upbeat

ANNUAL REPORT & ACCOUNTS YEAR END 2022

Strategic
Report

The Directors present their Strategic Report and audited consolidated Financial Statements of Tandem Money Limited ('the Group' or 'Tandem') for the year ended 31st December 2022. The Group accounts incorporate the results of Tandem Money Limited ('TML' or 'the Company') and its subsidiaries. See Note 18 for a list of subsidiaries. The registered office for each entity 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 Group 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.

About tandem

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.

Tandem continues to embed itself into the UK's consumer digital infrastructure. These networks host millions of consumer purchases daily via hundreds of thousands of retailers, mortgage advisors, brokers, platforms, price comparison websites and car dealerships.

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'.

Paul Pester
Chair Statement

Creating a strong platform for future growth, 2022 has been a year of transition for Tandem.

The combination of the heritage Tandem business, the embedded finance provider Allium and the consumer lender Oplo, provided all the components necessary to create a profitable, resilient and growing business. Throughout 2022, the Executive team and Board have worked hard to mould together these components around a coherent, purpose-led strategy, of helping mainstream consumers transition to a lower carbon lifestyle.

As we enter 2023 I'm pleased to say the new Tandem is well established, operating under a common brand and one common purpose. Tandem is led by a strong, experienced Executive team.

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.

Innovations such as Tandem's "Top up Rate" on its instant access savings account, will continue to enable Tandem to attract and retain a growing saver base, who will, through 2023, become increasingly aware of the key role they play in helping Tandem to support mainstream consumers transition to a lower carbon lifestyle.

Whilst 2022 has been a year of transition for Tandem as a whole, it has also been a year of transition for the Executive team. I was delighted to welcome Alex Mollart into the CEO role in early October 2022, Wahid Ali into the CRO role in early December 2022 and David McCarthy into the CFO role in early January 2023. I'd like to take this opportunity to thank all of them, their predecessors and the whole Tandem team for their hard work and contribution to creating the new Tandem.

Paul Pester
Chair

" I'M PLEASED TO SAY THE NEW TANDEM IS WELL ESTABLISHED"

Alex Mollart
CEO Statement

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.

Banking for a greener future

The green transition is an enormous opportunity for Tandem to support consumers across the UK, retrofit their homes, change their transport and adapt their lifestyles. As a leading digital bank we are uniquely embedded in the UK's digital infrastructure and are connecting consumers to education, information, green retailers and funding through our app based interface, making the complex, simple and green choices easy from the familiarity of your phone.

2022 Highlights

In 2022 Tandem completed a significant re-brand of the Group with a fresh new look that aligns to our strapline "Banking for a greener future" and the launch of Tandem Marketplace, our first step in making greener choices easy.

Whilst the macro-environment changed significantly in the second half of the year, the Group has grown its originations by 70% to £712m and its loan book by 175% to £1.2bn with 68% of the Group's loan book by unit (23% by £ value) being reported as green. This growth has seen Tandem achieve underlying operating profit of £4.5m for the first time in its history ar d has a clear path to delivering ongoing sustainable profitability and, importantly, capital accretion.

Save a little bit greener

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 Group increased its retail deposits to £1.75bn (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.

Borrow a little bit greener

During 2022 Tandem funded £238m in green lending through its Home Improvement business, funding installations across solar, battery, air / heat pumps and energy efficient windows and boilers.

In addition, the business launched a new EPC discount mortgage product to reward consumers for upgrading their home energy efficiency and a new emissions discount Motor Finance product to reward drivers who choose low-emission or EV vehicles.

Spend a little bit greener

Towards the end of 2022, Tandem launched the UK's first greener marketplace (www.tandem.co.uk/marketplace). The site helps consumers understand how sustainable their homes, transport and lifestyles are, and ultimately access suitable financing solutions.

The beta version launched in 2023 enables consumers to access their EPC's and establish the CO2 emission level resulting from their lifestyle. Several of Tandem's retailer partners have joined the marketplace to offer products directly.

Looking ahead

2022 has been a transformational year for Tandem against the backdrop of a difficult macro-environment, and I would personally like to thank both our incredible people for their hard work, and our shareholders for their steadfast support.

As we move into 2023, we are embracing an exciting delivery roadmap, whilst building a profitable and sustainable business that will help consumers transition to lower carbon lifestyles.

Alex Mollart
Chief Executive Officer – Designate

"2022 SAW THE COMPLETED ACQUISITION OF OPLO. WE REDEFINED OUR MISSION, RE-BRANDED 3 BUSINESSES INTO 'ONE BANK' AND ACHIEVED UNDERLYING PROFITABILITY"

Financial **Review**

David McCarthy
Chief Financial Officer

I am pleased to report on a year of considerable progress for Tandem. 2022 marked the first financial year in which the Group has reported an underlying operating profit. This was enabled by the acquisition and integration of Oplo which has created a profitable entity from day 1 (at underlying operating profit level) and has increased the size of the balance sheet considerably. Tandem's shareholders have supported it with new capital of £188m which has provided the resources to maintain a strong rate of growth in its assets and thereby, its net interest income.

This financial review includes underlying as well as statutory measures of performance. A breakdown of underlying profit has been included to illustrate the Group's performance with non-recurring items excluded.

Key performance indicators

Key performance indicators (KPIs) for Tandem are set out below and reviewed under the headings profitability, growth and balance sheet strength.

Profitability

Underlying operating profit	Statutory loss before tax	Cost to income
£4.5m	£12.4m	80.8%
(FY21: £18.2m loss)	(FY21: £19.6m loss)	(FY21: 201.3%)

Net interest margin	Cost to assets	Impairment ratio
8.36%	3.76%	1.92%
(FY21: 3.60%)	(FY21: 3.99%)	(FY21: 0.41%)

The Group returned underlying operating profit for the year of £4.5m which represents a substantial improvement on the previous year's underlying operating loss of £18.2m. The main reason for the increase was the acquisition of the Oplo business on 24 January. £107.3m of goodwill was generated upon this acquisition which is being amortised through the income statement over 10 years.

The Group's statutory loss before tax (which includes this amortisation, the charge for the employee share scheme and certain one-off charges) also improved by £7.2m year on year.

Net interest margin (calculated this year as net interest income divided by average lending assets to reflect the ratio used by management) improved by 4.76pp over the year. This is attributable in large part to the addition of the Oplo assets which characteristically offer a higher yield than most of the legacy Tandem portfolio.

The cost to assets ratio (calculated as administrative expenses divided by average total assets) improved over the year. These efficiencies arose with scale as the growth in assets on the balance sheet (151% increase year on year) outstripped the increase in administrative expenses (93% year on year). Most of the increase in both elements of the ratio was attributable to the Oplo acquisition but we also experienced material cost increases associated with the general level of inflation.

The impairment ratio (provision for bad and doubtful debts divided by average loan assets) increased by 1.51pp year on year. 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 against expected credit losses.

Growth

Growth in customers	Growth in loans	Growth in deposits
182%	175%	128%
(FY21: 96%)	(FY21: 11%)	(FY21: 56%)

2022 was a year of strong growth both organically and inorganically through the acquisition of Oplo. The increase in loan balances was funded largely by deposits and in the process 29k more customers joined Tandem taking the total to over 60k.

Balance sheet strength

CET1 ratio	LCR	Loan to deposits ratio
15.2%	465%	68.5%
(FY21: 14.2%)	(FY21: 373%)	(FY21: 56.7%)

Our headline measure of capital adequacy – the Common Equity Tier 1 capital ratio (CET1) ended the year in a strong position and was bolstered by £188m of equity capital injections during the year. It was further strengthened immediately after the year end following an additional £25m injection.

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

As a predominantly retail funded Group we aim to cover our loan assets fully with deposits. This target was exceeded by a considerable margin at the end of the year.

Financial review

The summarised Income Statement for the Group is shown on an underlying basis as well as in statutory format where the former aims to provide a clearer view of Tandem's trading performance. The differences between the two are as follows:

- The charge for the employee share scheme of £1.3m has been shown below underlying profit in the underlying version. This charge has been isolated since it reflects performance related compensation in equity and has minimal impact on the cash or capital situation of the Group.
- Non-recurring integration and technology costs of £3.8m have also been shown below underlying profit in the underlying version. These costs have been isolated since they reflect one-off costs relating to the integration of the Oplo business.

Adjustments between statutory and underlying results	FY22 (£k)		FY21 (£k)	
	Statutory	Underlying	Statutory	Underlying
Net interest income	68,527	68,527	14,971	14,971
Other income	2,485	2,485	(238)	(238)
Total income	71,012	71,012	14,733	14,733
Operating expenses	(57,373)	(52,291)	(29,657)	(29,657)
Provision for bad and doubtful debts	(14,265)	(14,265)	(3,274)	(3,274)
Underlying profit/(loss) before other charges	(626)	4,456	(18,198)	(18,198)
Other charges	(11,729)	(11,729)	(1,388)	(1,388)
Adjusting items	-	(5,082)	-	-
Loss before tax	(12,355)	(12,355)	(19,586)	(19,586)
Tax credit on loss	12,836	12,836	177	177
Profit/(Loss) after tax	481	481	(19,409)	(19,409)

The principal movements in the Income Statement year on year were as follows:

Net interest income

Net interest income grew substantially from £15.0m to £68.5m over the year largely due to the acquisition of Oplo and its book of loan assets. Both interest receivable and interest payable increased substantially as the general level of interest rates rose across the year.

