Information security policies supported by a governance structure and risk framework that underpins the identification, control and mitigation of cyber risks. • Establishing resilient contingency mechanisms such as back-up, redundancy and disaster recovery.

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Strategic Report for the year ended 31 December 2022

(continued)

Principal Risks & Uncertainties (continued)

Compliance & Conduct Risk
<p><u>Definition</u></p> <p>Risk of detriment to customers, markets or Tandem due to inappropriate, negligent or willful misconduct, financial crime and / or failure to comply with applicable laws, regulations, principles and standards, (including second order losses relating to partner retailer conduct failures).</p>
<p><u>Where Tandem is Exposed</u></p> <p>As a PRA and FCA regulated entity Tandem is exposed to regulatory compliance and conduct risk. The way in which Tandem offers its products and services and conducts its business in general can give rise to Conduct Risk.</p>
<p><u>Key Mitigation Actions</u></p> <ul style="list-style-type: none"> • The Board has maintained its focus on these horizon risks both in terms of the changing landscape and changes to Tandem's business within the regulatory / legal context. • Continued investment in people, processes, training and IT to assess the impact and help meet our legal and regulatory commitments. • Appropriate policies / processes in place to maintain regulatory compliance. Engage proactively with regulatory authorities and relevant industry bodies. • Implementation and embedding of the Risk Framework, with a focus on Customer Outcomes. • Robust policies, systems and controls relating to areas of heightened risk to customers, including: introduction of new products; financial promotions; affordability; vulnerability; and remuneration. • Monitoring and reporting on culture, conduct and Customer Outcomes, Regular mandatory employee training and awareness programmes. • Learning from past mistakes through root cause analysis.

Strategy & Business Model Risk
<p><u>Definition</u></p> <p>Risk that the business strategy is unachievable, due to errors in underlying assumptions, changes in the external environment and / or inadequate financial resources.</p>
<p><u>Where Tandem is Exposed</u></p> <p>Tandem faces business risk from revenue volatility due to factors including: macro-economic conditions; inflexible cost base; competitors with lower cost bases and /or innovative customer propositions; and failure to respond effectively to changes in customer behaviour.</p>
<p><u>Key Mitigation Actions</u></p> <ul style="list-style-type: none"> • Board approved Strategy and business Plan, embedded through appropriate operational plans and management communication and monitored via KPIs, reporting and management information ('MI'). • Ongoing monitoring from Senior Management and Board to ensure performance is in line with Board-approved business plan, with corrective action taken if necessary. • Stress testing and sensitivity analysis on business plans. • Analysis of competitive environment as a key input to business planning assumptions • Monitoring of competitive environment to identify threats to delivery of the business plan. • Assessment of the risks that Tandem is exposed via its partners and introduced business, including the development of an Introducer Conduct and Risk Policy, minimum standards for the onboarding, management and exit of brokers and retailers from Tandem's panel of introducers.

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Strategic Report for the year ended 31 December 2022

(continued)

Principal Risks & Uncertainties (continued)

Climate Risk & Environmental, Social and Governance ('ESG')
<p>Definition</p> <p>Risk that changes in climate conditions, or adjustments to support the transition to low-carbon economy, will impact Tandem's ability to achieve its business plan or strategy and / or affect the value of Tandem's assets or liabilities. Tandem is exposed to Climate Risk through:</p> <ul style="list-style-type: none"> • Physical - risk of financial losses resulting from the increasing severity and / or frequency of extreme climate change-related weather events. These may be acute (e.g. floods; storms; or droughts) or longer-term gradual shifts of the climate (e.g. increasing temperatures; sea level rises; land use change; or loss of biodiversity). • Transition - risk of financial losses related to the process of adjustment towards a low-carbon and a more environmentally sustainable economy, including changes in law, policy or regulation, as well as customer preferences or costs of doing business. • Greenwashing - process of conveying a product as environmentally friendly, without meaningfully reducing its environmental impact. Whilst Tandem has no appetite for greenwashing, there is a risk that products may be associated as such which has a negative impact on the brand and Tandem's reputation in the marketplace. ESG risks include climate risk, as well as risks relating to Tandem's social impact.
<p>Where Tandem is Exposed</p> <p>ESG risk arises in the form of physical, transition or greenwashing risks for the Group.</p>
<p>Key Mitigation Actions</p> <ul style="list-style-type: none"> • As an emerging risk the Board has taken steps to incorporate Climate Risk into Tandem's existing Enterprise Risk Management Framework. • Oversight of ESG and Climate Risk by the board with ESG recommendations and monitoring managed via the ESG Committee and Climate Risk reported in the ESG Committee but managed via Enterprise- Wide Risk. • Development of an ESG policy and embedding of ESG / Climate objectives within Management Balanced Scorecards. • Development of ESG Strategic Framework through a sustainability third party. • Assessment of Tandem's carbon footprint and climate impact through voluntary TCFD reporting with a third-party including climate scenario modelling, climate risk management framework development, carbon balance sheet and net-zero strategy development. • Development of green assessment criteria for products and green measurement of lending through third party to mitigate greenwashing.

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Strategic Report for the year ended 31 December 2022

(continued)

Key & Emerging Risks

Further to principal risks, Management and the Board additionally focused on a number of key themes through 2022, with a view to ensuring a strong and robust but also proportionate framework for the business as it grows, and responsive to the external environment.

Operational Resilience

Rationale

The Board has focused significant time on ensuring a robust and proportionate capability is in place to safeguard the resilience of the firm as it grows, taking note of the incoming regulatory requirements on operational resilience to ensure compliance in line with implementation time frames.

Key Mitigation Actions

- Operational Resilience Framework implemented in March 2022 subjected to annual review.
- Important business services have been identified and reported against in compliance with regulatory requirements.
- A response and recovery structure has been implemented, including an updated Business Continuity Plan.
- Operationalised a Third Party Management lifecycle that includes due diligence and risk management of supplier arrangements.
- Identified material outsourcing arrangements and introduced enhanced service ownership for oversight and assurance purposes.

Cyber Risk

Rationale

The threat of cybercrime continues to stay heightened in the financial services sector.

Tandem will continue to remain vigilant and focused in its approach to the management of cyber risk; a risk inherent within the overarching principal risk type operational risk, to ensure that internal capabilities to mitigate and prevent the risk remain appropriate and fit for purpose.

Key Mitigation Actions

- Group-wide cyber security framework and programme in place, with maturity levels across domains clearly assessed and understood.
- Group-wide cyber security risks and controls identified and managed.
- Continuing to embed security best practices at customer and business technology elements.
- Mature vulnerability management, security monitoring and incident detection capabilities.
- Adherence to Group wide supplier management and security assessment guidelines.
- Thorough security testing services utilised with remediation actions prioritised.

Regulatory & Legal Risk

Rationale

The impact of changing legislation, regulation, policies, voluntary codes of practice and their interpretation in the markets in which Tandem operates has the potential for significant impact on the Bank's operations, business prospects, structure, costs, capital requirements and ability to enforce contractual obligations.

Tandem Bank Limited

Strategic Report for the year ended 31 December 2022

(continued)

Key & Emerging Risks (continued)

<p>Key Mitigation Actions</p> <ul style="list-style-type: none"> • The Board has maintained its focus on these horizon risks both in terms of the changing landscape and changes to Tandem's business within the regulatory / legal context. • Continued investment in people, processes, training and IT to assess the impact and help meet our legal and regulatory commitments. • Appropriate policies / processes in place to maintain regulatory compliance. • Engage pro-actively with regulatory authorities and relevant industry bodies.
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<p>Reputational Risk</p> <p>Rationale The reputation of the Bank as a 'purpose-led' business, in particular as it relates to the 'Greener and Fairer' strategy, relies upon a clear alignment to these objectives throughout the business. The Board takes these commitments seriously and is similarly conscious of the risk of an event that adversely impacts the Bank's reputation, leading to lost revenue or destruction of value.</p> <p>Key Mitigation Actions</p> <ul style="list-style-type: none"> • Robust values framework and conduct framework with a clear internal brand. • Alignment of strategic objectives and priorities with key brand messages. • Internal communications plan to ensure strategic alignment. • Monitoring media reporting.

<p>Integration Risk</p> <p>Rationale The integration of Oplo and Allium into the Bank could lead to heightened operational and regulatory Risks for the period until Integration is successfully completed.</p> <p>Key Mitigation Actions</p> <ul style="list-style-type: none"> • Structured Integration Programme ensuring all integration requirements are identified, prioritised and delivered, ensuring risks are minimised and Board oversight and regulatory compliance are maintained across the Bank. • Regular reporting to the Board on progress and risks relating to the Integration Programme. • Enhanced operational MI to allow early identification of any degradation of operational processes.
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Consumer Duty

The Consumer Duty represents the FCA's continued evolution of its expectation on the firms it regulates to ensure the fair treatment of consumers.

The Duty does not change the rules or guidance contained within the FCA handbook, but does significantly shift the expectations it places on firms and specifically their Board's and Senior Management in ensuring customers receive fair outcomes by introducing a new principle of business and also based upon the four outcomes of:

- Product & Service;
- Price & Value;
- Customer Understanding; and
- Customer Support

In addition to these, the FCA expects firms amongst other things to identify areas of possible customer harm and take proactive action.

The final rules were published in July 2022, and compliance with the requirements of the Duty come into effect for existing and new products in July 2023, and for legacy / closed products in July 2024.

A strategic programme was established early in 2022 with progress towards implementation for the July 2023 initial deadline well advanced and on track. Key areas of focus include:

- Product governance;
- Outcomes testing;
- Customer communications;
- Redevelopment of customer MI in line with consumer outcomes;
- Evolution of committee reporting and visibility around customer outcomes; and
- Enhancements and development of the approach to vulnerable customers.

Climate Risk Disclosure and Impact

Although the Group has previously undertaken initiatives to measure carbon impact, this year we consolidated and elevated our efforts to capture and understand our emissions across all scopes, setting a baseline for actionable targets. We have carried out a complete assessment and set up processes for data collection so that we can easily track our footprint as we work towards zero carbon. We realise the importance of reducing our impact in line with climate science - that's why one of our priorities in 2023 is submitting our targets to the Science-Based Target Initiative ('SBTI'). We reflect on these and other highlights in our inaugural Impact Report to be launched in 2023. To ensure our Impact Report is comprehensive, structured, transparent and accessible to a variety of stakeholders, we followed best practice guidance as provided by Global Reporting Initiative ('GRI') and Sustainability Accounting Standards Board ('SASB'). In the coming year, we will be developing our TCFD reporting, by integrating climate risk more deeply into our existing risk management processes and conducting more detailed financial modelling.

Please refer to the TML Annual Report and Financial Statements for further information about Tandem's Impact Report and TCFD reporting.

Tandem Bank Limited

Strategic Report for the year ended 31 December 2022

(continued)

Capital Management

Tandem's approach to capital management is driven by strategic and organisational requirements, while also taking into account the regulatory environment in which it operates.

The Bank's principal objectives when managing capital are to:

- address the expectation of the regulators as well as shareholders and optimise business activities to ensure return on capital targets are achieved through efficient capital management;
- ensure that the Bank holds sufficient capital to cater for unexpected losses that may arise, to protect depositors and thereby support the sustainability of the Bank through business cycles; and
- comply with capital supervisory requirements and related regulations.

The PRA supervises the Bank and receives information on the capital adequacy and sets the Bank's capital requirements.

The aim of the capital adequacy regime is to promote safety and soundness in the financial system. The Bank completes an annual self-assessment of risks known as the Internal Capital Adequacy Assessment Process ('ICAAP'). The ICAAP is reviewed by the PRA which culminates in the regulator setting a Total Capital Requirement on the level of capital the Bank is required to hold. Tandem publishes a set of disclosures which allow market participants to assess information on that firm's capital, risk exposures and risk assessment process. These disclosures (known as Pillar 3 disclosures) can be viewed on Tandem's website (<https://www.tandem.co.uk>).

The Bank maintains an adequate capital base with the aim of supporting the development of the business and to ensure it meets the Total Capital Requirement at all times. As a result, the Bank maintains capital adequacy ratios above minimum regulatory requirements. The Bank complied with all of the externally imposed capital requirements to which it is subject for the year ended 2022.

Tandem Bank Limited

Strategic Report for the year ended 31 December 2022

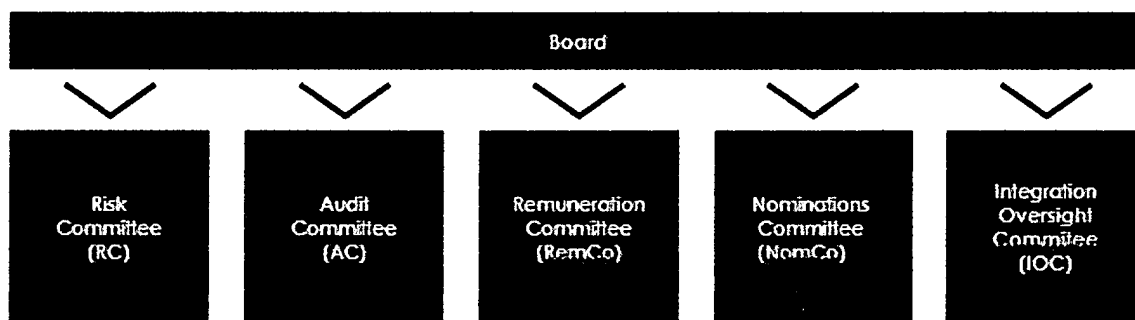
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Corporate Governance

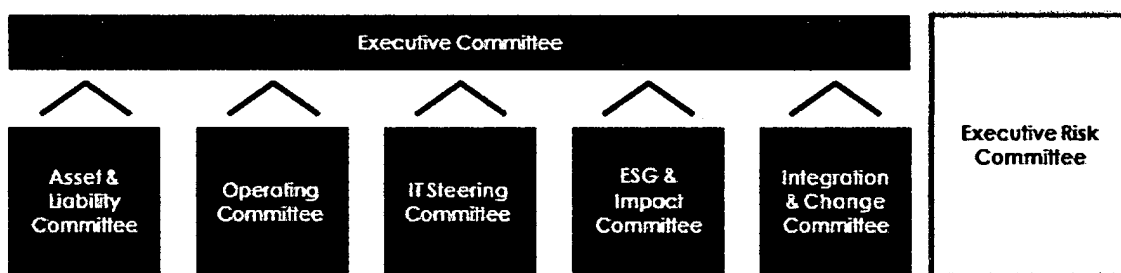
Throughout 2022 Tandem has built on its existing corporate governance framework to ensure that the Bank is supported by good practice standards in line with banking best practice. Tandem ensures that both the UK Corporate Governance Code and guidance set out by the PRA are considered across governance processes and procedures. This seeks to ensure that the Bank is supported by an effective framework which facilitates efficient, effective decision-making whilst also providing protection for our shareholders, customers, employees and other key stakeholders.

Tandem's governance structure has been reorganised to support the larger Group and Bank (following the acquisition of Oplo Holdings Limited by the Group and loan portfolios by the Bank) and its key areas of risk and to ensure appropriate oversight of strategy, performance and culture. Split between the Board of Directors and the Executive Management Team, it strives to support the executive in their oversight of performance and delegations from the Board for the day-to-day management of the business.

Board Level Committees



Executive Level Committees



Tandem Bank Limited

Strategic Report for the year ended 31 December 2022

(continued)

Board Composition & Changes

The Board comprises nine Directors, being two Executive Directors, five INED's and two Shareholder Non-Executive Directors.

Directors have been selected to provide a wide range of experience and skills spanning relevant technical areas and industry sectors, including financial services. Board composition is crucial in ensuring that effective challenge and debate is provided on areas including: Group performance; strategy; and culture.

The Board retains a majority independence in line with good practice.

During 2022, several changes took place on the Board. Following the acquisition of Oplo Holdings Limited on 24th January 2022, Alexander Mollart (Deputy Chief Executive Officer) was appointed to the Board as an Executive Director.

Jeroen Nieuwkoop also stepped down from the Board on 24th January 2022.

In March 2022, to enhance the skills and experience of the Board, Matthew Donaldson was appointed as an INED. Following this, Matthew Potter was appointed to the Board as a Shareholder Non-Executive Director.

In April 2022, Jeffrey Pritchard highlighted his intent to retire from the Board effective 30th June 2022. On 15th June 2022, Paul Pester was appointed to the Board as an INED. Following Jeffrey Pritchard's departure on 30th June 2022, Paul Pester was appointed as Chair designate and on 12th October 2022, the PRA approved Paul's application to Chair of the Board. Jeffrey Pritchard led Tandem through a period of significant transformation. The Directors thank Jeffrey Pritchard for his support and leadership during this time and wish him the very best for the future.

Subsequently, both Susannah Alier and Anthony Murphy resigned from the Board on 8th December 2022 and 13th February 2023 respectively. Similarly, the Directors thank Susannah Alier and Anthony Murphy for their contributions to the Bank and all the best in their future careers. Margaret Hassall stepped down from the Board and Chair of the Remuneration and Integration Oversight committees on 1st February 2023.

In December 2022 Alexander Mollart succeeded Susannah Alier as Chief Executive Officer and David McCarthy was appointed to the Board on 23rd February 2023 as Chief Financial Officer.

Board Roles

Responsibilities of key Board roles are summarised below:

- **Chairperson** - leads the Board and ensures its effectiveness. The Chairperson helps set the tone for the Bank and supports effective communication with other Directors and Executive Management. Further, the Chairperson provides leadership and facilitates relationships with shareholders, regulators and other key stakeholders;
- **Senior Independent Director ('SID')** - provides a sounding board for the Chairperson and other Directors on the Board. The SID is also a channel for communication when other normal channels (through the Chairperson or Executive Management) have failed;
- **Independent Non-Executive Directors** - provide appropriate challenge and scrutiny to management providing experience and independent judgement in discussions and decision making; and

Tandem Bank Limited

Strategic Report for the year ended 31 December 2022

(continued)

Board Roles (continued)

- **Shareholder Non-Executive Directors** - ensure shareholders have appropriate input on business strategy and performance, ensuring that the views of the majority shareholder are included in Board discussions

Board Governance

Board Responsibilities

The Board of Directors are collectively responsible for the leadership, culture and long-term sustainable success of Tandem Money Limited and its subsidiaries. The Board is accountable for setting the strategic direction of the Bank whilst also ensuring its obligations to its customers, employees, regulators, shareholders and other key stakeholders are met.

The Board is also responsible for providing oversight and monitoring the business against the approved strategy, risk appetite and Budget, providing challenge and advice to Executive Management as required to enable Tandem to meet its strategic objectives and goals.

The Board's responsibilities include:

- Review and approval of the Annual Budget and strategic objectives;
- Regular review of the Bank's financial and operational performance against Budget and key performance measures (aligned to strategic objectives), including monthly review of capital management, funding, liquidity and cost of risk;
- Review and approval of the Bank's principle risk types, risk appetite and RMF;
- Review and approval of the Bank's Financial Statements, Pillar 3 disclosures, ICAAP, ILAAP, Business Continuity and Resolution and Recovery Plans;
- Ensure that appropriate governance processes are in place to provide that the Board has sufficient access to information, and that the business complies with all relevant regulations, and legal requirements;
- Review and approve any changes to the Bank's capital structure, acquisitions, disposals, corporate investments and capital projects;
- Annual review and approval of the delegated authorities from the Board to the CEO and Executive Management; and
- Oversight of matters to be referred to the Shareholders in line with the Shareholder Agreement dated 21st August 2020. This was revised following the acquisition of Oplo Holdings Limited on 24th January 2022.

The Board delegates certain matters to Board Committees, with outputs from each Board Committee reported to the Board regularly, ensuring that the Board maintains appropriate oversight. A summary of each of these Committee activities has been included in this report (see pages 22 to 23).

Tandem maintains a Terms of Reference for all Committees which set out the remit and authority of each Committee.

Tandem Bank Limited

Strategic Report for the year ended 31 December 2022

(continued)

Board Governance (continued)

Audit Committee

The Audit Committee has been delegated responsibility for the oversight of financial reporting processes, internal controls, compliance, external and internal audit and whistleblowing. The Audit Committee is chaired by an INED with recent and relevant financial experience. During 2022, the Audit Committee has considered and made recommendations to the Board on some of the following matters:

- Oversight of the preparations of the Annual Report and Financial Statements, including associated accounting judgements and provisions;
- Review of quarterly internal audit reports. Internal audit reports presented during the year included operational resilience, cyber security, data management, project and change, arrears, collections, forbearance management and stress testing methodology;
- Oversight of the compliance framework and the annual compliance monitoring plan;
- Review and recommendation to the Board of the annual Whistleblowing and Money Laundering Reporting Officer reports;
- Terms of engagement and fees of the external and internal Auditors; and
- Re-appointment of the external auditor.

Risk Committee

The Risk Committee has been delegated responsibility for the oversight of risk management with particular focus on Tandem's principle risk types and associated frameworks, risk appetites and risk assessment methodology and process. The Risk Committee is chaired by the Senior Independent Director. The Risk Committee provides oversight and advice to the Board on current risk exposures and future risk strategy of the Bank. During 2022, the Risk Committee considered and made recommendations to the Board on some of the following matters:

- Oversight of the Bank's Risk Appetite, recommending any changes to the Board;
- Review of the revised RMF including key underlying frameworks and policies;
- Review and challenge of the overall strategic and commercial priorities for Tandem, including the assessment of risks inherent in the Budget and longer-term plans, capital requirements and the robustness of stress testing;
- Oversight of the embedding of the Risk Assurance Programme and the effectiveness of controls for risk management and capital management;
- Review and recommendation of the Bank's Principal Risks;
- Oversight and monitoring of the Bank's risk culture; and
- Review and recommendation to the Board, for approval, of the ICAAP, ILAAP and Recovery Plan.

Tandem Bank Limited

Strategic Report for the year ended 31 December 2022

(continued)

Board Governance (continued)

Nomination Committee

The Nomination Committee ('NomCo') has delegated responsibility for the oversight of the Board's governance arrangements, composition, skills, independence and succession planning. The NomCo is chaired by the Chairperson. During 2021, the NomCo considered some of the following matters:

- Recruitment and recommendation of the appointment of new INEDs to the Board, including the Audit Committee Chair and the SID;
- Approval of the recommendations for recruitment to the Senior Management Team, including the CEO, CFO and CRO;
- Recruitment and recommendation of the appointment of the new Chair of the Board.
- Recruitment and recommendation of the appointment of a new INED to the Board.

Remuneration Committee

The RemCo has delegated responsibility for the development and review of the Remuneration Policy for the Bank and level of remuneration for INEDs, Executive Directors and Senior Management, as well as reviewing / challenging proposals for workforce incentive schemes. The RemCo is chaired by an INED. During 2022, the RemCo considered some of the following matters:

- Review and approval of remuneration (and exit arrangements) for Executive Directors and the Senior Management, including the CEO;
- Oversight of people performance, including the results of employee engagement surveys;
- Review of Remuneration Code disclosures;
- Oversight of the Management Incentive Plan ('MIP');
- Review and recommendation of the Remuneration Policy, ensuring that remuneration packages are able to attract, retain and motivate all colleagues. Remuneration for Executive Director and Senior Management is set to encourage performance that is linked to the delivery of the Bank's strategic objectives and for the benefit of shareholders; and
- Review of the People and Reward Strategy in pursuit of harmonising benefits and the approach to performance and reward, following the acquisition of Oplo.

Integration Oversight Committee

The Board established a special purpose committee to oversee the integration activities of the Bank following the acquisition of Oplo. This Committee comprises two INEDs and the CEO.

Executive Governance

The CEO is supported in their role primarily through the establishment of an ExCo supported by sub-committees below the ExCo to focus on specific matters. Following the acquisition of Oplo Holdings Limited, a review was undertaken to refine the executive governance structure to ensure that the Senior Management team has robust oversight of business performance and the management of risk across the Bank. An overview of how the executive governance feeds into Board governance is included on page 19.

A summary of the scope of the ExCo and its associated sub-committees is included below:

Tandem Bank Limited

Strategic Report for the year ended 31 December 2022

(continued)

Executive Governance (continued)

Executive Committee

The ExCo provides day-day-to-day oversight and monitoring of the operational and financial performance of Tandem. Ensuring appropriate responsibility for quarterly reviews of the overseeing of executive objectives, risk considerations and fulfilment of strategic objectives. The ExCo also reviews and recommends matters to the Board and Board Committees in line with established Terms of Reference. Decisions are also made by the ExCo in line with delegated authorities from the Board.

Executive Risk Committee

The Executive Risk Committee ('ERC') is responsible for the monitoring and management of the Bank's risk management arrangements and practices. Further, the committee provides particular oversight of principal risk types against risk appetite and in line with the Bank's RMF. The ERC recommends some matters to the Board Risk Committee, where appropriate.

Asset & Liability Committee

The Asset & Liability Committee ('ALCo') is responsible for ensuring Tandem's balance sheet is managed effectively with consideration to liquidity, funding and capital risk. ALCo determines the appropriate use of debt and derivatives in pursuit of managing these risks in line with the Treasury Policy and risk appetite. The ALCo considers these matters at both a Group consolidated basis and at a Bank entity level.

IT Steering Committee

The IT Steering Committee ('ITSC') is responsible for oversight of the operational aspects of technology in Tandem. This covers key aspects of service, cyber security, total cost of ownership of technology estate, IT policy and Tandem's data and architecture controls.

Operations Committee

The Operations Committee ('OpCo') is responsible for the monitoring of the operational performance and risk of the Bank. The OpCo shall be responsible for the appropriate resourcing to ensure that the Bank has the capabilities to deliver operational excellence to all key stakeholders.

Integration & Change Committee

The Integration & Change Committee ('ICC') is responsible for the oversight of key strategic projects and performance of change initiatives in line with the Bank's strategic objectives. During 2022, the ICC was responsible for the integration of Oplo Holdings Limited into Tandem.

ESG & Impact Committee

The ESG & Impact Committee is responsible for the provision of advice and guidance in relation to Tandem's vision and strategy for environmental, social and some governance matters.

Tandem Bank Limited

Strategic Report for the year ended 31 December 2022

(continued)

S.172 Statement

The Bank has a long-term track record of creating value and delivering positive outcomes for all of our stakeholders. We are committed to understanding and meeting the needs of these various groups, engaging with them and adapting our approach to create value for them. We look to engage with our stakeholders and consider the feedback provided, which in turn is embedded in the decision-making process throughout Tandem.

In addition to direct engagement by members of the Board, the Directors consider the stakeholder impacts of all proposals submitted to it from across the Bank. Stakeholder interests are central to the Board's delegation of the management of the business to the Executive. In turn the Executive, including the CEO and CFO, routinely provide the Board with details of non-Board stakeholder interaction and feedback from across Tandem via regular business updates. Stakeholder interests are also identified by the Executive for consideration in all other proposals put to the Board.

As a PRA and FCA regulated Bank, the Board is also considerate to the risk and control environment during discussions and decision-making. Customer outcomes are at the forefront of Directors minds when considering the management of risks and controls and the Board are clear on ensuring that customers interests are protected. Directors acknowledge that having due regard to all stakeholder perspectives may not always result in the decision-making which achieves a positive outcome for all stakeholders. Dependent on the decisions and topics in question, the relevance of each stakeholder may differ, and equally the Directors shall seek to adopt various methods of engagement with stakeholders.

The Board will often engage directly with some stakeholders on certain issues, but given the breadth of the Bank's stakeholders direct engagement will not always be practical. Thus, Directors receive reports from across the organisation to enhance their understanding of the impact of Tandem's operations on, and the interests and views of, its key stakeholders.

In accordance with the Companies Act 2006 (the 'Act'), the Directors provide this statement describing how they have had regard to the matters set out in section 172(1) of the Act, when performing their duty to promote the success of the Company under section 172.

The Directors remain mindful in all their discussions of the long-term consequences of their decisions, as well as the importance of the Bank maintaining a reputation for high standards of business conduct and the Board engaging with, and taking account of the views of, key stakeholders. The Directors confirm they have acted, in good faith, to promote the success of the Bank for the benefit of its members as a whole and in doing so considering all relevant stakeholders.

An overview of how the Board has considered stakeholder interests during 2022 is described on the following pages.

Tandem Bank Limited

Strategic Report for the year ended 31 December 2022

(continued)

S.172 Statement (continued)

Customers

Customers are at the heart of our business, and everything that we do. As a customer-centric organisation, we seek to create products and services that provide more people with the opportunity to access sound financial services products. Further, as Tandem's mission states, 'we're here to make it easier for more people to choose a greener lifestyle'. We do this by helping hard working people save, borrow and spend in ways that are a little bit greener.

The Board remains committed to understanding and addressing our customers' needs, which is vital to setting and achieving the Bank's goals.

During 2022, following completion of the Oplo acquisition and associated refinement of the Bank's strategy and progress against various integration activities, the Board oversaw a number of activities that impacted Tandem's customer base and as such Directors ensured customer interests remained at the forefront of minds during these processes. Such examples include the rebranding of Oplo and Allium to Tandem to ensure a 'one Bank' operating model, whilst against a backdrop of rising interest rates the Board oversaw the impact on product pricing, playing a key part in ensuring such rate increases were fairly passed on to Tandem's depositors.

Examples of Board engagement with customers are evidenced via frequent updates received from across the Bank, identifying key areas of customer concern, covering a range of both internal and external measures. These updates provide valuable insight into the Bank's performance in delivering on customer-related objectives, on improving customer outcomes and in determining where further action was required.

There are opportunities for the Bank to communicate and engage with our customers, and vice versa, throughout the different points in the customer life cycle. Some of these mechanisms include: discussions with our customer service and complaints teams; customer feedback (via surveys); customer focus groups; and social media.

Enabling and improving the engagement mechanisms throughout our customer journeys, specifically in the digital customer journey, will help us to understand what matters most to them.

The Board continues to receive updates from management on the treatment of customers and on ensuring fair outcomes throughout the customer journey. Customer, broker and employee feedback is incorporated into Board discussions which ultimately influences strategic decision-making, such as plans related to digital investment. The Board also receives periodic feedback on Conduct Risk through the Risk Committee. During 2022, the Board spent significant time on understanding the likely market response and operational impact of the implementation of the FCA's Consumer Duty.