There were significant movements in loan assets which also contributed to NII growth:

- £350m of second charge mortgages were originated (FY21: nil) taking the book to £585m (FY21: nil)
- Tandem re-entered the bespoke mortgage market in February 2022 originating £80m of new loans
- In August Tandem launched its first specialist mortgage product
- The Home Improvement Lending Unit (HIL) increased originations to £238m (FY21: £136m) taking the book to £272m (FY21: £150m). At year-end HIL loans represented 68% of Tandem's lending by number of units
- Motor Finance was re-launched in 2022 with originations totalling £11m (FY21: £0.3m) taking the book size to £18.3m (FY21: £9.3m)

Deposits grew considerably over the year to £1.75bn (FY21 £771m). Customers have been attracted by our simple, app-based proposition and competitive pricing.

Administrative expenses

Administrative expenses increased to £55.5m from £28.9m in the prior year. The acquisition of Oplo explains most of the growth. Nevertheless, this has allowed for a more efficient Group overall with the cost: income ratio improving substantially to 81% (FY21: 201%).

During the year Tandem invested in hiring and developing our people and in improving the digital, data and technology platforms. We aim to see a return on those investments in later years evident in further improvements in the cost: income ratio.

Provision for bad and doubtful debts

Credit quality held up well in 2022 despite deterioration of some economic measures that may adversely impact affordability such as interest rates and inflation. Tandem continues to apply a robust and cautious approach to credit risk across its various business lines and aims to hold sufficient provisions to protect the business.

A total of £30.2m has been set aside on the balance sheet for bad and doubtful debts up from £5.8m in the prior year. This has resulted in a charge through the Income Statement of £15.7m (FY21: £1.7m). This includes post model adjustments of £0.7m held against the potential impact of cost of living pressures.

Other charges

This includes the amortisation of goodwill and intangible assets totalling £11.7m (FY21: £1.4m). Goodwill arose on acquisition of Oplo and Allium.

Taxation

A £12.8m tax credit was recorded which represents a deferred tax asset in relation to historic trading losses which are expected to be utilised in the near future. This is the first year a deferred tax asset has been recognised as a result of the increased certainty that the Board has in the Group's ability to generate taxable profits in the near future.

Business **Reviews**

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.

First Charge **Mortgages**

Introduction

Tandem relaunched its bespoke mortgage product in February 2022 and expanded into the specialist residential segment in August. Tandem offers a range of products across the specialist residential and bespoke sectors of the market, accessed through an extensive distribution network.

Customer

Tandem worked diligently throughout 2022 to ensure that all products were accessible across a broad distribution group. Customers can now access our range through networks, packagers, clubs and brokers.

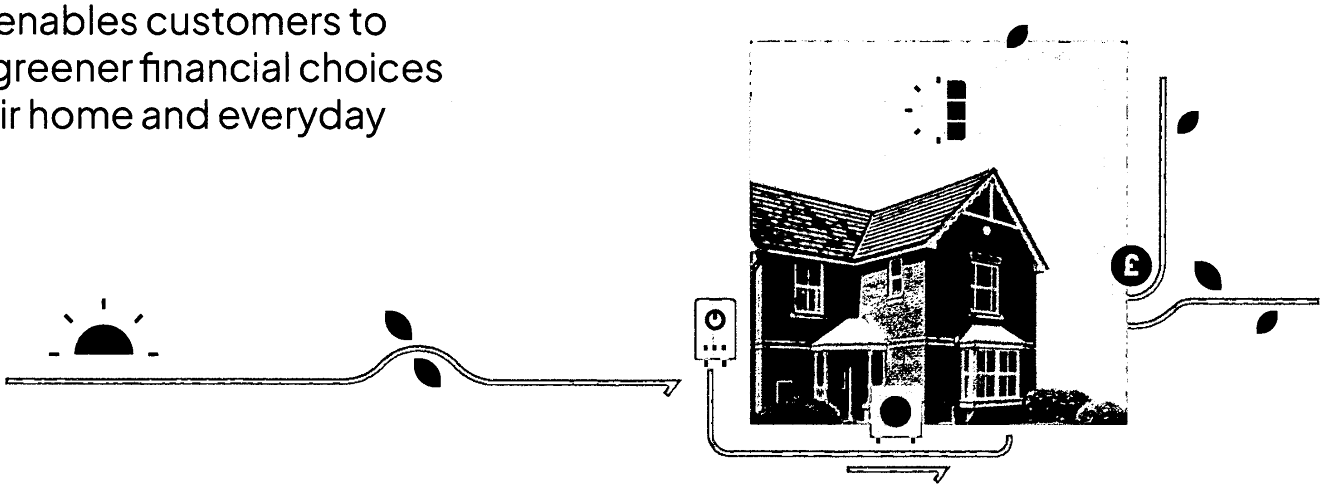
Tandem's proposition contains a number of selling points and customer centric features, which appeal to applicants that mainstream lenders have traditionally under served.

Distribution has been a key focus for the team in 2022. All intermediaries were subject to a robust onboarding due diligence process, with ongoing oversight of approved partners to be conducted in line with Tandem's policies and procedures.

Outlook

The outlook for Tandem as a new lender in the specialist First Charge sector looks positive.

Tandem's 'whole of market' distribution, product range and criteria places Tandem in a good position to gain traction in a competitive market.



Second Charge **Mortgages**

Introduction

The Second Charge Mortgage proposition offers a range of residential second charge mortgages for various purposes including home improvements, debt consolidation and high-value consumer purchases.

Tandem is well established as a leader in the specialist second charge market.

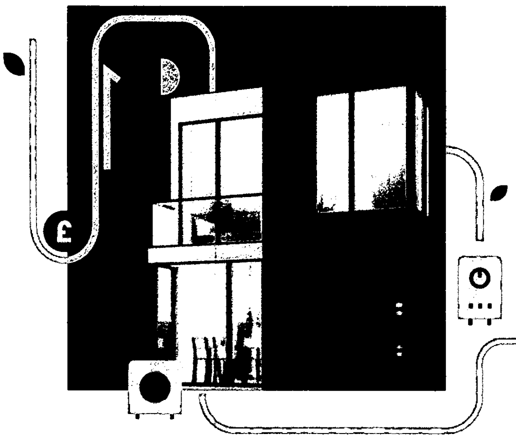
Customer

Tandem has more than 19,000 active second charge customers. Borrowers typically access our product range through Tandem's extensive network of more than 100 specialist intermediaries. Customers can also apply directly through the website.

The proposition continues to evolve as the Group works closely with distribution partners and listens to direct customer feedback. This approach has positively shaped Tandem's offering and enabled Tandem to help more customers satisfy their borrowing needs. Enhancements to the data warehouse and decision engine, coupled with Tandem's excellent market insight, enabled the Group to price almost in real-time. This agility provided a competitive advantage and was particularly important during the market volatility experienced in the second half of 2022.

Outlook

This sector is set to benefit from increased demand during 2023 as borrowers who have locked in a lower interest rate on first charge mortgages look to access capital on a second charge basis, rather than remortgaging.



Home Improvement **Lending**

Introduction

Tandem's Home Improvement business unit provides unsecured loans through a network of intermediaries, for consumers to finance purchases primarily in the greener home improvement market.

Customer

Tandem actively seeks regular feedback from all stakeholders, and this proactive approach enables the Group to react quickly with regard to specialist innovation. Tandem effectively competes with larger, less agile competitors. With its history in this sector, Tandem is recognised as a market expert and prides itself in exceeding expectations. The Group has expanded its footprint via a combination of bespoke technology and a high level of brand awareness and education into the market.

Outlook

Many of the products Tandem finance help increase the energy efficiency of properties and, given the UK's focus in this area, we have experienced a surge in demand for solar, energy efficient heating and improved insulation (through energy efficient windows and doors).

Tandem fully expects this demand to continue and the team will continue to play its part in supporting a greener future. From a credit perspective, as all lending is to homeowners investing in products that are installed into their property, Tandem expects the loan performance to remain strong.

Motor **Finance**

Introduction

Tandem's Motor Finance business unit provides hire purchase products to consumers across the UK to purchase cars through intermediaries, namely finance brokers and independent used car dealers.

The focus through 2022 was to establish a brand new team and build the foundations to enter the PoS (point of sale)market in 2023.

Customer

With c.5,000 active customers, primarily originated from a legacy portfolio, Tandem benefits from established servicing capabilities delivering services typically associated with a much larger competitors.

There are two distinct customer onboarding journeys in place, brokers typically securing finance approval and supporting the car buying journey through a panel of pre-approved dealers, whereas dealers typically promote finance offerings bespoke to vehicles via their websites and subsequently support the full customer journey, either online or at the PoS.

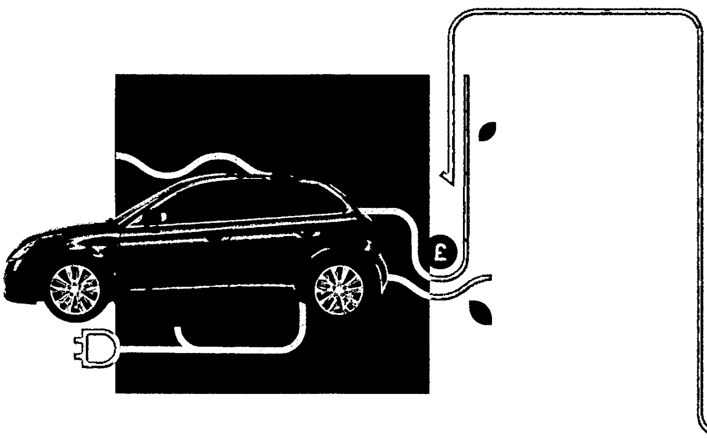
In both cases the journey is fully automated from a customer perspective, complimented by our electronic document signing solution.