The following metrics are some of the main tools we use to assess the impact of our actions and the strength of our relationship with our customer, including: customer satisfaction scores; complaints; ombudsman feedback; Trustpilot reviews; and social media.

The Audit and Risk Committees respectively have continued to monitor customer related risks and controls throughout the year through reports from management and internal audit. The Board continues to be committed to ensuring that the Bank's products and offerings remain appropriate and fit for purpose for customers.

Tandem Bank Limited

Strategic Report for the year ended 31 December 2022

(continued)

S.172 Statement (continued)

Our People

Our people are central to the delivery of the Bank's strategy and ambitions, and this is recognised by the Board in its engagement with colleagues throughout the year.

Positive engagement with colleagues helps to attract, build and retain a high calibre talent pool and ensure that our people are enthusiastic about their individual contribution and Tandem as a whole.

Engagement takes place daily through line managers, with senior management regularly speaking at various Bank-wide forums.

Listening to our colleagues and acting upon their feedback is essential to maintaining employee engagement, whether this is through undertaking regular employee opinion surveys or management leading engagement activities to provide updates on business performance. Training and development programmes are in place to support the development of all employees.

Tandem has over 500 employees, who take pride in working for an inclusive and diverse organisation and, with their support and input, we are developing a culture in which everyone can feel included, empowered, accountable and inspired to ensure that we are able to build a greener Bank. The contributions of Tandem's people and their commitment to the Bank is acknowledged by the Board.

During the year, the Remuneration Committee reviewed workforce management information and considered levels of attrition, salary benchmarking, incentive schemes and bonus structure and also supported management in the development of a renewed People and Reward Strategy, all of which was essential in ensuring a 'one bank' feel is similarly applied to the Bank's remuneration approach.

Examples of Board engagement included:

- Consideration of the outcomes of surveys completed by colleagues, including annual and ad hoc surveys, and review of progress in addressing the matters colleagues raised.
- Consideration and approval of targeted cost of living payments to colleagues against the backdrop on elevated inflation and increasing rate environment.
- Board member attendance at a range of business area leadership meetings and colleague network events.
- Informal colleague breakfast and lunch meetings were held by the CEO.
- Town Hall sessions hosted by both the Chair and the CEO, complemented by engagement sessions led by other senior leaders, with feedback shared with the wider Board.

The Board will continue to consider its arrangements in engagement with the Bank's workforce to ensure they remain effective and continue to give a meaningful understanding of the views of the workforce and to encourage dialogue between the Board and the workforce.

Tandem Bank Limited

Strategic Report for the year ended 31 December 2022

(continued)

S.172 Statement (continued)

Regulators & Government

The Board continues to maintain strong and open relationships with our regulators and government authorities, including the FCA; PRA; and HMRC. As a Bank it is important that we maintain a culture that is focused on high standards in all our business activities, regulatory compliance and a transparent relationship with our regulators.

Active engagement with the relevant regulators and associations helps to ensure the business is aware of and adapting to the evolving regulatory framework. Further, we regularly interact with the trade bodies and business associations we are affiliated with to ensure we are engaged with issues impacting our industry. Relevant engagement included:

- The Chair and individual Directors, in particular the Chairs of the Board's committees, held various discussions with the FCA and PRA on a number of aspects of the regulatory agenda.
- The Board regularly reviewed updates on wider Bank regulatory interaction, providing a view of key areas of regulatory focus, and also progress made in addressing key regulatory priorities.
- Meetings were held between the Board and the PRA to discuss the acquisition and subsequent integration of Oplo as well as the outcome and progress of actions associated to the PRA's Periodic Summary Meeting letter.

The Board are committed to complying with all relevant legislation, with regulatory compliance considered in decision-making and are mindful of the regulators approach and consideration of the Bank's activities and strategy.

The Bank has zero appetite for deliberate breaches of conduct rules and regulations or from failure to have adequate systems and controls. The Risk and Audit Committees receive frequent updates on the performance of the Bank's systems and controls providing a view of key areas of focus, alongside progress made in addressing any associated remediation activities.

Suppliers

The Bank relies on a number of partners for important aspects of our operations and service provision.

Engagement with our suppliers enables the Bank to develop and maintain long term and sustainable relationships and ensures our suppliers can better understand and align to our risk management requirements and operate responsibly. Our key supplier relationships are owned by relationship managers and are supported by our central procurement function who provide specialist expertise and support. Engagement with suppliers includes regular meetings, with strategic meetings taking place at least quarterly with our tier 1 suppliers, as well as an annual review to seek feedback on the overall partnership.

The Group's Conduct Framework sets out the rules and guidance for management on how Tandem engages with outsourcing partners to ensure that good governance, systems and controls are in place so that the Bank does not breach conduct rules or regulations due to third party failures.

The Board considered and approved the Bank's Modern Slavery Act Statement, which sets out the steps that we are taking to tackle modern slavery and human trafficking within our business, supply chain and sphere of influence. It is important to the Board that suppliers uphold the same values as the Bank. This is considered at the procurement stage and throughout other business relationships. Regular reviews are carried out on the controls and performance of suppliers which cover a range of issues such as data security, bribery and corruption.

Tandem Bank Limited

Strategic Report for the year ended 31 December 2022

(continued)

S.172 Statement (continued)

Investors

The Bank engages regularly with its shareholders and understands that investor engagement fosters long-term strategic understanding of Tandem's strategy. This frequent engagement throughout the year keeps investors informed on the Bank's progress, strategy and financial performance.

The board is committed to achieving sustainable returns over the long-term.

Communities

Giving back to our communities represents an integral part of Tandem's culture. Our people play a key role in how we engage with our communities, and we work collectively to drive sustainable change both inside and outside of the Bank.

As an employer across the UK, we believe it is our responsibility to provide employment opportunities for those in the local area whilst training and developing our people. We are committed to promoting and recognising diversity both within Tandem, and in the communities in which we operate. A culture of giving back and a sense of responsibility for the community is in the DNA of the Bank.

The material issues for our communities generally relate to support and ongoing interactions, demonstrated across both financial and resource-based contributions. We strive to be consistent in our support and follow through on our promises. Across 2022 we have focused on employability, social mobility and educational opportunities, which will continue to be of focus in 2023. Further, given the economic backdrop we also focused on housing initiatives and supporting local food banks, that similarly will be actively monitored in the coming year.

Unsurprisingly, our colleagues drive our community engagement as they are involved in nominating and choosing which initiatives we support. We engage in a number of ways, including: volunteering; charity initiatives; sponsorship of various community events; and targeted fundraising.

The Board receives updates on the key community initiatives across the Bank and provides direction on how we can continue to make a long-lasting, positive impact.

Proud to be a Platinum Patron of The Boat House Youth

With our office in Blackpool, Lancashire, it means a lot to make a positive difference in the community we call 'home'. We're delighted to see that happen with our partnership with The BoatHouse Youth charity. Tandem is half way through a three year Platinum Patron sponsorship for local charity The BoatHouse Youth. As Blackpool's biggest youth club, the BoatHouse Youth provides an incredibly fun and supportive range of services for young people in the area – all free of charge. Sadly, Blackpool ranks among the worst areas in the UK for child poverty. Since it was founded in 2009, The Boathouse Youth has helped over 2,000 children from some of the most deprived areas of the town. The charity offers a great mix of fun and practical services including education, activities, support, and even holidays for its young members who would otherwise not have access.

Tandem Bank Limited

Strategic Report for the year ended 31 December 2022

(continued)

S.172 Statement (continued)

Environment

At Tandem, we care deeply about our customers, our colleagues and the impact we make on the planet. The Bank is conscious that it is increasingly important to demonstrate responsible business behaviour with regards to the environment, noting not only do our stakeholders demand it, but because it is the right thing to do.

Our colleagues want to know that they work for a Group which is playing its part in tackling the climate emergency. Our customers want to know that we are not only looking after their financial needs, but we are mindful of their future. Our broader shareholders and regulators want to know that we are a Bank which is rising to the environmental challenges and open to the opportunities that tackling the climate emergency will present.

Colleague directed activities include: internal promotion of 'green' initiatives; promoting video and telephone conferencing systems between functions to reduce travel; various recycling initiatives; and the cycle to work scheme for employees.

The Bank is committed to continuously reduce its environmental footprint, encourage responsible behaviour across colleagues and is fundamentally committed to embedding this across all aspects of the Bank going forward. This is reflected in the establishment of an ESG and Impact Committee as part of the Executive Governance Framework which shall oversee both internal and external initiatives for ESG across the Bank.

Tandem plants over 30,000 new trees in its very own Tandem Wood

Tandem has worked together with corporate partners since June 2021, focusing on sustainability projects. The Bank invited new customers to join their mission to protect the planet, and radically accelerate the reduction of carbon emissions.

With the ambition to become a carbon neutral Bank, Tandem joined forces with two partners to tackle climate change with new tree planting initiatives – one in Scotland, and one closer to the Bank's office in Lancashire – Leighton Hall Estate.

Based in Carnforth and set within Lancashire's Area of Outstanding Natural Beauty (AONB), Tandem undertook an extensive tree planting scheme with Leighton Hall to create safe homes for wildlife, as well as forests fit for the future. The aim was to re-establish woodland with the planting of 30,000 trees in an area of the estate which needed attention and was disused. Additionally, employees had the opportunity to make their own Impact, with an exciting schedule of volunteering projects held.

The partnership with Leighton Hall Estate continues in 2023, where the team have been engaged with an events calendar of volunteering, including planting 10,000 bulbs for pollinators and re-planting 100 new saplings to replace any trees that didn't take initially within our Tandem Wood.

For and on behalf of the Board.



Alexander Mollart
Chief Executive Officer (Designate)



David McCarthy
Chief Financial Officer (Designate)

26 April 2023

Tandem Bank Limited

Directors' Report for the year ended 31 December 2022 (continued)

The Directors of the Bank present their report together with the audited Financial Statements for the year ended 31st December 2022. Other information which is relevant to the Directors Report, has been referenced where relevant and have been highlighted in the below table:

Topic	Reference
Capital Management	Strategic Report on page 18
Future Developments	Note 34 of the Financial Statements
Events after the Balance Sheet Date	Note 34 of the Financial Statements
Financial Risk Management Objectives and Policies	Strategic Report on page 6
Board consideration of Section 172 duties	Strategic Report on page 25

Corporate Governance Statement

Tandem operates its corporate governance in line with banking best practice, considering both the UK Corporate Governance Code and the guidance set out by the PRA.

The Board has specifically considered the areas of importance highlighted in the PRA Supervisory Statement 5/16 - Corporate Governance: Board Responsibilities. The Board is accountable for, amongst other items, the setting of strategy, guiding and influencing culture as well as setting and overseeing the Risk Appetite of the firm.

Dividends

The Directors are not recommending a dividend in respect of the year ended 31st December 2022 (2021: £nil).

Employees with Disabilities

Applications for employment by people with disability are given full and fair consideration bearing in mind the respective aptitudes and abilities of the applicant concerned and our ability to make reasonable adjustments to the role and the work environment. In the event of existing employees becoming disabled, all reasonable effort is made to ensure that appropriate training is given and their employment with the Bank continues. Training, career development and promotion of a disabled person is, as far as possible, identical to that of an able-bodied person.

Tandem Bank Limited

Directors' Report for the year ended 31 December 2022

(continued)

Appointment and Replacement of Directors

The Company's Articles of Association set out the rules for the appointment and replacement of Directors. The Directors who served during the year and up to the date of signing the Financial Statements were:

Director	Role	Date
Paul Pester	Chair	Appointed 15/06/2022
Jeffrey Pritchard	Chair	Appointed 10/01/ 2018 Resigned 30/06/ 2022
Susannah Alikier	CEO	Appointed 04/06/ 2021 Resigned 08/12/2022
David Fisher	SID	Appointed 17/12/2020
Matthew Donaldson	INED	Appointed 31/03/ 2022
Talita Ferreira	INED	Appointed 26/04/2021
Margaret Hassall	INED	Appointed 17/12/2020 Resigned 01/02/2023
David Torpey	INED	Appointed 02/10/2020
Jeroen Nieuwkoop	Shareholder Non-Executive Director	Appointed 26/05/ 2021 Resigned 24/01/ 2022
Matthew Potter	Shareholder Non-Executive Director	Appointed 31/03/2022
James Scott	Shareholder Non-Executive Director	Appointed 21/08/2020
Alexander Mollart	CEO (Designate) and Executive Director	Appointed 24/01/2022
Anthony Murphy	CFO and Executive Director	Appointed 09/11/2020 Resigned 13/02/2023
David McCarthy	CFO (Designate) and Executive Director	Appointed 23/02/2023

Directors' Interests

No Directors in office held an interest in the shares of Tandem Bank Limited as at 31st December 2022

Directors' Indemnities

The Company's Articles of Association provide that, subject to the provisions of the Companies Act 2006, the Company may indemnify any Director or former Director of the Company or any associated Company against any liability and may purchase and maintain for any Director or former Director of the Company or any associated Company insurance against any liability.

The Bank has made qualifying third-party indemnity provisions for the benefit of its Directors during the year, and these remain in force at the date of this report.

The Bank has maintained appropriate Directors' and Officers' liability insurance in place throughout 2022.

Tandem Bank Limited

Directors' Report for the year ended 31 December 2022

(continued)

Company Secretary

All Directors have access to the services of the Company Secretary in relation to the discharge of their duties. Ellen Hastings-Jones is the Company Secretary of Tandem. She can be contacted at the Company's registered office, details of which are on page 1.

Going Concern

In preparing the Financial Statements, the Directors must satisfy themselves that it is reasonable to adopt the going concern basis.

As part of the Directors' consideration of the appropriateness of adopting the going concern basis, various financial projections have been considered, including a severe but plausible downside scenario. The Directors have subsequently concluded that no material changes to the Bank's activities will be required, beyond a controlled and targeted reduction of new lending in the severe but plausible downside scenario. Therefore the Bank can operate with adequate financial resources for the next 12 months, with both capital ratios and liquidity in excess of minimum regulatory requirements.

Thus, after making the necessary enquiries, the Directors have a reasonable expectation that the Bank has sufficient resources to continue in operational existence for a period of at least 12 months from the signing of these Financial Statements.

Political and Charitable Donations

The Bank made no charitable donations 2022.

Share Capital

Tandem Bank Limited is a company limited by shares.

Details of the Company's issued share capital, together with details of any movements in the Company's issued share capital during the year, are shown in Note 25 of the Financial Statements.

Regulation

The Bank complies with all the requirements of its regulatory authorities, given its status of being authorised and regulated by the PRA and FCA.

Qualifying deposits held by the Bank are covered by the Financial Services Compensation Scheme ('FSCS') and any complaints made by customers may be referred to the Financial Ombudsman Service. The Bank is a member of UK Finance (previously The British Bankers' Association).

Auditor

In accordance with s487 of the Companies Act 2006, a resolution is to be proposed at Board for reappointment of PricewaterhouseCoopers LLP as auditors of the Company.

Tandem Bank Limited

Directors' Report for the year ended 31 December 2022

(continued)

Statement of Directors' Responsibilities in Respect of the Financial Statements

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law).

Under company law, Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the Directors are required to:

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

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

Directors' confirmations

In the case of each Director in office at the date the Directors' report is approved:

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

On behalf of the Board



Alexander Mollart

Chief Executive Officer (Designate)

26 April 2023



David McCarthy

Chief Financial Officer (Designate)

Independent auditors' report to the members of Tandem Bank Limited

Report on the audit of the financial statements

Opinion

In our opinion, Tandem Bank Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: Statement of Financial Position as at 31 December 2022; Income Statement and Statement of Other Comprehensive Income, Statement of Cash Flows, and Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

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

Basis for opinion

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

Independence

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

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

We have provided no non-audit services to the company in the period under audit.

Our audit approach

Overview

Audit scope

- In determining which of the financial statement line items (FSLIs) were in scope, and therefore the extent of the audit work we needed to perform, we considered their respective balances in relation to performance materiality and the risk associated with that FSLI and ensured our proposed scope provided sufficient coverage.

Key audit matters

- The appropriateness of the assumptions and methodologies used in the calculation of impairment provisions for loans and advances to customers
- The appropriateness of the use of the going concern assumption as the basis for preparation of the financial statements

Materiality

- Overall materiality: £1,150,000 (2021: £629,480) based on 1% of CET1 Capital (2021:PBT).
- Performance materiality: £575,000 (2021: £314,740).

The scope of our audit

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

Key audit matters

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

This is not a complete list of all risks identified by our audit.

The appropriateness of the assumptions and estimates used in the calculation of the conduct provision for specific Green Deal loans and advances to customer, which was a key audit matter last year, is no longer included because the total provision is only 150% of overall materiality, and there is less estimation uncertainty than in the previous year, resulting in less overall audit effort. Otherwise, the key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
<p><i>The appropriateness of the assumptions and methodologies used in the calculation of impairment provisions for loans and advances to customers</i></p> <p>Total loans and advances to customers totalled £1,078,369k as at 31 December 2022 after the recognition of an impairment provision of £26,381k. Further details of loans and advances to customers are provided in notes 14 and 29, and the accounting policy is set out in note 1.</p> <p>We focused on this area because the calculation of the impairment provision requires judgement in determining the necessity for, and then estimating the size of, any impairment. The areas of focus were:</p> <ul style="list-style-type: none"> • Judgements included in the derivation of the emergence periods used for the collectively assessed provision in current economic conditions. • Judgements included in the derivation of the loss rates (Green Deal) and effects of current economic conditions on the loss rates. • The determination of appropriate LGDs using recovery curves given the limited experience and benign history upon which this data is referenced. • Assumptions included in the derivation of the collateral values, including the timing of such cash flows 	<p>We understood and evaluated the controls and processes relevant to the impairment process and concluded that the most effective audit approach would be fully substantive.</p> <p>We performed the following substantive procedures:</p> <ul style="list-style-type: none"> • We assessed the reasonableness of the nil provision held against impaired mortgage loans, for a sample of loans, including considering the assumptions made on collateral valuations, which can give rise to an impairment event; • Together with our credit modelling specialists, we tested the integrity and logic of the code used in the collective provision and where applicable we performed an independent reperformance of the code used to determine the roll rates and loss given default; • On a sample basis, we tested the integrity of the data used in the calculations to supporting documentation; • We assessed the appropriateness of the emergence period applied in the collective provision calculation by analysing the

<p>Given the size of the balance and the judgemental nature of the impairment provision, we considered this to be a key audit matter.</p>	<p>movement in the behavioural score of the customers over time;</p> <ul style="list-style-type: none"> • We assessed the appropriateness of post model adjustments booked, including the impact of the high inflationary environment, by analysing the most recent trend in the roll rates; • Using management's model, we derived a range of impairment provisions which used a range of our own inputs combined with our experience of the portfolio and the market; • For a sample of loans, we tested the accuracy of the arrears calculations, and assessed the completeness of the population of loans included within watchlist and default; and • In some instances we also performed a comparison of the output from the modelling calculations to industry peers to assess the reasonableness of the provision levels. <p>Based on the testing performed we found that the accounting estimate was supported by the evidence obtained.</p>
<p><i>The appropriateness of the use of the going concern assumption as the basis for preparation of the financial statements</i></p> <p>For the year ending 31 December 2022, the company remained loss making. The performance of the company has improved significantly since the acquisition of Oplo Holdings by the parent company Tandem Money Limited. Although the company has improved their performance during the year there remains a degree of judgement in the financial projections used by management to conclude that the company can remain in line with regulatory capital requirements and continue as a going concern for the next 12 months. These financial projections have been stress tested for a severe but plausible downside scenario that could impact the company. As a result of this judgement, and the pervasiveness and nature of a going concern risk, we considered this to be a significant audit risk. Management have disclosed their basis for the use of the going concern assumption within the Directors' Report and Note 1.</p>	<p>Our audit procedures and conclusions relating to going concern are set out in the "Conclusions relating to going concern" section below.</p>

How we tailored the audit scope

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

- Using our risk assessment, we tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the company, the accounting processes

and controls, and the industry in which they operate. We continually assessed risks and changed the scope of our audit where necessary.

The impact of climate risk on our audit

As part of our audit we made enquiries of management to understand the extent of the potential impact of climate risk on the financial statements, and we remained alert when performing our audit procedures for any indicators of the impact of climate risk. Our procedures did not identify any material impact as a result of climate risk on the company's financial statements.

Materiality

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

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

<i>Overall company materiality</i>	£1,150,000 (2021: £629,480).
<i>How we determined it</i>	1% of CET1 Capital (2021: 5% of loss before tax from continuing operations)
<i>Rationale for benchmark applied</i>	<p>The use of CET1 capital is deemed appropriate based on the nature of Tandem Bank Limited, we believe that the users would primarily focus on the capital adequacy of the entity in line with current legislation.</p> <p>This is a change from Loss before Tax used in prior year which has been deemed as less relevant for a wholly-owned subsidiary such as TBL for which profit, on a standalone entity basis, is not always the primary or sole driver of business decision making, and profit / loss may be impacted by intergroup transactions or funding which are not reflective of overall risk. The principal focus of the primary users of the financial statements has been deemed to be the capital adequacy of the Bank.</p>

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 50% (2021: 50%) of overall materiality, amounting to £575,000 (2021: £314,740) for the company financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £57,500 (2021: £31,474) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- Obtaining an understanding of management's going concern assessment and reviewed management's methodology used in the going concern model for appropriateness;
- Testing the mathematical accuracy of the model;
- Challenging the appropriateness of management's forecasts by assessing and challenging the material assumptions used in management's model, including assumptions applied relating to capital, originations, impairments, cost of funding and operating cost assumptions;
- Testing the reasonableness of the cash flow forecast using management's model and a severe but plausible downside alternative. Even in a plausible but severe downside scenario, the company is able to remain in line with regulatory

requirements for at least 12 months from the date of signing the financial statements, assuming appropriate and reasonable management actions, that are within their control, are taken;

- Holding discussions with the Prudential Regulatory Authority ("PRA") to understand the key areas of regulatory focus and risk for the company;
- Using our regulatory specialists to assess the reasonableness of the assumptions used in management's capital forecast including risk weighted assets and minimum capital requirements;
- Assessing the disclosures in the Annual Report relating to going concern.

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.

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.

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

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

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information, which includes reporting based on the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. Our opinion on the financial statements does not cover the other information and accordingly, we do not express an audit opinion or except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

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

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

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 December 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to rules of the Financial Conduct Authority ("FCA") and the rules of the PRA, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as Companies Act 2006 and UK tax legislation. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to management bias in accounting estimates. Audit procedures performed by the engagement team included:

- Enquiries of management in relation to known or suspected instances of non-compliance with laws and regulation and fraud;
- Reviewing key correspondence with regulatory authorities including attending bilateral meetings held with the PRA;
- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to the impairment provision; and
- Identifying and testing journal entries, in particular journal entries posted by senior management, journals posted with unusual descriptions and unusual account combinations indicating a higher level of risk and post close journal entries.

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

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report. In our engagement letter, we also agreed to describe our audit approach, including communicating key audit matters.

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the Audit Committee, we were appointed by the members on 27 February 2019 to audit the financial statements for the year ended 31 December 2018 and subsequent financial periods. The period of total uninterrupted engagement is 5 years, covering the years ended 31 December 2018 to 31 December 2022.



Mike Wallace (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
26 April 2023

Tandem Bank Limited

Income Statement and Statement of Other Comprehensive Income for the year ended 31 December 2022

	Note	2022 Total £'000	Continuing Operations £'000	Discontinued Operations £'000	2021 Total £'000
Interest income	2	74,932	20,559	1,029	21,588
Interest expense	3	(19,522)	(6,453)	-	(6,453)
Net Interest Income		55,410	14,106	1,029	15,135
Fees and commissions income	4	-	-	11	11
Fees and commissions expense	4	(163)	(288)	(194)	(482)
Net gains in derivatives and hedge ineffectiveness	5	1,954	115	-	115
Other operating income	6	26	23	-	23
Total Income		57,227	13,956	846	14,802
Administrative expenses	7	(52,218)	(30,335)	(173)	(30,508)
Operating Expenses		(52,218)	(30,335)	(173)	(30,508)
Provision for bad and doubtful debts	14	(13,412)	(1,023)	(682)	(1,705)
Gain/(loss) on sale of financial assets	10	1,470	-	(569)	(569)
Impairment of intercompany balances		-	(50)	-	(50)
Loss on Operating Activities before Tax		(6,933)	(17,452)	(578)	(18,030)
Tax credit on loss	11	5,279	177	-	177
Loss for the Year		(1,654)	(17,275)	(578)	(17,853)
Other Comprehensive Income/(Expense)					
Deferred tax movement on items of other comprehensive income/(expense)	11	(85)	(177)	-	(177)
Available for sale investments					
- Fair value loss/(gain) on debt securities		(328)	52	-	52
- Fair value gain on equity shares		339	271	-	271
Total Comprehensive Loss for the Year		(1,728)	(17,129)	(578)	(17,707)

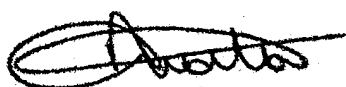
All current year results are from continuing operations.

Tandem Bank Limited

Statement of Financial Position as at 31 December 2022

	Note	2022 £'000	2021 £'000
Assets			
Cash and balances at central banks	12	679,659	360,378
Loans and advances to banks	13	21,271	16,310
Loans and advances to customers	14	1,078,369	436,845
Debt securities	15	91,210	30,215
Derivatives held for risk management	16	29,592	2,358
Equity shares	17	2,309	1,970
Other assets	18	23,287	5,639
Prepayments and accrued income	19	500	4
Total Assets		1,926,197	853,719
Liabilities			
Deposits by banks	20	43,527	40,013
Customer accounts	21	1,754,868	771,161
Derivatives held for risk management	16	7,057	89
Other liabilities	22	5,162	522
Accruals and deferred income	23	405	314
Total Liabilities		1,811,019	812,099
Share Capital and Reserves			
Called-up share capital	25	152,339	75,875
Other reserves	25	80,051	80,051
Retained reserves	25	(117,212)	(114,306)
Shareholders' Funds including Non-Equity Interests		115,178	41,620
Total Liabilities and Equity		1,926,197	853,719

On behalf of the Board,



Alexander Mollart
Chief Executive Officer (Designate)
26 April 2023



David McCarthy
Chief Financial Officer (Designate)

Tandem Bank Limited
Statement of Changes in Equity for the year ended 31 December 2022

	Called-up Share Capital £'000	Available for Sale Reserve £'000	Other Reserves £'000	Profit & Loss Account £'000	Total Equity £'000
At 1 January 2022	75,875	1,353	80,051	(115,659)	41,620
Loss for the year	-	-	-	(1,654)	(1,654)
Gain relating to available for sale investments	-	11	-	-	11
Deferred tax on items of other comprehensive income	-	(85)	-	-	(85)
Total Comprehensive Loss for the Year	-	(74)	-	(1,654)	(1,728)
Shares issued, net of expenses	76,464	-	-	-	76,464
Capital contribution	-	-	-	(1,178)	(1,178)
As at 31 December 2022	152,339	1,279	80,051	(118,491)	115,178

	Called-up Share Capital £'000	Available for Sale Reserve £'000	Other Reserves £'000	Profit & Loss Account £'000	Total Equity £'000
At 1 January 2021	63,566	1,207	80,051	(97,806)	47,018
Loss for the year	-	-	-	(17,853)	(17,853)
Gain relating to available for sale investments	-	323	-	-	323
Deferred tax on items of other comprehensive income	-	(177)	-	-	(177)
Total Comprehensive Loss for the Year	-	146	-	(17,853)	(17,707)
Shares issued, net of expenses	12,309	-	-	-	12,309
As at 31 December 2021	75,875	1,353	80,051	(115,659)	41,620

Tandem Bank Limited
Statement of Cash Flows for the year ended
31 December 2022

	Note	2022 £000	2021 £000
Cash Flows from Operating Activities			
Loss on operating activities before tax		(6,933)	(18,030)
Non-cash items included in loss on operating activities before tax		11,707	2,173
Change in operating assets and liabilities		304,576	217,383
Net Cash Generated from Operating Activities	27	309,350	201,526
Cash Flows from Investing Activities			
(Purchase)/sale of debt securities		(61,572)	(2,075)
Net Cash Used in Investing Activities		(61,572)	(2,075)
Cash Flows from Financing Activities			
Proceeds from issuance of ordinary shares		76,464	12,309
Net Cash Generated from Financing Activities		76,464	12,309
Net Increase in Cash and Cash Equivalents		324,242	211,760
Cash and cash equivalents at beginning of year		376,688	164,928
Cash and cash equivalents at the end of the year	27	700,930	376,688

Tandem Bank Limited

Notes to the Financial Statements

for the year ended 31 December 2022

1. Significant Accounting Policies

This section describes the Bank's significant accounting policies and critical accounting estimates. All policies have been consistently applied to all the years presented unless otherwise stated.

1.1. General Information

Tandem Bank Limited ('the Bank' or 'TBL') is a private companies, limited by shares and incorporated in the United Kingdom under the Companies Act. The address of the registered office is given on page 1.

1.2 Basis of Preparation

The Financial Statements of TBL have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' ('FRS 102') and the Companies Act 2006.

The Financial Statements have been prepared on a going concern basis, under the historical cost convention as modified by the recognition of certain financial assets and liabilities measured at fair value.

The Financial Statements are prepared in sterling which is the functional currency of the Bank and rounded to the nearest thousand.

1.3 Going Concern

The consolidated and individual financial statements continue to be prepared on a going concern basis as the Directors are satisfied that the Bank has the resources to continue in business for the foreseeable future (which has been taken as 12 months from the date of approval of the financial statements). In making this assessment, the Directors have considered various financial projections, including a severe but plausible downside scenario. The Directors have subsequently concluded that no material changes to the Bank's activities will be required, beyond a controlled and targeted reduction of new lending in the severe but plausible downside scenario. Therefore the Bank can operate with adequate financial resources for the next 12 months, with both capital ratios and liquidity in excess of minimum regulatory requirements.