Outlook

The macro-economic backdrop will undoubtedly present challenges to UK consumers however periods of economic downturn typically benefit Motor Finance providers, as key competitors, the direct lenders, typically reduce originations reflecting their greater risk exposure.

The lack of new car supply over recent years has enhanced used car values which, when coupled with the current cost of living challenges, has driven a £10-£12k consumer 'sweet spot' perfectly aligned to Tandem's proposition.

Ongoing regulatory change such as the FCA's Consumer Duty further support Tandem's plans having been firmly embedded in its customer journey and products, and without the legacy issues faced by many of our competitors.



Savings

Introduction

The Savings customer portfolio reflects the history of the Group, with a small group of customers that were initially recruited to the Harrods Bank offer, a cohort of customers attracted by Tandem's early "auto-save" proposition, and more recently, a large number of customers attracted by Tandem's current on-sale proposition. The current proposition, following the migration to a new core banking platform in Q2 2021, is attracting traditional, mainstream savers.

Customers have been attracted by the simple, app-based retail savings proposition across Tandem's IASA and FTD products, with growth delivered whilst building trust and brand recognition in the market.

Customer

The proposition continues to be enhanced based on customer-focused principles and insight from the market. From research conducted in Q1 2022, in conjunction with independent comparison provider Savings Champion, Tandem gained insight that a significant proportion of UK savers still have a preference for web-based savings, rather than app-based savings. Thus, to satisfy these requirements, a web journey was launched to support account opening for FTD's in May 2022.

This web-based functionality will continue to be developed in parallel with enhancements to the app, to ensure the customer experience is maintained across both channels.

Although the strategy is predominantly focused on building direct relationships with depositors, Tandem recognises the significant and growing impact of cash platforms and partnerships in delivering savings solutions to customers. With this in mind, and as part of the process to diversify the Bank's funding sources, a partnership with Raisin was established in 2022, successfully delivering material deposit volumes.

Outlook

The outlook will reflect the higher interest rate environment that will be new to many depositors. This is likely to create greater returns for savers with relatively small deposit balances, potentially motivating a shift out of current accounts. Further, higher rates will deliver increased returns for those savers with substantial balances, potentially triggering tax implications for a greater proportion of depositors, which may lead to Individual Saving Accounts (ISA) becoming more attractive than in the recent past.

All of Tandem's greener lending products are funded by our customer deposits. We have also started developing a green savings proposition to help our customers create a positive, measurable green impact by saving with Tandem beyond funding our greener lending products and are looking to bring this new proposition to market in 2023.

In addition, Tandem plans to launch a Cash ISA and to continue the journey of diversifying funding sources by exploring further partnerships with third party providers that can support delivery of the longer term strategic plan.

Technology

Digital, Data & Technology

During 2022 the Digital, Data and Technology teams helped deliver the integration of three legacy businesses.

There has been substantial progress made on the app and Tandem's Marketplace, as well as laying the foundations for our 'best in class' origination platform for 2023.

Integration

The integration project delivered significant progress through 2022, unifying control of underpinning infrastructure, end user computing, office, cloud and, significant migration to a single tech platform.
We are on track with our roadmap to be fully integrated and optimise the digital landscape by end of 2023.

In December 2022, we engaged in testing 'Connect', a broker portal and user interface developed by our team at Tandem. The originations platform used by our lending businesses will deliver speed, efficiency, and value once it goes live in 2023.

App and Marketplace

In August 2022 we rebranded the Tandem app and added new functionality and products. It gave us a fresh new feel and in December 2022 would lead to us winning 'Best App-Based Savings Provider' in the Savings Champion 2023 awards.

In November 2022, we launched the initial phase of our Marketplace and created a prototype for our new improved website that lets us properly launch the next phase of Marketplace and much more content on Impact.

Organisation and Operations

In October 2022 we used the Connect Motor Platform to enable integration to 8,000 motor dealers across the UK to really allow us to compete with the rest of the market and grow our Motor Finance franchise.

As we move into 2023, we have a solid platform to build upon, underpinned by;

- A strong single Digital team organised in cross-functional squads with significantly more capacity and capability to support Tandem's transformation journey
- Significant progress on securing the Group and a clear roadmap to keep improving our defense in terms of both depth and capabilities
- A clear vision on how our customers will interact with Tandem across our app and digital channel

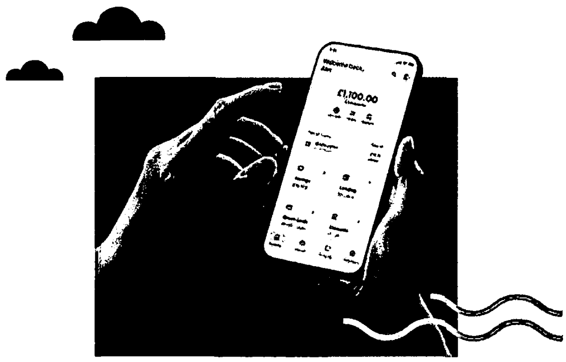
Central **Functions**

With over 500 employees across five UK offices, Tandem has continued to make smart investments to integrate activities, capture efficiencies and enhance the Group's risk management. New Finance and HR systems were deployed throughout 2022, creating greater efficiencies internally.

Externally, the rebrand of Tandem has been a key focus, as well as a financial education programme successfully being rolled out to schools and colleges. The programme offers free financial literacy education to 16 - 18 year olds, helping them to make better informed financial decisions.

Throughout 2022, Tandem also invested in existing and new talent, helping to grow the workforce and skillset. Employee engagement tools were introduced to help monitor, build and drive engagement levels forward.

December 2022 also saw a new Cardiff branch open, enabling considerable growth in the Group's Cardiff based teams and aligning with its business strategy for future growth. The design takes inspiration from Tandem's Blackpool office, which was awarded an 'A' energy rating certificate in 2022. Together with a mission to be a greener bank, all office interiors are based on four principles; touch, feel, space, and nature - as well as the wellbeing of Tandem employees. Tandem believes this translates to better customer care and to a sustainable, commercial proposition.



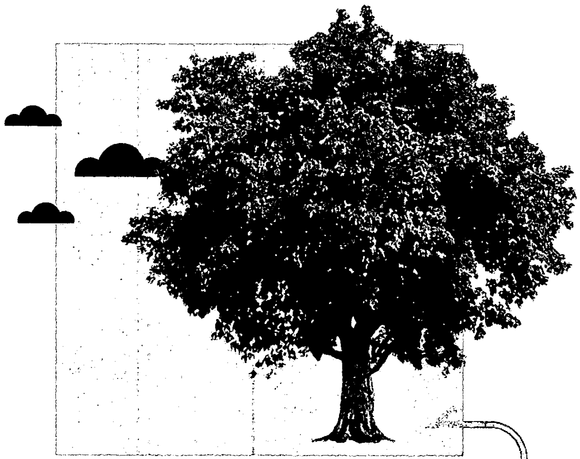
Impact and
ESG Framework

Through our mission of banking for a greener future, we aim to make it easier for customers to be more sustainable and power the transition to a low-carbon economy. At the heart of this is acknowledging that the rising cost of living is preventing people from doing more for the environment, despite the fact that we need joint action to succeed.

To reach the UK's Net Zero by 2050 ambition, among the many pillars to address are the clean energy and transport transition as well as green home improvements. With this context in mind, Tandem aims to provide customers access to a suite of greener lending products and services that address those areas, while offering cost-saving opportunities.

Recognising the value of a comprehensive approach, we have developed and launched an impact strategy to guide our efforts across all material areas relevant to our business and stakeholders. Through collaboration with staff and external experts, we developed timebound targets to form the backbone of everything we do to deliver banking for a greener future.

Tandem's goals are set out below and we aim to achieve each of them within the next 5 years.



Mission
We're here to make it easier for more people to choose a greener lifetyle

Product		Planet		People	
We will become the leading greener bank		We will regenerate nature and reach net zero carbon emissions in our operations and value chain		We will nurture our employees and support our local communities	
Greener products	**Partnering for change**	**Zero carbon**	**Eliminate waste in operations**	**Great place to work**	**Community engagement**
We will ensure at least 80% of our loans by unit are allocated to our greener products	We will ensure all our retail partners have met the threshold of our ESG Assessment	We will set net-zero and near-term targets validated by the Science-Based Targets Initiative ('SBTI')	We will remove all unnecessary waste from our operations and send zero waste to landfill	We will be one of the 'UK's best places to work'	We will support financial literacy and inclusion of 100,000 people across the UK

Impact **Report**

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.