1.4 Significant Accounting Estimates and Judgements

The preparation of Financial Statements requires management to make estimates and judgements about both current and future conditions. It also requires management to exercise its judgement in the process of applying accounting policies. As a result of the uncertainty and subjectivity inherent in these estimates and judgements, it is possible that actual outcomes differ from those expected by management.

Significant accounting estimates and judgements are disclosed within the note to which they relate:

- Deferred Tax Assets – Note 11
- Impairment Losses on Loans and Advances to Customers - Note 14

Tandem Bank Limited

Notes to the Financial Statements

for the year ended 31 December 2022

1. Significant Accounting Policies (continued)

1.5 Net Interest Income

Interest income and expense are recognised in the Income Statement for all financial instruments measured at amortised cost using the effective interest rate method. The effective interest rate is the rate that exactly discounts the expected future cash flows over the expected life of the financial instrument to the net carrying amount. This calculation takes into account all amounts that are integral to the yield. Cash flows are estimated considering all contractual terms of the financial asset or liability but does not consider future credit losses.

1.6 Fees and Commissions

Fees and commissions that are not integral to the effective interest rate calculation are recognised in the Income Statement as services are provided, where there is no obligation to provide any ongoing services as a result.

1.7 Taxation

Tax is recognised in the Income Statement, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in Other Comprehensive Income or directly in equity respectively.

Current or deferred taxation assets and liabilities are not discounted.

(i) Current Tax

Current tax is the amount of income tax payable in respect of taxable profit for the year or prior years. The tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date.

(ii) Deferred Tax

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the Financial Statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements.

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

Deferred income tax is calculated using tax rates and laws that have been enacted or substantively enacted at the reporting date and are expected to apply on the reversal of the timing difference.

1.8 Cash and Balances at Central Banks

Cash and balances at central banks in the Statement of Financial Position comprise of cash and balances at central banks which may be withdrawn without notice.

Tandem Bank Limited

Notes to the Financial Statements

for the year ended 31 December 2022

1. Significant Accounting Policies (continued)

1.9 Financial Instruments Recognition and De-recognition

The Bank has chosen to apply the recognition and de-recognition provisions of IAS 39 Financial Instruments: Recognition and Measurement, as permitted per Section 11.2 of FRS 102.

(i) Recognition

All financial assets and liabilities are initially recognised on the date the Bank becomes a party to the contractual provisions of the instrument.

(ii) De-recognition

Financial assets are derecognised when, and only when, contractual rights to the cash flows from the asset have expired or have been transferred.

An asset is transferred if either the entity has transferred the contractual rights to receive the cash flows, or the Bank has retained the contractual rights to receive the cash flows from the asset, but has assumed a contractual obligation to pass those cash flows on under an arrangement that meets the following three conditions:

- the Bank has no obligation to pay amounts to the eventual recipient unless it collects equivalent amounts on the original asset;
- the Bank is prohibited from selling or pledging the original asset (other than as security to the eventual recipient); and
- the Bank has an obligation to remit those cash flows without material delay

Once the Bank has determined that the asset has been transferred, it then determines whether or not it has transferred substantially all of the risks and rewards of ownership of the asset. If substantially all the risks and rewards have been transferred, the asset is derecognised. If substantially all the risks and rewards have been retained, derecognition of the asset is precluded.

If the Bank has neither retained nor transferred substantially all of the risks and rewards of the asset, then the Bank assesses whether it has relinquished control of the asset or not. If the Bank does not control the asset then the asset is derecognised; however if the Bank has retained control of the asset, then the Bank continues to recognise the asset to the extent to which it has a continuing involvement in the asset.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

Tandem Bank Limited

Notes to the Financial Statements

for the year ended 31 December 2022

1. Significant Accounting Policies (continued)

1.10 Financial Instruments Classification and Measurement

The Bank has chosen to apply the classification and measurement provisions of IAS 39 Financial Instruments: Recognition and Measurement, as permitted per Section 11.2 of FRS 102.

(i) Financial Assets

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and the Bank does not intend to sell immediately or in the near term. These are initially measured at fair value plus transaction costs that are directly attributable to the financial asset. Subsequently they are held at amortised cost using the effective interest rate method, less provision for impairment. Loans and receivables predominantly comprise loans and advances to customers and loans and advance to banks.

Available for Sale

These comprise debt securities and other eligible bills as well as equity shares. They are initially measured at fair value plus transaction costs that are directly attributable to the financial asset. Subsequently, they are measured at fair value based on current quoted prices in active markets. For investments not traded in an active market, the fair value is determined using appropriate valuation techniques. Valuation techniques include the discounted cash flow method, comparison with similar instruments for which market observable prices exist, option pricing models and other relevant valuation models.

Available for sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

Interest income is recognised in the Income Statement using the effective interest rate method. Impairment losses are recognised in the Income Statement. Other fair value changes are recognised in Other Comprehensive Income and presented as shareholders' equity in the Balance Sheet. On disposal, the gain or loss accumulated in equity is reclassified to the Income Statement.

Fair Value Through Profit or Loss

For certain loans and advances and customer accounts with fixed rates of interest, interest rate swaps have been acquired with the intention of significantly reducing interest rate risk. See Note 5. The derivatives are classified at fair value through profit or loss. All derivative instruments are initially measured at fair value on the contract date and are also measured at fair value at subsequent reporting dates. Changes in fair value of any derivative instruments are recognised immediately in the Income Statement.

(ii) Financial Liabilities

Financial liabilities are contractual obligations to deliver cash or another financial asset. All financial liabilities (other than derivatives) are recognised initially at fair value (net of directly attributable transaction costs) and are subsequently measured at amortised cost. Financial liabilities at amortised cost include deposits from customers and intercompany as well as subordinated loans.

Tandem Bank Limited

Notes to the Financial Statements

for the year ended 31 December 2022

1. Significant Accounting Policies (continued)

1.11 Impairment of Financial Assets

The Bank assesses at each reporting date its financial assets not at fair value through profit or loss as to whether there is any objective evidence that a financial asset is impaired. If any such indication exists, the Bank estimates the recoverable amount of the asset versus the exposure.

Impairment losses are recognised in the Income Statement and measured as the difference between the asset's carrying value and the present value of estimated cash flows (excluding future credit losses that have not been incurred), discounted at the asset's original effective interest rate.

(i) Loans and Advances

Impairment provisions are made against individual loans when recovery is doubtful, and adjusted on an ongoing basis when additional information is available, including the period leading up to portfolio sale events. For loans that are not considered to be individually impaired, a collective impairment assessment is performed to reflect the estimated amount of losses incurred on a collective basis but have yet to be individually identified. The methodology uses a statistical model which looks at the likelihood of balances moving into arrears status within a defined period, multiplying the probability of default ('PD') by the loss given default ('LGD') and then applying an emergence period. Usually this would be calculated by looking at historical loss experience updated to reflect current economic conditions. Where the Bank's portfolios of assets are predominantly made up of relatively new loans with limited arrears data, the Bank has also looked at other relevant external data to calculate its collective provision. The methodology and assumptions used are regularly reviewed to reduce any differences between estimates and actual results and to refine the methodology as more appropriate data becomes available.

The aggregate impairment provisions which are made during the period (less amounts released and recoveries of bad debts previously written-off) are charged against operating profit and are deducted from loans and advances to customers. Loans and advances to customers are written-off when there is no realistic prospect of recovery.

Following the acquisition of GDFC Assets Limited and the Green Deal Plans unsecured lending portfolio, an additional provision was recognised to provide for a group of loans with a higher potential of conduct claims (originated pre-2016). The provision is calculated based on historical complaint acceptance rates, expected complaint flows and reduction value in claim amounts.

TBL acquired beneficial ownership of a portfolio of loan accounts from Honeycomb Finance Limited (HFL) in August 2020. Some of this portfolio of accounts are undergoing review due to a larger than expected number of complaints with the Financial Ombudsman Service. A provision has been raised to cover potential redress pending conclusion of this review, with any payments expected to be managed on a case by case basis.

Tandem Bank Limited

Notes to the Financial Statements

for the year ended 31 December 2022

1. Significant Accounting Policies (continued)

1.11 Impairment of Financial Assets (continued)

(ii) Financial Assets Classified as Available for Sale

The Bank assesses at each reporting date whether there is objective evidence that an available for sale financial asset is impaired. In addition to the criteria for loans and advances, the assessment involves reviewing the financial circumstances (including credit worthiness), assessing the future cash flows expected to be realised and, in the case of equity shares, considering whether there has been a significant or prolonged decline in the fair value of the security below its cost.

Impairment losses on available for sale financial assets are recognised by reclassifying the losses accumulated in the available for sale reserve in equity to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss.

1.12 Fair Value Measurement

All financial instruments are initially recognised at fair value on the date of initial recognition and, depending on the classification of the asset or liability, may continue to be held at fair value either through Income Statement or Other Comprehensive Income. The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

When independent prices are not available or if the market for a financial instrument is not active, fair values are determined by using valuation techniques. These may refer to observable market data, comparison with similar instruments where market observable prices exist, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants. However, some of the inputs to the techniques may be based on unobservable data (e.g. in case of unlisted securities) if there is minimal or no current market data available, in which case valuation adjustments are done to reflect uncertainties in fair values resulting from lack of market inputs.

1.13 Derivative Financial Instruments

The Bank has entered into derivative transactions for the purpose of reducing exposures to fluctuations in interest rates. Derivatives are carried at fair value with movements in fair values recorded in the profit or loss. Derivative financial instruments are principally valued by discounted cash flow models using yield curves that are based on observable market data as well as valuations obtained from counterparties. As the Bank's derivatives are covered by master netting agreements with the Bank's counterparties, with any net exposures then being further covered by the payment or receipt of periodic cash margins, the Bank has used a risk-free discount rate for the determination of their fair values.

All derivatives are classified as assets where the fair value is positive and liabilities where the fair value is negative. Where cash collateral is given to counterparties to mitigate the risk inherent in amounts due from the Bank, it is included in loans and advances to banks. Where cash collateral is received from counterparties to mitigate the risk inherent in amounts due from the counterparty, it is included in deposits by banks.

Tandem Bank Limited

Notes to the Financial Statements

for the year ended 31 December 2022

1. Significant Accounting Policies (continued)

1.14 Hedge Accounting

The Bank designates certain derivatives held for risk management as hedging instruments in qualifying hedge relationships.

At the inception of the hedge relationship, the entity documents the economic relationship between the hedging instrument and the hedged item, along with its risk management objectives and clear identification of the risk in the hedged item that is being hedged. In designating financial instruments as qualifying hedge relationships, the Bank has determined that it expects the hedge to be highly effective over the life of the hedging instrument. This is assessed on an ongoing basis during the period for which the hedge is designated.

Fair Value Hedge Accounting for Portfolio Hedges of Interest Rate Risk

The Bank applies fair value hedge accounting for a portfolio hedge of interest rate risk by identifying portfolios with similar repricing characteristics and whose interest rate risk it aims to hedge. The portfolios comprise assets and liabilities. The Bank then analyses each portfolio into repricing time periods based on expected repricing dates, by scheduling cash flows into the periods in which they are expected to occur. Using this analysis, the Bank designates as the hedged item, an amount from each portfolio that it wishes to hedge.

Provided that the hedge has been highly effective, changes in the fair value of derivatives are recorded in the Income Statement together with the changes in the fair value of the hedged items that are attributable to the hedged risk.

If the hedge no longer meets the criteria for hedge accounting, changes in the fair value of the hedged item attributable to the hedged risk are no longer recognised in the Income Statement. For the portfolio hedged items, the cumulative adjustment is amortised to the Income Statement using the straight-line method over the period to maturity.

1.15 Share Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Tandem Bank Limited

Notes to the Financial Statements

for the year ended 31 December 2022

2. Interest Income

	2022 £'000	2021 £'000
Interest income on:		
- Cash and balances at central banks	4,468	234
- Loans and advances to banks	31	1
- Loans and advances to customers	68,213	21,408
- Debt securities	1,293	69
- Intercompany loan	23	21
Net interest income/(expense) on interest rate swaps hedging loans and advances to customers	904	(145)
	74,932	21,588

3. Interest Expense

	2022 £'000	2021 £'000
Interest Expense on:		
- Deposits by banks	646	43
- Customer accounts	18,689	6,430
- Other	119	-
Net interest expense/(income) on interest rate swaps hedging customer accounts	68	(20)
	19,522	6,453

4. Fees and Commission

	2022 £'000	2021 £'000
Income		
Credit card other fee income	-	11
Expense		
Servicing fees paid	163	315
Performance fees	-	167
	163	482

Tandem Bank Limited
Notes to the Financial Statements
for the year ended 31 December 2022 (continued)

5. Net Gains on Derivatives and Hedge Ineffectiveness

	2022	2021
	£'000	£'000
Net gain on derivatives not in a hedging relationship	1,434	78
Net gain from hedge ineffectiveness	520	37
	1,954	115
Net gain from hedge ineffectiveness:		
Gain on hedging instruments	20,245	2,295
Loss on hedged items	(19,725)	(2,258)
	520	37

6. Other Operating Income

	2022	2021
	£'000	£'000
Visa Inc. shares dividend income	26	23

7. Operating Expenses

	2022	2021
	£'000	£'000
Staff costs	284	378
Intercompany recharge	51,671	29,569
Other administrative costs	263	561
	52,218	30,508
Average number of employees	4	6

Tandem Bank Limited

Notes to the Financial Statements

for the year ended 31 December 2022 (continued)

8. Auditors' Remuneration

	2022 £'000	2021 £'000
Audit of the Bank's Financial Statements	560	624
Other services	-	42
	560	666

Auditors' remuneration is paid for by TML and included within the intercompany recharge to TBL. Other services provided during the prior year by the Bank's auditors relate to the audit of regulatory reporting submissions.

9. Directors' Remuneration

The Directors did not receive any remuneration or contributions under defined benefit schemes from TBL during the year or prior years. The Directors are employed and paid by TML. Their remuneration is recharged to TBL through the intercompany recharge from TML, refer to Note 33 for further details.