Sven Schindele
Managing Director of Corporate Development and Impact

As innovators, we are focused on looking into the future to explore ways to maximise our positive impact - but we also have significant progress to be proud of this year:

- We launched an Impact and ESG Committee, a key decision-making body ensuring alignment to the Bank's wider strategy and long-term aspirations as a greener lender encompassing our products, operations and our people;
- We developed the Greener Product Criteria, an industry-leading set of principles to define and classify 'greener' lending products to guide us on the journey of evolving our portfolio as a greener bank;
- All our products are assessed through this internal scoring system across four areas: decarbonisation potential (60% weighting) using a tiered system of sub-weighting in accordance with the decarbonisation hierarchy (avoid, reduce, replace); cost-saving potential (20% weighting) based on delivering cost-savings compared to a non-green alternative or inaction; access and affordability (10% weighting) based on increased financial inclusion; and educational value (10% weighting) based on providing education for customers.
- All products that achieve at least 60% across these four categories are counted as greener products; and
- Based on our Greener Product Criteria 68% of loans represented greener lending. We will share further details on this innovative approach in our inaugural Impact Report to be launched in 2023.

> 35k
Trees planted

>97k
Customers making greener choices

> 20k
Volunteering minutes

> £288m
Green home improvement lending

£44k
Charity donations

68%
% loans representing greener products

62
Employees in Green Deal

49,000t
CO2 saved in 2022 through financing of greener products

Tandem Bank:
TCFD Summary Report 2022

Overview

This year we have followed the Task Force on Climate-related Disclosures (TCFD) recommendations for the first time to guide our assessment and management of climate-related risks and opportunities. The TCFD framework provides guidelines for integrating climate risk management into a company's existing processes for governance, strategy, risk management, metrics & targets. We voluntarily follow this framework as part of our commitment to being a greener bank. We believe it is important to understand how climate change may impact our business. This section provides a summary with full processes and outcomes provided in our 2022 TCFD Report.

Governance

Tandem recognises and understands the important role that financial institutions play in the sustainable low carbon economic transition and is committed to being a greener bank. The Board oversees Tandem's climate-related risks and opportunities, with the Chief Executive Officer holding ultimate accountability for climate risk. The Board approved climate change as a principal risk in Q1 2022. Further responsibilities are delegated across climate governance teams on the Board and management levels.

Tandem's Environmental, Social and Governance (ESG) Committee provides monthly updates to the Board on Tandem's management of climate-related risks and opportunities. They are supported in this by third party specialists who
have conducted climate risk modelling for Tandem and have also provided training on climate change and the TCFD.

The Executive Risk Committee is currently working with the ESG Committee to develop the Climate Change Risk Framework to identify, assess and mitigate climate-related risks. They support the Board in overseeing risk management systems and controls.

Strategy

To ensure climate related risks and opportunities are factored into our strategy, we undertook climate scenario modelling as recommended by the TCFD in January 2022. This is to provide a deeper understanding of the risks associated with climate change, which we have acknowledged as a principal risk this year.

The models consider various potential futures to enable a full range of possible scenarios. The associated business impacts can be considered, depending on the scale of government action, in response to climate change and the extent of global warming. We are in the process of developing our ESG and net-zero strategy and will be finalising these in 2023. We intend to achieve net-zero Scope 1, 2 and 3 emissions by no later than 2050, aligned with the Science-Based Targets Initiative (SBTi). However, we believe we can reach net-zero Scope 1 and 2 (operational) emissions ahead of this date. We are in the process of developing a decarbonisation plan which will inform the target year we plan to reach operational net-zero by.

The modelled scenarios were:

- <2°C by 2100; high levels of transition risks but limited physical risks.
- 2-3°C by 2100; the highest level of transition risks with some physical risks.
- >3°C by 2100; limited transition risks but the highest level of physical risks.

Each scenario was assessed across three time horizons: short (2022-2027), medium (2027-2037) and long-term (2037-2052). These go beyond usual business timelines to allow for the long-term impacts of climate change, including the transition to a low-carbon economy, driven by the UK government's 2050 net-zero target. However, when considering our response to the risks, we have focused on the short-term actions we can take. These are divided into very short term (12 months) and short term (12-60 months), which align more closely with our usual business processes in terms of time scales.

In total, 20 risks were considered, covering transition risks associated with the move to a low-carbon economy and physical risks resulting from a changing climate. Two transition risks were identified as having a potential high gross impact on Tandem in the short to medium term.

Firstly, it is expected that there will be increased climate related reporting requirements for Tandem, such as mandatory TCFD reporting. This is associated with increased operating costs and the risk of non-compliance. This voluntary TCFD disclosure and our Scope 3 calculations are part of our mitigating actions to control this risk.

Secondly, we expect an increase in mandated reporting on our products and services. We are mitigating this by specifically developing greener products, which align with a low-carbon world and by horizon scanning for future regulations that may impact our products. In future, we will be considering the potential impact on our mortgages and loans.

All other risks were considered moderate gross impact or lower and are discussed in our full 2022 TCFD Report.

Risk Management

We engaged with an external consultancy to conduct climate scenario analysis and a risk assessment. This process started in December 2022. The results were presented to key internal stakeholders, including our Chief Risk Officer and Financial Controller in January 2023. Following this, a risk register was presented to the Board for feedback in January 2023. The risk register was finalised and signed off in March 2023 by our Chief Risk Officer and our Enterprise and Operational Risk Manager.

We are currently integrating climate risk into our risk management processes, including making it a regular scheduled agenda item for the Board and relevant committees. There is currently no link between executive remuneration and ESG or climate-related risk management.

In 2023 we will be using financial modelling to consider the financial impact of the identified risks and to understand the costs of transitioning to a low-carbon economy. This will further strengthen our ESG and net-zero strategy.

Metrics & Targets

In FY2022, we calculated all of our applicable Scope 1, 2 and 3 emissions for Tandem, following the acquisition of Oplo. Our Scope 3 emissions cover all our emissions in the value chain, including upstream and downstream activities and our lending portfolio.

Understanding our current total emissions is crucial to beginning our carbon reduction and sustainability journey, as it will become the benchmark for measuring our future progress. We will develop our emission reduction targets and strategy in 2023, focusing on finalising Scope 1, 2 and 3 near-term and net-zero targets. We plan to use the Science-Based Target Initiative guidance to develop these targets and will produce a costed decarbonisation plan to map how the targets will be achieved. We are at the beginning of our energy efficiency journey and are working towards exploring energy use reduction methods. By managing our energy use and carbon emissions, we are able to mitigate several transition risks, including increased reporting requirements, fluctuating energy costs and the potential for a carbon price to be introduced.

SECR Reporting

The following tables show the consumption and associated emissions for this reporting year for our operations throughout the UK, in accordance with the Streamlined Energy and Carbon Reporting (SECR) regulations.

Scope 1 consumption and emissions include direct combustion of natural gas, and fuels utilised for transportation operations, for example, company vehicle fleets.

Scope 2 consumption and emissions refer to indirect emissions related to the consumption of purchased electricity in day-to-day business operations.

Scope 3 consumption and emissions cover emissions resulting from sources not directly owned by us. This relates to grey fleet (business travel undertaken in employee-owned vehicles) only.

Table 1: Tandem Money Ltd UK Total Energy Consumption (kWh).

Utility and Scope	2022 Consumption (kWh)
Scope 1 Total	0
Gaseous and other fuels (Scope 1)	0
Transportation (Scope 1)	0
Scope 2 Total	222,443
Grid-Supplied Electricity (Scope 2)	222,443
Scope 3 Total	130,012
Transportation (Scope 3)	130,012
Total	352,455

Table 2: Tandem Money Ltd UK Total Location-based Emissions (tCO_2e).

Utility and Scope	2022 Consumption (tCO_2e) Location-based
Scope 1 Total	0
Gaseous and other fuels (Scope 1)	0
Transportation (Scope 1)	0
Scope 2 Total	43.02
Grid-Supplied Electricity (Scope 2)	43.02
Scope 3 Total	30.56
Transportation (Scope 3)	30.56
Total	73.58

Table 3: Tandem Money Ltd UK Emissions Intensity Metric.

Intensity Metrics	Location-based tCO_2e	
	2022	% change
All Scopes $kgCO_2e$ per FTE	133.8	n/a
All Scopes tCO_2e per FTE	0.13	n/a

Energy Efficiency Improvements

We are committed to year-on-year improvements in our operational energy efficiency. A register of energy efficiency measures has been compiled, with a view to implementing these measures in the next five years.

The Group's offices operate only on electricity and do not use any natural gas, which has led to a 0 tCO_2e for their Scope 1. The Group is at the start of its energy saving journey and is committed to reviewing opportunities for reduction over the course of the next financial year.

Full Scope 1, 2 and 3 Reporting

This year we have also calculated our Scope 3 emissions footprint. Our Scope 3 calculations include all applicable categories as per the Greenhouse Gas (GHG) Protocol. These include categories 1 (purchased good and services), 2 (capital goods), 3 (fuel-related emissions), 4 (upstream transportation and distribution), 5 (waste generated in operations), 6 (business travel), 7 (employee commuting), 12 (end-of-life treatment of sold products) and 15 (investments). Our investment-related emissions have been quantified following the Partnership for Carbon Accounting Financials (PCAF) guidelines for each relevant asset class, namely project finance, mortgages and motor vehicle loans. Within our Scope 3 - Category 15 emissions, boiler purchases account for 99% of emissions as we have taken account of the annual energy consumption of each boiler we provide financing for. A full breakdown of these is provided in our 2022 TCFD Report.

Until recently, most companies have focused on measuring emissions from their own operations and electricity consumption (Scope 1 and 2). Scope 3 accounts for the GHG emissions associated with a company's entire value chain. These are considered indirect emissions as they are not under a company's direct control, yet, often account for 80% - 99% of a business' total emissions footprint. Quantifying Scope 3 emissions is challenging as it either requires gathering primary data from other stakeholders within a company's value chain, such as suppliers or customers, or it requires using secondary data to estimate emissions. Although standards exist for Scope 3 emissions, such as the Greenhouse Gas Protocol's Corporate Standard and PCAF guidance, the availability and quality of input data can have a major impact on resulting emission estimates.

Tandem has completed a thorough review of the Scope 3 categories that are applicable and have used secondary data to estimate emissions from all relevant activities within its value chain. Emissions associated with its loan book make up the majority of Scope 3 footprint, as is expected for financial institutes. As most customers are residential customers, gathering primary data proved difficult and therefore secondary data was used to estimate the emissions produced by all energy-consuming activities made possible by Tandem loans. This includes motor finance, mortgages and home improvement loans including the purchase of gas boilers. Using secondary data such as average fuel consumption in cars and average electricity consumption in homes means Tandem has accounted for all the energy-consuming loans within its portfolio.

The financing of gas boiler purchases accounts for 98% of its carbon footprint. At the end of 2022, Tandem had more than 70,000 boiler loans in its portfolio, and the Group estimated the annual emissions produced by each of these boilers based on the average natural gas consumption per UK home, as reported by Ofgem. Based on this average, a boiler consumes 12,000 kwh of gas per year which produces around 2,500 $kgCO_2e$. Multiply this by the 70,000 boilers on Tandem's books and you can see why the Scope 3 footprint is relatively high. Tandem has chosen to disclose the emissions associated with these purchases as, despite gas boilers producing Greenhouse Gas emissions, new boilers with improved efficiencies reduce our customers' carbon footprint, therefore the more boilers Tandem helps to finance, the more it helps our customers to reduce their own carbon footprint.

Tandem plans to work with both existing and new customers to gather more accurate data about the energy they consume in the activities funded. For example, gathering data about the gas consumed in new boilers or petrol consumed in new cars. This will enable Tandem to be more accurate when quantifying the emissions associated with its investments. Also, it allows the Group to better estimate the carbon savings it is facilitating by comparing the energy consumption of the products financed, compared to potentially higher emitting alternatives customers would have been using. This will be especially important for home improvement loans, including energy-efficient gas boilers, air and ground source heat pumps and solar panels.

Table 4: Total Emissions by scope.

Emissions	tCO_2e
Scope 1	0
Scope 2	43
Scope 3	189,990
Total	190,033

All data was provided to an external consultant for calculation, but no assurance was provided.

Reducing our customers' carbon footprint

We have followed the GHG Protocol and PCAF guidance with regard to investment-related emissions and have estimated our share of the emissions produced by our financing of energy-consuming activities. Nevertheless, many of the products we finance do help our customers to reduce their carbon footprint. In 2022 we helped finance over 5,000 PV solar installations, over 300 air and ground source heat pumps, over 40,000 more energy-efficient boilers and improved home insulation at over 5,000 homes. We estimate that the resulting carbon our customers have saved by using proxy data from the Energy Saving Trust. For example, upgrading a gas boiler saves on average 673 $kgCO_2e$/per annum. Using these estimates and the number of products we financed in 2022, we have potentially saved these customers over 14,000 tCO_2e in 2022.

Methodology

This report (including the Scope 1, 2 and 3 consumption and CO_2e emissions data) have been developed and calculated using the GHG Protocol - A Corporate Accounting and Reporting Standard (World Business Council for Sustainable Development and World Resources Institute, 2004); Greenhouse Gas Protocol - Scope 2 Guidance (World Resources Institute, 2015); ISO 14064-1 and ISO 14064-2 (ISO, 2018; ISO, 2019a); Environmental Reporting Guidelines: Including Streamlined Energy and Carbon Reporting Guidance (HM Government, 2019).

Government Emissions Factor Database 2022 version 1 has been used, utilising the published kWh gross calorific value (CV) and $kgCO_2e$ emissions factors relevant for reporting period 01/01/2022 - 31/12/2022.

Estimates were undertaken to cover missing billing periods for properties directly invoiced to Tandem Money Limited. These were calculated on a kWh/day pro-rata basis at meter level.

For properties where Tandem Money Limited is indirectly responsible for utilities (i.e. via a landlord or service charge), the median consumption for properties with similar operations was calculated at meter level and applied to the properties with no available data.

These full-year estimates were applied to six electricity suppliers and equated to 13% of reported consumption.

Intensity metrics have been calculated using total tCO_2e figures and the selected performance indicators chosen are for the relevant report period:

Full time equivalents (FTE): 550

Scope 3 - Category 15 (Investments) emissions, also referred to as financed emissions, have been calculated following the PCAF guidance. For each type of financing, the emissions associated with the financed activity have been estimated and then attributed based on the current loan-to-value ratio. The loans we provide to help customers purchase boilers account for the largest share of our financed emissions. We have calculated these emissions by multiplying the number of boilers we have financed by the average annual natural gas consumption per boiler and the BEIS published natural gas emissions factor.

Corporate Governance Review

Banking for a greener future

Tandem Money Limited is incorporated in England and Wales

Registered Number
08628614

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 Designate
David McCarthy, Chief Financial Officer
Ellen Hastings-Jones, Company Secretary

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

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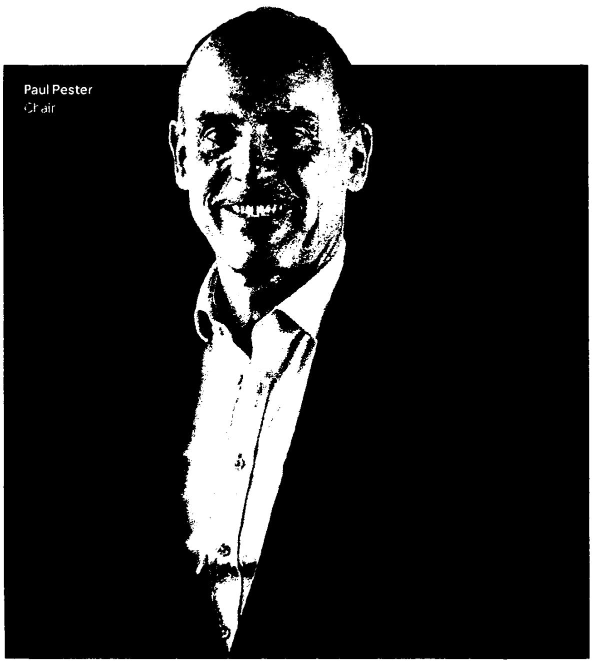
Chair
Introduction



On behalf of the Board, I am pleased to present the Corporate Governance Report for the year ended 31st December 2022.

Our Commitment to Good Corporate Governance

We remain committed to maintaining high standards of corporate governance within the Group. There are a comprehensive range of policies and procedures in place designed to help ensure that it is well managed with effective oversight and controls. This report explains how the Board and its committees have dealt with ensuring that the Group's corporate governance is effective and continues to help support the creation of long-term sustainable value for our shareholder and wider stakeholders.

Succession Planning and Board Changes

During the year, the Nomination Committee considered the Board's balance of skills and expertise, structure, size, and composition ensuring that appropriate succession and development plans are in place for appointments to the Board. The Committee is satisfied that the succession planning structure in place is appropriate for the size and nature of the Group.

Details of Board changes can be found on Page 45.

Board Meetings and Activity

In 2022, the Board considered several key areas, which can broadly be categorised into the following themes: strategy and execution, financial performance, risk management, regulatory and corporate governance. Further details on how the Board operated during 2022, including the areas of Board focus can be found on page 44.

The Board's committees also continued to play a critical role in the governance and oversight of the Group by ensuring adherence to strong governance practice and principles. This section contains a summary from the Board's principal committees, which sets out their approach and considerations.

Effectiveness and Evaluation

The annual review of the Group's Board was carried out by an independent third party, with the assistance of the Company Secretariat. The review concluded that the Board and its committees operated effectively.

Purpose, Culture, and Experience Principles

The Group's success depends on our commitment to high corporate governance standards, as well as a strong purpose and healthy culture both in the boardroom and across the Group. The Board is committed to promoting a strong purpose and positive culture as central pillars in the delivery of the strategic plan.

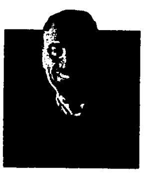
The Board receives updates throughout the year regarding stakeholder issues and concerns including details of our Group-wide employee engagement surveys, so that more informed decisions are made with consideration of the interests of the Group and its stakeholders.

Looking Forward

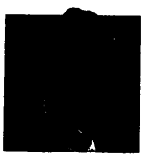
Our corporate governance priorities for the year ahead will be focused on embedding of our strategic ambitions throughout our governance framework.

Board of **Directors**

Paul Pester - Chair
Paul joined the Tandem Board as a Non-Executive Director and Chair-designate in June 2022. Following over 20 years building and leading some of the most disruptive and established consumer financial services businesses in the UK and overseas, he now holds a number of roles as either Chair, Non-Executive Director, Board Adviser or investor in a range of high growth, disruptive financial services businesses. Having previously been an adviser to the UK Chancellor of the Exchequer and HM Treasury on competition issues in banking, Paul is a passionate advocate for consumers' interests in financial services. A life-long swimmer, Paul regularly competes in triathlons and multi-sport events, often for the charity Breast Cancer Now, where he was formerly a Patron. As well as being Chair of the Board and Nominations Committee, Paul is a member of Tandem's Remuneration and Risk Committees.