Below is the amount paid by TML to the Directors relating to qualifying services provided to TBL:

	2022 £'000	2021 £'000
Total Directors' Emoluments		
Remuneration	1,002	788
Compensation for loss of office	152	57
Pension contributions	5	13
	1,159	858
Highest Paid Director Emoluments		
Remuneration	263	169
Compensation for loss of office	152	-
	415	169

10. Gain/(Loss) on Sale of Financial Assets

Group	2022 £'000	2021 £'000
Gain/(loss) on sale of loan portfolios	1,719	(569)
Loss on sale of debt securities	(249)	-
	1,470	(569)

Tandem Bank Limited
Notes to the Financial Statements
for the year ended 31 December 2022 (continued)

11. Taxation

	2022 £'000	2021 £'000
The taxation credit based on the loss for the year comprises:		
Current tax:		
UK corporation tax	(986)	-
Total current tax	(986)	-
Deferred tax:		
Utilisation of unrecognised tax losses	(4,293)	(177)
Origination and reversal of other timing differences	-	-
Total deferred tax	(4,293)	(177)
Total tax charge / (credit) relating to comprehensive income	(5,279)	(177)
Total deferred tax relating to items of Other Comprehensive Income	85	177

	2022 £'000	2021 £'000
Loss on ordinary activities before taxation	(6,933)	(18,030)
Loss on ordinary activities before taxation multiplied by the standard rate of corporation tax of 19% (2020: 19%)	(1,317)	(3,426)
Group relief surrendered/(claimed) for no payment	-	160
Expenses not deductible	-	10
Utilisation of unrecognised tax losses	-	(177)
Deferred tax asset (recognised)/not recognised	(3,962)	3,256
Current tax credit for the year	(5,279)	(177)
Standard rate of corporation tax:	19%	19%

Deferred tax assets not recognised

	2022 £'000	2021 £'000
	Gross Amount	Gross Amount
Tax losses	58,663	73,756
Fixed assets	385	612
	14,666	18,439
	96	153

Tandem Bank Limited

Notes to the Financial Statements

for the year ended 31 December 2022 (continued)

11. Taxation (continued)

Analysis of deferred tax asset/(liability)	2022 £'000	2021 £'000
Losses	4,786	(492)
Short-term timing differences	(577)	492
Total deferred tax asset/(liability)	4,209	-

On 17 October 2022, the Chancellor of the Exchequer confirmed that the UK corporation tax rate will increase to 25% from 1 April 2023. On 17 November 2022 it was confirmed that the previously enacted reduction in Banking Surcharge to 3%, with an allowance of £100m, would proceed, also from 1 April 2023. These enacted tax rates have been used to determine the deferred tax balances as at 31 December 2022.

TBL has recognised a deferred tax asset in respect of future taxable profits for the first time this year.

The acquisition of Oplo by Tandem has significantly changed the profile of the Group, as it now has, for the first time as a result of the acquisition, aggregate taxable profits. Prior to the acquisition Oplo had an established history of generating sustainable taxable profits, and this is expected to continue following the acquisition by Tandem, particularly given this will give it greater access to capital. Tandem has used the board approved 5-year Medium Term Plan ('MTP') as a starting point for the calculation noting this is consistent with the forecast used when carrying out the going concern review.

Based on the MTP, post April 2017 losses will be utilised over approximately the next 5 years. However, when assessing how much deferred tax asset to recognise management also reviewed plausible downside scenarios (including but not limited to removing future tier 2 capital injections as well as 25bp thinner loan spreads) and in doing so the forecast remains profitable but reduced. Management have therefore applied a probability weighting to the forecast profits for future years to reflect that the forecast is inherently sensitive to the assumptions which underpin it, including macroeconomic conditions and is dependent on the Group's ability to successfully execute its strategy. Significant judgement is applied when determining the probability weightings and any change in these weightings can alter the expected utilisation of the deferred tax asset significantly. The group has chosen to recognise Tandem Money Limited's carried losses in full with the excess losses recognised in the Bank. A 10% increase/decrease in each year's probability weighting over the next 5 years would result in a £1,585k increase/£1,585k decrease in deferred tax asset recognition.

12. Cash and Balances at Central Banks

	2022 £'000	2021 £'000
Bank of England Reserve Account	679,659	360,378

Tandem Bank Limited
Notes to the Financial Statements
for the year ended 31 December 2022 (continued)

13. Loans and Advances to Banks

	2022	2021
	£'000	£'000
Repayable on demand	20,167	15,810
Encumbered cash	1,104	500
	21,271	16,310

Encumbered cash is cash committed to banks for collateral so is repayable in accordance with the original contract terms which can vary based on circumstance. The encumbered cash balance consists of collateral relating to derivative instruments of £1,104k (2021: £500k) and is included in cash and cash equivalents. Refer to Note 29.2 for further details.

14. Loans and Advances to Customers

	2022	2021
	£'000	£'000
Gross loans and advances to customers	1,126,877	444,917
Provision for impairment	(26,381)	(5,834)
Fair value adjustment for portfolio hedged risk	(22,127)	(2,238)
	1,078,369	436,845

Repayable on demand	7,546	13,960
3 months or less	14,952	12,558
Between 3 months and 1 year	50,864	31,814
Between 1 year and 5 years	382,851	175,686
Over 5 years	670,664	210,899
	1,126,877	444,917

The Bank's gross lending exposure before deduction of impairment provisions is analysed below:

	2022	2021
	£'000	£'000
Secured lending	692,093	262,023
Unsecured lending	434,784	182,894
	1,126,877	444,917

	%	%
Secured lending	61	59
Unsecured lending	39	41
	100	100

Tandem Bank Limited

Notes to the Financial Statements

for the year ended 31 December 2022 (continued)

14. Loans and Advances to Customers (continued)

The Bank's reconciliation of impairment losses on loans and advances by class is set out below:

	Secured lending £'000	Unsecured lending £'000	Total £'000
Year ended 31 December 2022			
Opening balance	48	5,786	5,834
Provisions on portfolios acquired	9,676	15,218	24,894
Provisions on sold portfolios	-	(10,914)	(10,914)
New impairment provisions less releases	247	13,440	13,687
Amounts transferred to write-offs	(802)	(6,318)	(7,120)
Closing balance	9,169	17,212	26,381
Gross amount of loans individually determined to be impaired, before deducting any individually assessed impairment allowance	18,936	28,252	47,188
	Secured lending £'000	Unsecured lending £'000	Total £'000
Year ended 31 December 2021			
Opening balance	-	14,113	14,113
Provisions on sold portfolios	-	(7,158)	(7,158)
New impairment provisions less releases	48	1,657	1,705
Amounts transferred to write-offs	-	(2,826)	(2,826)
Closing balance	48	5,786	5,834
Gross amount of loans individually determined to be impaired, before deducting any individually assessed impairment allowance	-	8,443	8,443

A reconciliation for bad and doubtful debts per the Income Statement is set out below:

	2022 £'000	2021 £'000
Provisions raised/(released)	6,667	(1,121)
Write-offs	7,120	2,867
Recoveries of amounts previously written off	(275)	(41)
	13,412	1,705

Tandem Bank Limited

Notes to the Financial Statements

for the year ended 31 December 2022 (continued)

14. Loans and Advances to Customers (continued)

The allowance for impairment losses on loans and receivables is Management's best estimate of losses incurred in the portfolio at the Balance Sheet date. In determining the required level of impairment provisions, the Group uses the output from statistical models. Management judgement is therefore required to assess the robustness of the outputs from these models and where necessary, make appropriate adjustments. The impairment allowances are made up of two components, those determined individually against specific assets and those determined collectively. See Note 1.11 for impairment of Financial Assets. For further detail and sensitivity analysis refer to Note 29.1.

- Individual

Individual impairment allowances are established against the Group's individually significant financial assets that are deemed by Management to be impaired. In particular, the Group's first charge mortgage portfolio is reviewed on a case by case basis to determine whether recovery is doubtful. Judgement is required by Management to assess matters such as the financial status of the customer and the realisable value of the security held. The actual amount of the future cash flows and their timing may differ from the assumptions made for the purposes of determining the impairment allowances and consequently there may be adjustments to these allowances over time as the circumstances of the customer become clearer. The gross loans and advances to customers assessed individually is £227,401k (2021: £262,023k) and have an impairment allowance of £nil (2021: £nil).

- Collective

All financial assets that are not found to be individually impaired are collectively assessed for impairment. Collective impairment allowances are generally established for the smaller balance homogenous portfolios (i.e. the Group's unsecured retail and second charge mortgage portfolios). The collective impairment allowance is subject to estimation uncertainty and in particular judgement is required to determine the methodology and assumptions used to calculate the provision, taking into account data from the portfolio such as outcome period and levels of arrears, all of which are sensitive to changes in economic and credit conditions (including the interdependency of unemployment rates, interest rates, borrowers' behaviour and consumer bankruptcy trends).

A financial asset or group of assets is impaired, and impairment losses are recognised, only if there is objective evidence as a result of one or more events that occurred after the initial recognition of the asset.

In addition, a collective unidentified impairment provision is made for loan losses that have been incurred but have not been separately identified at the Balance Sheet date. The provision is sensitive to changes in the time between the loss event and the date the impairment is specifically identified (the emergence period). Management use judgement when determining the collective unidentified impairment provision, considering data from the portfolio such as the emergence period and the outcome period all of which are sensitive to changes in economic and credit conditions. For further detail on loan losses and sensitivity see Note 29.1.

Following the adverse cost of living conditions taking effect in 2022, management has recognised an additional impairment provision of £714k. This additional impairment provision was calculated by stressing probability of default assumptions above what has been observed over the past 12 months to capture the recent financial difficulties that some customers may be facing prior to the end of 2022.

The gross loans and advances to customers assessed collectively is £899,476k (2021: £182,894k) and have an impairment allowance of £26,381k (2021: £5,834k).

Tandem Bank Limited

Notes to the Financial Statements

for the year ended 31 December 2022 (continued)

14. Loans and Advances to Customers (continued)

- Conduct Claim

Following the acquisition of GDFC Assets Limited and the Green Deal Plans unsecured lending portfolio, an additional provision was recognised to provide for a group of loans with a higher potential of conduct claims (originated pre-2016). The provision is calculated based on historical complaint acceptance rates, expected complaint flows and reduction value in claim amounts. In terms of the potential to make a contractual recovery in respect of such claims, management has applied judgement with regards to its interpretation of the likelihood of success in such a recovery.

15. Debt Securities

	2022 £'000	2021 £'000
United Kingdom Government	19,960	5,078
Supranational Financial Institutions	30,279	25,137
European Financial Institutions	9,829	-
United Kingdom Financial Institutions	31,142	-
	91,210	30,215

Debt securities held for liquidity purposes are classified as available for sale assets at market value.

Remaining Maturity	2022 £'000	2021 £'000
Maturing in 3 months or less	14,963	-
Maturing between 3 months and 1 year	19,834	5,078
Maturing between 1 and 5 years	56,413	25,137
	91,210	30,215

16. Derivatives held for Risk Management

	2022 £'000	2021 £'000
Assets	29,592	2,358
Liabilities	(7,057)	(89)

As part of its risk management strategy, the Bank holds interest rate swaps to hedge its interest rate risk arising from fixed rate loans and advances to customers and customer accounts. The interest rate swaps are valued using a discount curve based on the Sterling Overnight Index Average Rate ('SONIA'). During the year, the Bank's predominantly pay fixed/receive SONIA interest rate swap portfolio saw significant favourable mark to market increases. This was due to increased forward swap rates resulting from interest rate rises by the Bank of England to counter inflation.

The Bank applies fair value hedge accounting for a portfolio hedge of interest rate risk by identifying portfolios with similar repricing characteristics. The portfolios comprise assets and liabilities. The Bank then analyses each portfolio into repricing time periods based on expected repricing dates, by scheduling cash flows into the periods in which they are expected to occur.

Tandem Bank Limited

Notes to the Financial Statements

for the year ended 31 December 2022 (continued)

16. Derivatives held for Risk Management (continued)

Using this analysis, the Bank designates as the hedged item, an amount of the assets and liabilities from each portfolio that it wishes to hedge. All derivatives that would otherwise be affected by the amendments to IAS 39 made by the International Accounting Standards Board ('IASB') in their Phase 1 IBOR reliefs to mitigate risks on hedge accounting arising from uncertainty around transition from IBOR to new benchmark interest rates, matured in 2021 and as such are not impacted.

17. Equity Shares

	2022	2021
	£'000	£'000
Visa Inc.	2,309	1,970

Equity shares are classified as available for sale financial assets and measured at fair value.

The shares in Visa Inc. consist of series A and B Convertible Preference stock and the fair value reflects a variety of conditions and provisions including a discount for the lack of marketability and litigation risk. There has been an increase in fair value of £339k recognised in other comprehensive income during the year (2021: £271k). The total dividend income recognised in the year in relation to the Visa Inc. shares is £26k (2021: £23k).

18. Other Assets

	2022	2021
	£'000	£'000
Refundable deposits	-	6
Trade receivables	1,821	3,690
Intercompany	16,256	1,943
Sundry debtors	15	-
Deferred tax	4,209	-
Group taxation relief receivable	986	-
	23,287	5,639

19. Prepayments and Accrued Income

	2022	2021
	£'000	£'000
Accrued income	-	4
Prepayments	500	-
	500	4

Tandem Bank Limited
Notes to the Financial Statements
for the year ended 31 December 2022 (continued)

20. Deposits by Banks

	2022 £'000	2021 £'000
Bank of England Term Funding Scheme	23,678	40,013
Derivative collateral received	19,849	-
	43,527	40,013

Refer to Note 29.2 for further details on derivative collateral received.

Repayable:

Undated	19,849	-
3 months or less	-	16,513
Between 1 and 5 years	23,678	23,500
	43,527	40,013

21. Customer Accounts

	2022 £'000	2021 £'000
Customer accounts	1,755,108	771,236
Fair value adjustment for portfolio hedged risk	(240)	(75)
	1,754,868	771,161

22. Other Liabilities

	2022 £'000	2021 £'000
Trade creditors	924	-
Intercompany	3,764	-
Other liabilities	474	522
	5,162	522

23. Accruals and Deferred Income

	2022 £'000	2021 £'000
Accruals	405	314

Tandem Bank Limited

Notes to the Financial Statements

for the year ended 31 December 2022 (continued)

24. Commitments and Contingent Liabilities

The Bank had the following future commitments in relation to lending contracts and intercompany loans:

	2022	2021
	£'000	£'000
Commitments		
Unsecured lending commitments	81,550	24,200
Mortgages	12,071	4,525
Intercompany loan	7,939	5,973
	101,560	34,698

25. Share Capital and Reserves

	2022	2021
	£'000	£'000
Called-up ordinary share capital, issued and fully paid		
At 1 January	75,875	63,566
Issued for cash	76,464	12,309
At 31 December	152,339	75,875
Other reserves		
Reserves on write-off of Subordinated debt	80,051	80,051
	80,051	80,051
Retained reserves	(117,212)	(114,306)

As at 31 December 2022, the Bank had 152,339k ordinary shares of £1 authorised, fully paid up and in issue (2021: 75,875k). During the year ended 31 December 2022, the Bank issued 76,464k ordinary shares (2021: 12,309k) for cash consideration of £76,464k (2021: £12,309k). There is a single class of ordinary shares. There are no restrictions on the distribution of dividends and the repayment of capital.

As at 31 December 2017 Qatar Holdings LLC ('QHC') had forgiven and derecognised £80,051k of Tier 2 subordinated loan notes facilitating the creation of Tier 1 Capital. The amount is recognised in Other Reserves.

Included within retained reserves is a deduction of £1,178k resulting from the purchase of loan portfolios from Tandem Home Loans Limited (previously Oplo HL Ltd), Tandem Motor Finance Limited (previously Oplo CF Ltd) and Oplo PL Ltd on 24 January 2022. This has been recognised in retained reserves as a capital contribution, as the purchase was from entities within the Tandem Group.