Alex Mollart - Chief Executive Officer (Designate)
Alex has held Senior Director positions in the Credit Industry with a career spanning over 25 years. After beginning his career at Yorkshire Bank, he went on to work at Welcome Finance in Branch, Area and Regional Manager roles running 60+ Branches across Northern England and Scotland. After a 10 year period of exceptional growth he left to found Oplo (formerly 1st Stop Group) in 2004, and has overseen the business's last 15 years of expansion.



Dave McCarthy - Chief Financial Officer (Designate)
Dave has over 30 years' experience in UK retail banking focussed on Finance. Qualified as both a chartered accountant and corporate treasurer, he has held several board and senior management roles in finance, treasury and risk management in Touche Ross, Bristol & West, Bank of Ireland and Britannia. He was lately a founder and CFO for Atom Bank overseeing its financial development and growth from inception through to profitability.

David Fisher - Chair of Risk Committee - Senior Independent Director
David has been an Independent Non-Executive Director at Tandem since December 2020. He specialises in strategic risk management and executive remuneration and serves as Tandem's Senior Independent Director. David has substantial experience operating in board level leadership roles across the retail financial services industry. He has served as a Non-Executive Director of the Leeds Building Society since 2012 and is a former CEO of Sainsbury's Bank.

Matthew Donaldson - Chair of Remuneration Committee - Non-Executive Director
Matthew has been an independent Non-Executive Director at Tandem since March 2022. He has significant experience in financial services, insurance and price comparison. Formerly the Group CEO of BGL Group, Matthew is now a Non-Executive Director of Markerstudy Group and Chairman of BGL Insurance. He has also served as Chairman of Three Rock Group (Ireland) since 2020. During his tenure at BGL he founded Comparethemarket.com, leading the business to its market leading position.

Talita Ferreira - Chair of Audit Committee - Non-Executive Director
Talita has been an independent Non-Executive Director at Tandem since April 2021. She specialises in finance, human resource management, cultural transformation and leadership strategy. Talita is a Fellow of the Institute of Chartered Accountants in England and Wales and a fellow of the Institute of Directors ("IOD"). She has extensive experience in finance and leadership in automotive and captive financial services organisations. Talita also holds a Non-Executive Directorship and Chair of Audit position with Ford Credit Europe Bank Plc. She is the former CFO and CHRO of BMW Financial Services Ltd and BMW UK Ltd. As well as being Chair of the Audit Committee, Talita is a member of Tandem's Risk Committee.

David Torpey - Non-Executive Director
David has been an independent Non-Executive Director at Tandem since October 2020. He has extensive experience in specialist mortgages, securitisation and credit risk. David was the CEO of Bluestep Bank AB from 2007-2017 and prior to that spent 19 years with Barclays Bank PLC with the last 7 years as a Director in the Financial Institutions Group.

James Scott - Shareholder Non-Executive Director
James has been a Non-Executive Director at Tandem since August 2020. He has 20 years of experience as an investor across most aspects of technology, financial and business services. James is a qualified accountant; prior to becoming a Partner of Pollen Street Capital Ltd in 2013 he worked in computer audit for PwC, in IT consulting for EY, as Commercial Director of a software business and in various debt and equity investment roles for 12 years at Royal Bank of Scotland. James is also a member of Tandem's Risk, Audit, Remuneration and Nominations Committees.

Matthew Potter - Shareholder Non-Executive Director
Matthew has been a Non- Executive Director at Tandem since March 2022. He holds expertise in the field of private equity, asset management and corporate finance. He is also a qualified Chartered Accountant. Matthew has been a Partner of Pollen Street Capital Ltd since 2013 with responsibility for clients including Shawbrook. He has also held Non-Executive Director seats on the boards of Capitalflow since 2016. Matthew is also a member of Tandem's Remuneration and Nominations Committees.

S.172 Statement

At Tandem, we have 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 Group. 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 Group, 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 Group'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 Group 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 Group 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.

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 Group's goals.

During 2022, following completion of the Oplo acquisition and associated refinement of the Group'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 Group, identifying key areas of customer concern, covering a range of both internal and external measures. These updates provide valuable insight into the Group'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 Group 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 Group 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 Group's products and offerings remain appropriate and fit for purpose for customers.

Our People

Our people are central to the delivery of the Group'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 Group-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 Group 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 Group 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 Group's remuneration approach.

Examples of Board engagement included:

- Consideration of the outcomes of surveys completed by colleagues across the Group, including annual and adhoc 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 Group'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.

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 Group 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 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 Group 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 Group's activities and strategy.

Tandem 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 Group's systems and controls providing a view of key areas of focus, alongside progress made in addressing any associated remediation activities.

Suppliers & Investors

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

Engagement with our suppliers enables the group 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 Group does not breach conduct rules or regulations due to third party failures.

The Board considered and approved the Group'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 Group. 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.

Investors

The Group 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 Group'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 Group.

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 Group.

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 Group and provides direction on how we can continue to make a long-lasting, positive impact.

Proud to be a Platinum Patron of The BoatHouse 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 to them.
As a Platinum Patron, Tandem has pledged £25,000 annually for three years, to help ensure young people in Blackpool can continue to enjoy the experiences that The BoatHouse Youth provides.

About The BoatHouse Youth

The Boathouse Youth works with young people from areas selected for having the highest levels of deprivation in the whole of Blackpool. More than 50% of the children that come from these areas are living 'below the breadline'.

They're missing out on many things people take for granted; food in the fridge, a hot drink, help with homework, a bed-time story, a clean bed. Many of the children witness domestic violence, drug or alcohol misuse, live in poor housing conditions, and have limited access to basic services such as the dentist.

The biggest driver of all of this is the low income of parents. Which is why all The BoatHouse Youth services are provided for free. For more information, visit www.thebhy.co.uk

Environment

At Tandem, we care deeply about our customers, our colleagues and the impact we make on the planet. The Group 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 Group 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 Group 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 Group 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 Group.

Environment

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 Group invited new customers to join its mission to help protect the planet, and radically accelerate the reduction of carbon emissions.

With the ambition to become a carbon neutral Group, Tandem joined forces with two partners to tackle climate change with new tree planting initiatives - one in Scotland, and one closer to the Group'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.

Tandem's Chief People Officer, Steve McNicholas commented, "Creating a positive social impact is a big part of why Tandem exists. We have a track record of doing business the right way, while delivering a positive impact for our customers, our people and our community, and we want to extend this impact to the planet."

Steve continues, "We're delighted to offer our customers and our employees a practical, hassle-free option to make a meaningful and genuine difference to protecting our planet."

Estate owner, Lucy Arthurs added, "Tandem's support accelerates our ability to re-establish woodlands that contribute to the national drive for long term stabilisation and reduction in carbon. By having a local partner we can create a sense of ownership by encouraging employees to not only help to plant the trees, but also bulbs and woodland fauna such as primroses. This engagement directly supports the estate and AONB woodland connectivity program for nationally endangered butterflies and pollinators."

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.

Alexander Mollart
Chief Executive Officer (Designate)

David McCarthy
Chief Financial Officer (Designate)

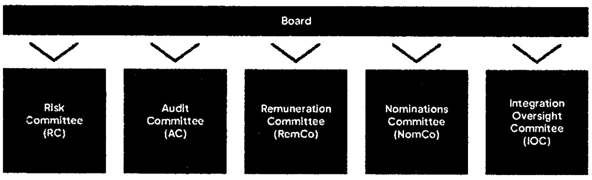
26 April 2023

Corporate Governance **Report**

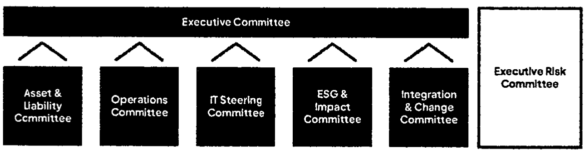
Throughout 2022 Tandem has built on its existing corporate governance framework to ensure that the Group is supported by good practice standards in line with banking best practice. Tandem ensures that both the UK Corporate Governance Code and guidance set out by the PRA are considered across governance processes and procedures. This seeks to ensure that the Group 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 (following the acquisition of Oplo Holdings Limited) 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



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 Prichard'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 Aliker and Anthony Murphy resigned from the Board on 8th December 2022 and 13th February 2023 respectively. Similarly, the Directors thank Susannah Aliker and Anthony Murphy for their contributions to the Group 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 Aliker 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 Group 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
- **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 Group 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 Group'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 Group's principal risk types, risk appetite and RMF;
- Review and approval of the Group'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 Group'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 below and continued on page 47).

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

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 risk, collections management, vulnerable customer management, treasury, core financial controls, executive level governance, regulatory reporting, ICAAP, operational resilience, stress testing, cyber security, ILAAP and IT change and outsourcing;
- 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.
- Oversight of ESG metrics and Tandem's carbon footprint and climate impact through voluntary TCFD reporting.

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 Group. During 2022, the Risk Committee considered and made recommendations to the Board on some of the following matters:

- Oversight of the Group's Risk Appetite, recommending any changes to the Board;
- Review of the revised Risk Managemenet Framework (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 effectivenessof controls for risk management and capital management;
- Review and recommendation of the Group's Principal Risks;
- Oversight and monitoring of the Group's risk culture; and
- Review and recommendation to the Board, for approval, of the ICAAP, ILAAP and Recovery Plan.

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 2022, the NomCo considered some of the following matters:

- Recruitment and recommendation of the appointment of new INEDs to the Board;
- 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 the a new INED to the Board.

Remuneration Committee

The RemCo has delegated responsibility for the development and review of the Remuneration Policy for the Group 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') for the Group;
- 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 Group'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 Group 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 Group. An overview of how the executive governance feeds into Board governance is included on page 44.

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

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 Group's risk management arrangements and practices. Further, the committee provides particular oversight of principal risk types against risk appetite and in line with the Group'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 Solo 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 Group. The OpCo shall be responsible for the appropriate resourcing to ensure that the Group 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 Group'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.

Directors' **Report**

The Directors of the Group present their report together with the audited consolidated 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	Page 68
Future Developments	Note 42 of the Financial Statements
Events Subsequent to the Reporting Date	Note 42 of the Financial Statements
Board consideration of Section 172 duties	Strategic Report on page 36

Corporate Governance Statement

Tandem has built on its existing corporate governance framework to ensure that the Group is supported by good practice standards 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 Group continues. Training, career development and promotion of a disabled person is, as far as possible, identical to that of an able-bodied person.

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 Aliker	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 26/06/2021 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

The following Directors in office held an interest in the shares of the Group as at 31st December 2022:

- Anthony Murphy
- Alex Mollart
- Susannah Aliker

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

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 2.

Going Concern

In preparing the consolidated 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 Company or Group's activities will be required beyond a controlled and targeted reduction of new lending in the severe but plausible downside scenario. Therefore, the Company and Group 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 Company / Group 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 Group made charitable donations of £44k during 2022.

Share Capital

Tandem Money 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 30 of the Financial Statements.

Regulation

The Group 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 Group are covered by the Financial Services Compensation Scheme ('FSCS') and any complaints made by customers may be referred to the Financial Ombudsman Service. The Group 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.

Disclosure of Information to the Auditor

The Directors confirm that:
So far as each of the Directors is aware, there is no relevant audit information of which the auditor is unaware; and
The Directors have taken all the steps that they ought to have taken as Directors to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of the Companies Act 2006.

Directors' Responsibility Statement

The Directors are responsible for preparing the Consolidated Annual Report and Accounts and the Group and Company financial statements in accordance with applicable law and regulations.

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

Under company law, the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of their profit or loss for that period.

In preparing the Group's financial statements, the Directors are required to: properly select and apply accounting policies; present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and provide additional disclosures when compliance with the specific requirements of FRS 102 is insufficient to enable an understanding of the impact of particular transactions, other events and conditions on the entity's financial position and financial performance. Finally, the Directors must assess the Group's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions, and disclose with reasonable accuracy, at any time, the financial position of the Company, enabling them to ensure that its financial statements comply with the Companies Act 2006. Additionally, the Directors are responsible for safeguarding the Group's assets and, hence, taking reasonable steps to prevent and detect fraud and other irregularities.

Each of the Directors, whose names and functions are listed on page 51, confirms that, to the best of their knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and the undertakings included in the consolidation taken as a whole;
- the Strategic Report (on page 4) and the Directors' Report (on page 50) include a fair review of: (i) the business's development and performance; and (ii) the position of the Group and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face;
- the Annual Report and financial statements comply with all aspects of the Guidelines for Disclosure and Transparency in Private Equity; and
- the Annual Report and Accounts, taken as a whole, are fair, balanced and understandable, and provide the information necessary for the shareholder to assess the Group's position and performance, business model and strategy. This responsibility statement was approved by the Board of Directors on 26 April 2023 and signed on its behalf.

Alexander Mollart
Chief Executive Officer (Designate)

David McCarthy
Chief Financial Officer (Designate)

26 April 2023

Risk Report

The Group regards effective risk management as a key element of its sustainable performance, overall value creation and its long term success.

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 Group 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

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.

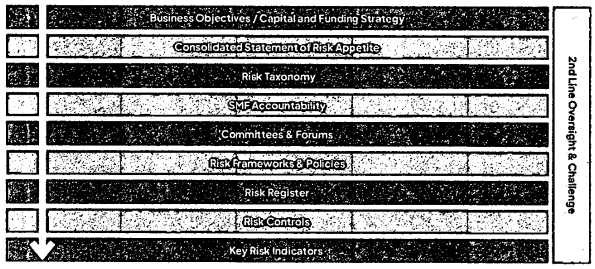
Development of Risk Management at Tandem

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



The Group'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 Group'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 Group 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 Group 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 Group, 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 Group. Tandem's approach to risk management follows the best practise 'Three Lines of Defence' model, to ensure adequate oversight and assurance over risk management:

- **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 Group.
- **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 expanded Group. Following the Oplo acquisition, Tandem's governance structure has been reorganised to support the larger Group 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 Group'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.

Principal Risks
& Uncertanties

The Group, in the execution of its strategy, is exposed to risks, some of which have been described in Note 36 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 Group 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 Group faces which could materially impact the achievement of its strategic objectives. These risks, and their definitions, are provided below.

Credit Risk

DEFINITION

Risk of financial losses to the Group 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.

WHERE TANDEM IS EXPOSED

The Group 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.

KEY MITIGATION ACTIONS

- 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.

Capital Risk

DEFINITION

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.

WHERE TANDEM IS EXPOSED

Tandem holds capital against any risk it is or might be exposed to in pursuit of its corporate objectives.

KEY MITIGATION ACTIONS

- Comprehensive assessment of capital requirements through the ICAAP.
- Close monitoring of capital resources and leverage ratios to ensure the Group maintains adequate levels of capital on both a current and forecast basis to support delivery of the Medium Term Plan (MTP), 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

DEFINITION

Risk that the Group is unable to meet its obligations as they are expected to fall due or can do so only at exceptional cost.

WHERE TANDEM IS EXPOSED

Tandem faces this risk in the management of its liquidity and funding practices.

KEY MITIGATION ACTIONS

- Ensuring the Group 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 Group-specific EWIs and regular stress tests.
- Maintaining a Liquidity Contingency Plan detailing management actions and strategies available in stressed conditions.

Market Risk

DEFINITION

Risk of losses arising from adverse movements in market prices.

WHERE TANDEM IS EXPOSED

Market risk arises in the form of interest rate risk management of operational, financing and investment activities.

KEY MITIGATION ACTIONS

- 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

DEFINITION

Risk of losses or impact on customers, reputation or resilience, resulting from inaccurate or failed procedures, systems and controls, including those resulting from disruption or damage to technology, poor implementation of software or cyber / data breaches.

WHERE TANDEM IS EXPOSED

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.

KEY MITIGATION ACTIONS

- 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.

Compliance & Conduct Risk

DEFINITION

Risk of detriment to customers, markets or Tandem due to inappropriate, negligent or wilful misconduct, financial crime and / or failure to comply with applicable laws, regulations, principles and standards (including second order losses relating to partner retail or conduct failures).

WHERE TANDEM IS EXPOSED

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.

KEY MITIGATION ACTIONS

- 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

DEFINITION

Risk that the business strategy is unachievable, due to errors in underlying assumptions, changes in the external environment and / or inaccurate financial resources.

WHERE TANDEM IS EXPOSED

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.

KEY MITIGATION ACTIONS

- 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.

Climate Risk & Environmental, Social and Governance ('ESG')

DEFINITION

Risk that changes in climate conditions or adjustments to support the transition to a 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:

- 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 may have 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.

WHERE TANDEM IS EXPOSED

ESG risk arises in the form of physical, transition or greenwashing risks for the Group.

KEY MITIGATION ACTIONS

- 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 manged 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.

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 timeframes.

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 a significant impact on the Group's operations, business prospects, structure, costs, capital requirements and ability to enforce contractual obligations.

KEY MITIGATION ACTIONS

- 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.

Reputational Risk

RATIONALE

The reputation of the Group as a purpose-led business, in particular as it relates to the 'Greener' 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 Group's reputation, leading to lost revenue or destruction of value.

KEY MITIGATION ACTIONS

- 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.

Integration Risk

RATIONALE

The integration of Oodo and Allium into the broader Group could lead to heightened operational and regulatory risks for the period until integration is successfully completed.

KEY MITIGATION ACTIONS

- 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 Group.
- 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.

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:

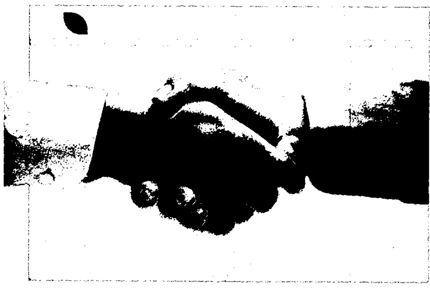
- Product & Service;
- Price & Value;
- Customer Understanding; and
- Customer Support

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.



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 Group'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 though efficient capital management;
- ensure that the Group holds sufficient capital to cater for unexpected losses that may arise, to protect depositors and thereby support the sustainability of the Group through business cycles; and
- comply with capital supervisory requirements and related regulations.

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

The aim of the capital adequacy regime is to promote safety and soundness in the financial system. The Group 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 Group 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 (www.tandem.co.uk).

The Group 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, Tandem maintains capital adequacy ratios above minimum regulatory requirements. The Group's individual regulated entities complied with all of the externally imposed capital requirements to which they are subject for the year ended 2022.