26. Dividends

There is no dividend payable for the year ended 31 December 2022 in respect of the ordinary shares. (2021: £nil)

Tandem Bank Limited
Notes to the Financial Statements
for the year ended 31 December 2022 (continued)

27. Notes to the Statement of Cash Flows

	2022 £'000	2021 £'000
Cash and balances at central banks	679,659	360,378
Loans and advances to banks:		
Repayable on demand	20,167	15,810
Cash collateral on derivatives placed with banks	1,104	500
	700,930	376,688

Reconciliation of loss before taxation to new cash flows generated from operating activities:

	2022 £'000	2021 £'000
Loss on operating activities before tax	(6,933)	(18,030)
Impairment movement on loans and advances to customers	13,412	1,705
Impairment of intercompany balances	-	50
Fair value adjustments for portfolio hedged assets	19,889	2,333
Fair value adjustments for portfolio hedged liabilities	(165)	(75)
Fair value gains on derivatives	(21,678)	(2,373)
Loss on sale of loan portfolios	-	569
Loss on sale of debt securities	249	-
Unrealised foreign exchange gain on equity shares	-	(36)
Non-cash items included loss on operating activities before tax	11,707	2,173
 Increase in loans and advances to customers	 (676,004)	 (46,876)
Decrease in derivative instruments	1,412	-
Decrease in equity shares	-	7
(Increase)/decrease in other assets	(12,453)	997
(Increase)/decrease in prepayments and accrued income	(496)	10
Increase/(decrease) in deposits by banks	3,514	(10,000)
Increase in customer accounts	983,872	276,274
Increase/(decrease) in other liabilities	4,640	(3,226)
Increase in accruals and deferred income	91	197
Change in operating assets and liabilities	304,576	217,383
 Cash generated from operating activities	 309,350	 201,526

Tandem Bank Limited
Notes to the Financial Statements
for the year ended 31 December 2022 (continued)

27. Notes to the Cash Flow Statement (continued)

Analysis of changes in net debt

	As at 1 Jan 2022 £'000	Cash flows £'000	Fair value & exchange movements £'000	Non-cash changes* £'000	As at 31 Dec 2022 £'000
Cash and balances at central banks	360,378	318,235	-	1,046	679,659
Loans and advances to banks	16,310	4,961	-	-	21,271
Cash and cash equivalents	376,688	323,196	-	1,046	700,930
Deposits from banks	(40,013)	(3,300)	-	(214)	(43,527)
Customer accounts	(771,161)	(975,871)	165	(8,001)	(1,754,868)
Derivatives held for risk management	(89)	-	(6,968)	-	(7,057)
Total	(434,575)	(655,975)	(6,803)	(7,169)	(1,104,522)

*Non-cash changes represent movements in accrued interest and effective interest rate adjustments.

Tandem Bank Limited
Notes to the Financial Statements
for the year ended 31 December 2022 (continued)

28. Analysis of Financial Instruments by Measurement Basis

The carrying value of the Bank's financial instruments are summarised by category below:

31 December 2022	Loans and Receivables £'000	Available for Sale Securities £'000	Derivatives Measured at Fair Value through Profit or Loss £'000	Liabilities at Amortised Cost £'000	Total £'000
Financial Assets					
Cash and balances at central banks	679,659	-	-	-	679,659
Loans and advances to banks	21,271	-	-	-	21,271
Loans and advances to customers	1,078,369	-	-	-	1,078,369
Debt securities	-	91,210	-	-	91,210
Derivatives held for risk management	-	-	29,592	-	29,592
Equity shares	-	2,309	-	-	2,309
Total Financial Assets	1,779,299	93,519	29,592	-	1,902,410
Non-financial assets					23,787
Total Assets					1,926,197
Financial Liabilities					
Deposits by banks	-	-	-	43,527	43,527
Customer accounts	-	-	-	1,754,868	1,754,868
Derivative held for risk management	-	-	7,057	-	7,057
Other liabilities	-	-	-	5,162	5,162
Accruals and deferred income	-	-	-	405	405
Total Financial Liabilities	-	-	7,057	1,803,962	1,811,019
Total Liabilities					1,811,019

Tandem Bank Limited
Notes to the Financial Statements
for the year ended 31 December 2022 (continued)

28. Analysis of Financial Instruments by Measurement Basis
(continued)

31 December 2021	Loans and Receivables £'000	Available for Sale Securities £'000	Derivatives Measured at Fair Value through Profit or Loss £'000	Liabilities at Amortised Cost £'000	Total £'000
Financial Assets					
Cash and balances at central banks	360,378	-	-	-	360,378
Loans and advances to banks	16,310	-	-	-	16,310
Loans and advances to customers	436,845	-	-	-	436,845
Debt securities	-	30,215	-	-	30,215
Derivatives held for risk management	-	-	2,358	-	2,358
Equity shares	-	1,970	-	-	1,970
Total Financial Assets	813,533	32,185	2,358	-	848,076
Non-financial assets					5,643
Total Assets					853,719
Financial Liabilities					
Deposits by banks	-	-	-	40,013	40,013
Customer accounts	-	-	-	771,161	771,161
Derivative held for risk management	-	-	89	-	89
Other liabilities	-	-	-	522	522
Accruals and deferred income	-	-	-	314	314
Total Financial Liabilities	-	-	89	812,010	812,099
Total Liabilities					812,099

Tandem Bank Limited

Notes to the Financial Statements

for the year ended 31 December 2022 (continued)

29. Risk Management

Through its normal operations, the Bank is exposed to a number of financial risks, the most significant of which are credit risk, liquidity and funding risk, market risk and operational risk.

29.1 Credit Risk

Credit risk is the risk of financial losses to the Bank resulting from borrowers or counterparty's failure to repay a debt or meet their contractual obligations.

In line with Tandem's RMF, overall responsibility for credit risk rests with the Board of Directors, on whose behalf the Risk Committee oversee credit risk profile relative to the Board approved Risk Appetite. Day-to-day management of credit risk is delegated to Executive Management.

Management manages credit risk through the RMF and in line with the Board approved Risk Appetite. Management has set out product level credit policies and oversees credit performance through the Credit Committee.

(i) Impairment Assessment

For its first charge mortgage portfolio, the Bank maintains a dynamic approach to credit management with impairment assessed on an individual asset basis taking into account factors such as client credit history, any changes to financial position and clients' willingness to work with the Bank to resolve the situation. The Bank will monitor and liaise with the customer through remediation. During the forbearance period, if the arrears status of a customer deteriorates and there is failure to respond to correspondence to agree a revised payment arrangement plan, the Bank will take steps to recover the debt using their expertise to determine an optimum recovery strategy.

For its unsecured lending and any assets not considered to be individually impaired, the Bank assesses allowances collectively for impairment losses. The collective assessment is made for groups of assets with similar risk characteristics and takes into account changes in credit conditions, including, borrowers' payment behaviour.

(ii) Loans and Advances to Customers

For unsecured lending and second charge mortgages, everything past due is classified as impaired but not all is expected to be written-off. The Bank holds a provision for the past due balances based on historic arrears data. For first charge mortgages, a provision is only recognised against a specific balance when objective evidence of a specific loss event has been observed.

Tandem Bank Limited
Notes to the Financial Statements
for the year ended 31 December 2022 (continued)

29. Risk Management (continued)

29.1. Credit Risk (continued)

(ii) Loans and Advances to Customers (continued)

Credit Quality Analysis

	Unsecured Lending	Secured Lending	Total
	£'000	£'000	£'000
As at 31 December 2022			
Total gross impaired loans	28,252	18,936	47,188
Past due but not impaired	-	11,604	11,604
Neither past due nor impaired	406,532	661,553	1,068,085
Total gross amount due	434,784	692,093	1,126,877
As at 31 December 2021			
Total gross impaired loans	8,443	-	8,443
Past due but not impaired	-	13,074	13,074
Neither past due nor impaired	174,451	249,108	423,400
Total gross amount due	182,894	262,023	444,917

Aging Analysis

	Unsecured Lending	Secured Lending	Total
	£'000	£'000	£'000
As at 31 December 2022			
Total gross impaired loans			
Less than 3 months	13,294	6,173	19,467
Past due 3 to 12 months	11,224	5,326	16,550
Past due over 12 months	3,734	7,437	11,171
	28,252	18,936	47,188
As at 31 December 2022			
Past due but not impaired			
Less than 3 months	-	3,672	3,672
Past due 3 to 12 months	-	7,228	7,228
Past due over 12 months	-	704	704
	-	11,604	11,604

Tandem Bank Limited
Notes to the Financial Statements
for the year ended 31 December 2022 (continued)

29. Risk Management (continued)

29.1. Credit Risk (continued)

(ii) Loans and Advances to Customers (continued)

Aging Analysis (continued)

	Unsecured Lending	Secured Lending	Total
	£'000	£'000	£'000
As at 31 December 2021			
Total gross impaired loans			
Less than 3 months	989	-	989
Past due 3 to 12 months	4,619	-	4,619
Past due over 12 months	2,835	-	2,835
	8,443	-	8,443
As at 31 December 2021			
Past due but not impaired			
Less than 3 months	-	2,737	2,737
Past due over 12 months	-	10,337	10,337
	-	13,074	13,074

The Bank holds collateral against loans and advances to customers, on the secured book, predominantly in the form of first and second charge mortgages over residential and commercial real estate. The average LTV ratio for the mortgage portfolio which measures the size of advance against the value of collateral held as at the date of the advance to customers is 54.9% as at 31 December 2022 (2021: 50.0%).

Sensitivity Analysis of Loans to Customers Impairment Provision

- Change in Arrears

The Banks's provision calculation utilises an IAS39 accounting methodology which is sensitive to the relative size of the arrears book compared to the overall balance. The table below illustrates the sensitivity of provisions to increases in arrears ratio, assuming the overall balance remains unchanged:

Unsecured Lending	Arrears Ratio	Provision Increase	Provision Increase
	%	£'000	%
As at 31 December 2022	3.1%	N/A	N/A
+2.5%	3.2%	172	1.8%
+5.0%	3.3%	344	3.6%
+7.5%	3.4%	517	5.4%
+10.0%	3.5%	689	7.3%

Tandem Bank Limited
Notes to the Financial Statements
for the year ended 31 December 2022 (continued)

29. Risk Management (continued)

29.1. Credit Risk (continued)

(ii) Loans and Advances to Customers (continued)

Sensitivity Analysis of Loans to Customers Impairment Provision (continued)

Unsecured Lending	Arrears Ratio %	Provision Increase £'000	Provision Increase %
As at 31 December 2021	1.0%	N/A	N/A
+2.5%	1.1%	19	1.8%
+5.0%	1.1%	37	3.5%
+7.5%	1.1%	56	5.3%
+10.0%	1.1%	75	7.0%

Secured Lending*	Arrears Ratio %	Provision Increase £'000	Provision Increase %
As at 31 December 2022	2.1%	N/A	N/A
+2.5%	2.2%	58	2.0%
+5.0%	2.2%	116	4.0%
+7.5%	2.3%	174	6.0%
+10.0%	2.3%	231	7.9%

*Comparatives relating to Secured Lending are not presented for 2021 as there was no provision held against the portfolio.

- % Point Increase in LGD

Similarly, Tandem's provisions are sensitive to the LGD assumptions. The table below illustrates the sensitivity of the year end provision position to percentage point increases in LGD, assuming overall balance remains unchanged.

Unsecured Lending	Balance Weighted LGD	Provision Increase £'000	Provision Increase %
As at 31 December 2022	72.3%	N/A	N/A
2.5%	74.8%	328	3.5%
5.0%	77.3%	656	6.9%
7.5%	79.8%	984	10.4%
10.0%	82.3%	1312	13.8%

Tandem Bank Limited
Notes to the Financial Statements
for the year ended 31 December 2022 (continued)

29. Risk Management (continued)

29.1. Credit Risk (continued)

(ii) Loans and Advances to Customers (continued)

Sensitivity Analysis of Loans to Customers Impairment Provision (continued)

Unsecured Lending	Balance Weighted LGD	Provision Increase £'000	Provision Increase %
As at 31 December 2021	71.5%	N/A	N/A
2.5%	74.0%	37	3.5%
5.0%	76.5%	74	7.0%
7.5%	79.0%	111	10.5%
10.0%	81.5%	149	14.0%
Secured Lending*	Balance Weighted LGD	Provision Increase £'000	Provision Increase %
As at 31 December 2022	63.3%	N/A	N/A
2.5%	65.8%	115	3.9%
5.0%	68.3%	230	7.9%
7.5%	70.8%	345	11.8%
10.0%	73.3%	461	15.8%

*Comparatives relating to Secured Lending are not presented for 2021 as there was no provision held against the portfolio.

Tandem Bank Limited
Notes to the Financial Statements
for the year ended 31 December 2022 (continued)

29. Risk Management (continued)

29.1. Credit Risk (continued)

(ii) Loans and Advances to Customers (continued)

Sensitivity Analysis of Loans to Customers Impairment Provision (continued)

- Increase in Emergence Period

The Bank's impairment provision for its secured lending (second charge mortgage) portfolio is particularly sensitive to increases in emergence period (see Note 14) where affordability is stretched. The unsecured lending portfolio is not disclosed in the following table as it is less likely to see an increase in emergence period and is more likely to move into arrears quicker with a shorter emergence period. A longer emergence period increases the impairment provision balance required to be held.

Secured Lending*	Emergence Period (months)	Provision Increase £'000	Provision Increase %
As at 31 December 2022	3	N/A	N/A
+1 month	4	229	2.5%
+2 months	5	478	5.2%
+3 months	6	740	8.1%

*Comparatives are not presented for 2021 as the emergence period was not a key sensitivity on secured lending in the prior period and the Bank's exposure to second charge mortgages was significantly lower.

Loan to Value Analysis of First Charge Mortgage Portfolio:

	2022 %	2021 %
< 40%	15.6	23.2
40% to 50%	19.9	11.2
50% to 60%	25.1	24.2
60% to 70%	17.3	22.6
70% to 80%	17.7	16.3
> 80%	4.4	2.5
Total	100.0	100.0

Tandem Bank Limited

Notes to the Financial Statements

for the year ended 31 December 2022 (continued)

29. Risk Management (continued)

29.1. Credit Risk (continued)

(iii) Debt Securities Held for Liquidity Purposes

The Bank's Treasury Policy allows the holding of debt securities within its High-Quality Liquid Asset buffer to meet its liquidity requirements under the Bank's Liquidity Risk Appetite. Additionally, the Bank has positioned Debt Securities within its Single Collateral Pool ('SCP') at the Bank of England to collateralise its liabilities held under the Sterling Monetary Framework.

As at 31 December 2022, the Bank held assets with a notional value of £9,000k in its SCP to collateralise its Term Funding Scheme with Additional Incentives for SME's ('TFSME') advance with the Bank of England. A breakdown of the Bank's holdings of Debt Securities is shown below:

Issuer	Rating	Notional Value	Mark to
	(Moody's)	£'000	Market Value £'000
United Kingdom Government	Aa3	20,000	19,960
Supranational Financial Institutions*	Aaa	30,000	30,279
European Financial Institutions	Aa3	10,000	9,829
United Kingdom Financial Institutions	Aaa	31,104	31,142
Total		91,104	91,210

*Included in this total are Debt Securities with a notional value of £9,000k that are positioned within the Group's SCP at the Bank of England.

Tandem Bank Limited

Notes to the Financial Statements

for the year ended 31 December 2022 (continued)

29. Risk Management (continued)

29.2. Liquidity Risk

Liquidity risk is the risk that the Bank is unable to meet its obligations as they are expected to fall due or can only do so at exceptional cost. In line with the Overall Liquidity Adequacy Rule ('OLAR'), the Bank will maintain liquidity resources which are adequate, both as to amount and quality in order to meet its requirements at all times.

The Bank reports liquidity risk using the Liquidity Coverage Ratio ('LCR') and has maintained a balance of High-Quality Liquid Assets ('HQLA') to meet its minimum regulatory requirement of 100% at all times throughout 2022, as detailed in the Strategic Report. Furthermore, Management has implemented additional liquidity and funding risk metrics to ensure that risks that are not adequately captured in the LCR are monitored and mitigated as appropriate. Liquidity risk is managed by the Bank's Treasury function with executive oversight provided by ALCo. All liquidity metrics are reported daily to ALCo and subsequently cascaded to the ExCo and Board on a monthly basis.

The Internal Liquidity Adequacy Assessment Process ('ILAAP') sets out the Bank's approach to liquidity risk and its Balance Sheet funding plan. The ILAAP has been prepared in line with internal policies and procedures as well as the regulation on liquidity and funding risk management defined by the PRA rulebook. In completing the ILAAP, Tandem's Senior Management have assessed:

- The Bank's Business Model and Strategy and the ways in which the Firm incurs liquidity and funding risks through its day-to-day operations;
- The adequacy of Bank's liquidity and funding resources to cover the risks identified;
- The methodologies and assumptions applied for risk measurement and liquidity management;
- The major sources of risk to the Bank's ability to meet their liabilities as they fall due, including a review of the business against the risks outlined in Article 86 of the Capital Requirement Directive and SS24/15;
- The results of the stress testing of these risks;
- The adequacy and appropriateness of the Bank's liquidity RMF and internal governance; and
- The recovery plans it has in place to manage a severe stress scenario

Tandem Bank Limited
Notes to the Financial Statements
for the year ended 31 December 2022 (continued)

29. Risk Management (continued)

29.2. Liquidity Risk (continued)

Contractual Maturity Analysis

The following table summarises the contractual maturity profile of the cash flows of the Bank's financial liabilities and derivatives, shown in accordance with their contractual maturity.

	On demand < 3 months		3 to 12 months	1 to 5 years	Over 5 years	Undated	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
As at 31 December 2022							
Non-derivative liabilities							
Deposits by banks	-	-	-	(23,678)	-	(19,849)	(43,527)
Customer accounts	(695,676)	(114,357)	(711,663)	(232,494)	(678)	-	(1,754,868)
Other liabilities	(5,162)	-	-	-	-	-	(5,162)
Accruals and deferred income	(405)	-	-	-	-	-	(405)
	(701,243)	(114,357)	(711,663)	(256,172)	(678)	(19,849)	(1,803,962)
Derivative liabilities							
Fair value hedges:							
Outflow	-	(4,078)	(12,984)	(13,646)	-	-	(30,708)
Inflow	-	3,625	10,010	10,016	-	-	23,651
Net derivative cash flows	-	(453)	(2,974)	(3,630)	-	-	(7,057)
	(701,243)	(114,810)	(714,637)	(259,802)	(678)	(19,849)	(1,811,019)
As at 31 December 2021							
Non-derivative liabilities							
Deposits by banks	-	(16,513)	-	(23,500)	-	-	(40,013)
Customer accounts	(383,901)	(30,839)	(261,756)	(94,665)	-	-	(771,161)
Other liabilities	(522)	-	-	-	-	-	(522)
Accruals and deferred income	(314)	-	-	-	-	-	(314)
	(384,737)	(47,352)	(261,756)	(118,165)	-	-	(812,010)
Derivative liabilities							
Fair value hedges:							
Outflow	-	(50)	(299)	-	-	-	(349)
Inflow	-	77	183	-	-	-	260
Net derivative cash flows	-	27	(116)	-	-	-	(89)
	(384,737)	(47,325)	(261,872)	(118,165)	-	-	(812,099)

Tandem Bank Limited

Notes to the Financial Statements

for the year ended 31 December 2022 (continued)

29. Risk Management (continued)

29.2 Liquidity Risk (continued)

Collateral

The Bank has executed derivatives for commercial hedging purposes which are supported by credit support annexes. If the fair value of the netted derivative portfolio discounted cashflows increase beyond a 'Minimum Transfer Amount', each counterparty is able to request margin from the other to cover its current exposure. It is the Bank's policy to post and receive only GBP cash collateral. As at 31 December 2022, the Bank has provided collateral of £1,104k (2021: £500k) and received collateral of £19,849k (2021: £ nil) against its derivatives portfolio.

The Bank also maintains collateral under the Sterling Monetary Framework ('SMF') which it uses to draw funding under liquidity and term funding facilities.

29.3. Market Risk

Market risk is defined as the risk that the value of the Bank's assets, liabilities, income or costs may fluctuate due to the result of changes to external market prices. The Bank is primarily exposed to Interest Rate Risk in the Banking Book ('IRRBB'). The Bank does not operate a trading book and therefore has no Pillar 1 Capital charge for Market Risk. The Bank also has a small exposure to FX risk in the form of settlement of foreign currency invoices. The Board has deemed that the Bank's exposure to FX risk is immaterial.

IRRBB is the current or prospective risk to Tandem's capital and earnings, arising from adverse movements in interest rates affecting the firm's Banking Book positions. Where possible the Bank seeks to match the interest rate structure of assets and liabilities creating a natural hedge. Throughout 2021, the Bank has developed a derivative hedging strategy to mitigate the interest rate risk of fixed rate assets and liabilities where natural hedging was not possible.

The Bank's primary measure used to capture interest rate risk is an analysis of the impact of parallel and non-parallel shifts in the yield curve on the market value of the Bank's assets and liabilities and on the Bank's projected earnings.

The following table demonstrates the sensitivity to a reasonable possible change in interest rates (all other variables being held constant) of the Bank's equity:

Net present value sensitivity		
	2022 £'000	2021 £'000
Parallel shift in yield curve		
+ 200bps	(1,325)	(108)
- 200bps	1,635	234

Tandem Bank Limited

Notes to the Financial Statements

for the year ended 31 December 2022 (continued)

30. Capital Management (unaudited)

The PRA sets and monitors capital requirements for the Bank. In implementing current capital requirements, the PRA requires the Bank to maintain a prescribed level of capital with reference to risk weighted assets and the perceived RMF. The Bank prepares an annual ICAAP document that sets out how the Bank identifies and manages the key risks, and details the capital requirements, capital resources and capital adequacy over the plan period. In addition, the Bank produces regular reports and submits the forecast capital outlook to the PRA each quarter showing current and medium-term capital requirements.

The Bank manages its capital in accordance with the regulatory framework set out by the Capital Requirements Directive ('CRD IV') and Capital Requirements Regulation ('CRR'), as amended by CRD V and CRR II. These standards were retained in the UK regulatory framework via a series of onshoring instruments as part of the UK's withdrawal from the European Union, and the remaining provisions of CRR II were implemented in full in the UK from 1 January 2022. The requirements are implemented in the UK by the PRA, and enhanced with additional regulation, where deemed necessary, within the PRA Rulebook.

The minimum amount of total capital, under Pillar 1 of the regulatory framework, is set at 8% of total risk-weighted assets. At least 4.5% of risk-weighted assets are required to be covered by common equity tier 1 ('CET1') capital and at least 6% of risk-weighted assets are required to be covered by tier 1 capital. The Pillar 1 requirements are supplemented by additional firm-specific minimum requirements under Pillar 2A of the regulatory framework. The Pillar 2A requirement is set by the PRA based on a point in time assessment and designed to capture risks not fully captured under Pillar 1, and must be met with at least 56.25% CET1 capital. The total of these minimum regulatory requirements (Pillar 1 plus Pillar 2A) is referred to as the Total Capital Requirement ('TCR').

The Bank is also required to hold a number of regulatory capital buffers, known as the 'combined buffer', which must be fully met with CET1 capital and consist of (i) the capital conservation buffer ('CCB') and (ii) the countercyclical capital buffer ('CCyB'). The CCB is a standard buffer of 2.5% of risk-weighted assets designed to provide for losses in the event of stress, and the CCyB, which is time-varying, is determined by reference to buffer rates applied by the Bank of England's Financial Policy Committee ('FPC') for the individual countries where the Bank has relevant credit exposures. The CCyB rate for the UK increased from 0% to 1% in December 2022, leading to a CCyB rate for the Bank of 0.981% as at 31 December 2022, given the Bank's mix of country credit exposures. The PRA may also impose a 'PRA buffer', which must be met fully with CET1 capital and which it requires to remain confidential, to cover forward-looking risks relating to firm-specific stresses or management and governance weaknesses.

At all times through the year the Bank maintained capital in excess of its minimum capital requirements.

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for the year ended 31 December 2022 (continued)

30. Capital Management (unaudited) (continued)

The Bank's regulatory capital position as at the year-end was as follow:

	2022 £'000 (unaudited)	2021 £'000 (unaudited)
Tier 1 Capital		
Ordinary share capital	152,339	75,875
Less: Ineligible regulatory share capital	-	(2,400)
Other reserves	80,051	80,051
Retained reserves	(117,212)	(114,306)
Prudent valuation adjustment	(87)	(35)
Deferred tax	(4,209)	-
	110,882	39,185
Total Capital	110,882	39,185
	2022 £'000 (unaudited)	2021 £'000 (unaudited)
Credit risk	646,082	249,676
Counterparty credit risk	1,806	673
Operational risk	82,915	26,943
Credit valuation adjustment	5,598	3,482
RWA	736,401	280,774
CET1 Ratio	15.1%	14.0%
Capital Ratio	15.1%	14.0%

Tandem Bank Limited

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for the year ended 31 December 2022 (continued)

31. Financial Instruments held at Fair Value

The Bank uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1:** Fair value determined using quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2:** Fair value determined using other techniques for which all inputs which have significant effect on the recorded fair value are observable, either directly or indirectly; or
- Level 3:** Fair value determined using techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data

The below table provides an analysis of Bank financial assets and liabilities held on the Statement of Financial Position at fair value, allocated into levels 1 to 3 based on the degree to which the fair value is observable:

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
As at 31 December 2022				
Financial assets				
Debt securities	91,210	-	-	91,210
Derivatives held for risk management	-	29,592	-	29,592
Equity shares	-	1,906	403	2,309
	91,210	31,498	403	123,111
Financial liabilities				
Derivatives held for risk management	-	(7,057)	-	(7,057)
	-	(7,057)	-	(7,057)
As at 31 December 2021				
Financial assets				
Debt securities	30,215	-	-	30,215
Derivatives held for risk management	-	2,358	-	2,358
Equity shares	-	1,204	766	1,970
	30,215	3,562	766	34,543
Financial liabilities				
Derivatives held for risk management	-	(89)	-	(89)
	-	(89)	-	(89)

Tandem Bank Limited

Notes to the Financial Statements

for the year ended 31 December 2022 (continued)

32. Discontinued Operations

In 2020 the Bank began winding down its credit card portfolio. In 2021, the remaining portions of the credit card portfolio were either sold, converted to other Tandem products or were written off. During 2022 credit cards contributed £ nil profit or loss (2021: losses of £712k)

In 2021, the Bank sold a significant component of its unsecured personal loans originated via third parties. During the 2022 this portfolio contributed £ nil profit or loss (2021: profits of £134k).

33. Related Party and Controlling Party

As at 31 December 2022, the Bank's immediate parent was TML, a company registered in England and Wales (registered number 08628614, and registered office: Hogarth House, 136 High Holborn London, WC1V 6PX). Consolidated Financial Statements are prepared for the year ended 31 December 2022 for TML.

A majority shareholding in TML is owned by PSC Nominee 4 Limited, a company incorporated in Guernsey and an investment vehicle of Pollen Street Capital Limited.

Transactions with related parties

The Bank has cost recharge arrangements with various entities within the Tandem Group (being Tandem Money Limited, GDFC Services PLC, Oplo Group Ltd, Tandem Home Loans Limited, Tandem Motor Finance Limited and Oplo PL Ltd) whereby those entities incur employee and overhead costs and recharge these expenses to TBL for the provision of loan and customer servicing platforms and employee time. The Bank also has intercompany facility agreements with various entities within the Tandem Group, whereby the Bank provides credit lines to those entities for working capital purposes. The Bank has taken advantage of the exemptions set out in FRS 102 Section 33.1A to not further disclose transactions with its parent or with members of the same group that are wholly owned.

In December 2020, the Bank entered into an agreement whereby Oplo HL Ltd (name subsequently changed to Tandem Home Loans Limited on 10 January 2023) would originate second charge mortgages for the Bank (beginning in 2021). As part of the agreement, the Bank incurred servicing and performances fees during 2021 which were recognised in the Income Statement within Fees and Commission Expenses and totalled £155k. As at 31 December 2021, there was an outstanding payable of £40k relating to servicing and performance fees within Accruals and Deferred Income. As at 31 December 2021, there was an outstanding receivable within Other Assets of £21k for repayments on loans originated through the forward flow agreement which had yet to be remitted to the Bank. All payables and receivables between the Bank and Oplo HL Ltd were settled in cash. The Bank and Oplo HL Ltd were related parties due to being under the common control of Pollen Street Capital Limited. On 24 January 2022 the parent of the Bank, Tandem Money Limited, purchased Oplo Holdings Ltd (the parent of Oplo HL Ltd).

During the year, the Bank sold unsecured loans to Perch Capital Limited. The sale price was £312k, with the resulting gain of £138k recognised in the Income Statement within Gain/(Loss) on Sale of Financial Assets. All amounts due were settled in cash during the year. As at 31 December 2022, there were no outstanding balances receivable. Perch Capital Limited was a related party due to being controlled by a close family member of Key Management Personnel. Perch Capital Limited ceased to be a related party from 28 April 2022.

Tandem Bank Limited

Notes to the Financial Statements

or the year ended 31 December 2022 (continued)

33. Related Party and Controlling Party (continued)

Transactions with Key Management Personnel

Key Management Personnel are defined as members of the Executive Committee, including Directors. All Key Management Personnel were employed by either TML, GDFC Services PLC or Oplo Group Ltd for the year ended 31 December 2022, with the cost recharged to TBL through the intercompany recharge arrangement. Their remuneration from TML, GDFC Services PLC and Oplo Group Ltd for services provided to TBL was as follows:

	2022 £000	2021 £000
Key Management Personnel		
Remuneration	2,924	2,618
Pension contributions	47	92
	2,971	2,710

Included in Customer Accounts as at 31 December 2022 is a balance of £633k deposited by members of Key Management Personnel and their close family members (2021: £61k).

34. Events Subsequent to the Reporting Date

Issuance of Share Capital

On 23 January 2023, the Bank allotted and issued 24,960k ordinary shares of £1 each to TML for cash consideration of £24,960k.

On 6 April 2023, the Bank allotted and issued 4,000k ordinary shares of £1 each to TML for cash consideration of £4,000k.