Independent Auditors' **Report**

Independent auditors' report to the members of Tandem Money Limited

Report on the audit of the financial statements

Opinion

In our opinion, Tandem Money Limited's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2022 and of the group's profit and the group's 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: Consolidated and Company Statements of Financial Position as at 31 December 2022; Consolidated Income Statement and Statement of Other Comprehensive Income, Consolidated Statement of Cash Flows, and Consolidated and Company Statements 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.

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 group 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, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions 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 group's and 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 group's and 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. 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 group and company and their 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 group's and 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 group or 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 group and industry, we identified that the principal risks of non-compliance with laws and regulations related to rules of the Financial Conduct Authority ("FCA"), rules of the Prudential Regulation Authority ("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 the potential for management to post fraudulent journal entries and management's ability to manipulate the financial statements through judgements applied in significant 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 and 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 goodwill impairment
- 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.

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

Use of this report

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

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 company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Mike Wallace

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

Financial
Statements

Consolidated 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	94,634	20,397	1,029	21,426
Interest expense	3	(26,107)	(6,455)	-	(6,455)
Net Interest Income		**68,527**	13,942	1,029	14,971
Fees and commissions income	4	224	-	11	11
Fees and commissions expense	4	(181)	(288)	(194)	(482)
Net gains on derivatives and hedge ineffectiveness	5	2,416	115	-	115
Other operating income	6	26	118	-	118
Total Income		**71,012**	13,887	846	14,733
Administrative expenses		(55,498)	(28,039)	(852)	(28,891)
Depreciation and amortisation		(1,875)	(766)	-	(766)
Operating Expenses	7	**(57,373)**	(28,805)	(852)	(29,657)
Provision for bad and doubtful debts	15	(15,735)	(1,023)	(682)	(1,705)
Gain/(loss) on sale of financial assets	11	1,470	-	(569)	(569)
Write-off of equity shares	18		(1,000)	-	(1,000)
Loss on Operating Activities before Amortisation of Goodwill and Intangible Assets on Acquisition		**(626)**	(16,941)	(1,257)	(18,198)
Amortisation of goodwill and intangible assets on acquisition	20	(11,729)	(1,388)	-	(1,388)
Loss on Operating Activities before Tax		**(12,355)**	(18,329)	(1,257)	(19,586)
Tax credit on loss	12	12,836	177	-	177
Profit for the Year		**481**	(18,152)	(1,257)	(19,409)
Other Comprehensive Income/(Expense)					
Deferred tax movement on items of other comprehensive income/(expense)	12	(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 Profit for the Year		**407**	(18,006)	(1,257)	(19,263)

All current year results are from continuing operations.

Consolidated Statement of Financial Position as at 31 December 2022

	Note	2022 £'000	2021 £'000
Assets			
Cash and balances at central banks	13	679,659	360,378
Loans and advances to banks	14	42,218	18,831
Loans and advances to customers	15	1,202,739	437,004
Debt securities	16	91,210	30,215
Derivatives held for risk management	17	29,592	2,358
Equity shares	18	2,309	1,970
Intangible assets	20	110,569	12,331
Tangible fixed assets	20	1,020	116
Other assets	21	20,357	4,039
Prepayments and accrued income	22	3,009	2,185
Total Assets		**2,182,682**	869,427
Liabilities			
Deposits by banks	23	43,496	39,971
Customer accounts	24	1,754,868	771,161
Debt securities in issue	25	128,400	-
Derivatives held for risk management	17	809	89
Other liabilities	26	5,042	1,677
Accruals and deferred income	27	5,012	2,086
Provisions for liabilities	28	-	943
Total Liabilities		**1,937,627**	815,927
Share Capital and Reserves			
Called-up share capital	30	3,029	915
Share premium account	30	396,092	210,671
Warrants	30	1,391	1,391
Other reserves	30	6,522	5,464
Retained reserves	30	(161,979)	(164,941)
Shareholders' Funds including Non-Equity interests		**245,055**	53,500
Total Liabilities and Equity		**2,182,682**	869,427

On behalf of the Board,

Alexander Mollart
Chief Executive Officer (Designate)
26 April 2023

David McCarthy
Chief Financial Officer (Designate)

Consolidated Statement of Changes in Equity for the year ended 31 December 2022

	Called-up Share Capital £'000	Share Premium Account £'000	Warrants £'000	Available for Sale Reserve £'000	Other Reserves £'000	Profit and Loss Account £'000	Total Equity £'000
At 1 January 2022	**915**	**210,671**	**1,391**	**1,353**	**5,464**	**(166,294)**	**53,500**
Profit for the year	-	-	-	-	-	481	481
Gain relating to available for sale investments	-	-	-	11	-	-	11
Deferred tax on items of other comprehensive income	-	-	-	(85)	-	-	(85)
Total Comprehensive Profit for the Year	-	-	-	**(74)**	-	**481**	**407**
Shares issued, net of expenses	2,114	185,421	-	-	-	-	187,535
Share-based payments	-	-	-	-	1,058	-	1,058
Capital contribution	-	-	-	-	-	2,555	2,555
As at 31 December 2022	**3,029**	**396,092**	**1,391**	**1,279**	**6,522**	**(163,258)**	**245,055**
At 1 January 2021	804	202,694	1,391	1,207	5,641	(146,885)	64,852
Loss for the year	-	-	-	-	-	(19,409)	(19,409)
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	-	(19,409)	(19,263)
Shares issued, net of expenses	111	7,977	-	-	-	-	8,088
Share-based payments	-	-	-	-	(958)	-	(958)
Distributable reserves from employee benefit trusts	-	-	-	-	781	-	781
As at 31 December 2021	915	210,671	1,391	1,353	5,464	(166,294)	53,500

Consolidated 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		(12,355)	(19,586)
Non-cash items included in loss on operating activities before tax		28,288	5,126
Change in operating assets and liabilities		598,512	220,428
Net Cash Generated from Operating Activities	34	**614,445**	205,968
Cash Flows from Investing Activities			
Purchase of intangible assets		(979)	(283)
Purchase of tangible assets		(455)	(84)
Subsidiary acquired (net of cash)	41	(110,979)	-
Purchase of debt securities		(61,572)	(2,075)
Net Cash Used in Investing Activities		**(173,985)**	(2,442)
Cash Flows from Financing Activities			
Proceeds from issuance of ordinary shares		160,044	8,088
Proceeds from capital contribution		2,555	-
Repayment of debt securities in issue		(260,391)	-
Net Cash (Used in)/Generated From Financing Activities		**(97,792)**	8,088
Net Increase in Cash and Cash Equivalents		**342,668**	211,614
Cash and cash equivalents at beginning of year		**379,209**	167,595
Cash and Cash Equivalents at the End of the Year	34	**721,877**	379,209

Company Statement of Financial Position as at 31 December 2022

	Note	2022 £'000	2021 £'000
Assets			
Loans and advances to banks	14	1,480	997
Investments in subsidiaries	19	222,765	81,941
Intangible assets	20	1,364	980
Tangible fixed assets	20	188	91
Other assets	21	10,777	277
Prepayments and accrued income	22	2,176	2,152
Total Assets		**238,750**	86,438
Liabilities			
Other liabilities	26	6,509	1,972
Accruals and deferred income	27	3,754	1,581
Provisions for liabilities	28	–	943
Total Liabilities		**10,263**	4,496
Share Capital and Reserves			
Called-up share capital	30	3,029	915
Share premium account	30	396,092	210,671
Warrants	30	1,391	1,391
Other reserves	30	6,522	5,464
Retained reserves	30	(178,547)	(136,499)
Shareholders' Funds including Non-Equity Interests		**228,487**	81,942
Total Liabilities and Equity		**238,750**	86,438

The Company's Total Comprehensive Loss for the Year Ended 31 December 2022 was £44,603k (2021: Comprehensive Loss of £22,409k).

On behalf of the Board,

Alexander Mollart
Chief Executive Officer (Designate)
26 April 2023

David McCarthy
Chief Financial Officer (Designate)

Company Statement of Changes in Equity for the year ended 31 December 2022

	Called-up Share Capital £'000	Share Premium Account £'000	Warrants £'000	Other Reserves £'000	Profit and Loss Account £'000	Total Equity £'000
At 1 January 2022	915	210,671	1,391	5,464	(136,499)	81,942
Total comprehensive loss for the year					(44,603)	(44,603)
Shares issued, net of expenses	2,114	185,421				187,535
Share-based payments				1,058		1,058
Capital contribution					2,555	2,555
As at 31 December 2022	3,029	396,092	1,391	6,522	(178,547)	228,487
At 1 January 2021	804	202,694	1,391	5,641	(114,090)	96,440
Total comprehensive loss for the year	-	-	-	-	(22,409)	(22,409)
Shares issued, net of expenses	111	7,977	-	-	-	8,088
Share-based payments	-	-	-	(958)	-	(958)
Distributable reserves from employee benefit trusts	-	-	-	781	-	781
As at 31 December 2021	915	210,671	1,391	5,464	(136,499)	81,942

Notes to the Financial Statements for the year ended 31 December 2022

1. Significant Accounting Policies

1.1. General Information

Tandem Money Limited ('TML' or 'the Company') together with its subsidiaries ('the Group') are 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 4.

1.2 Basis of Preparation

The Group and individual Financial Statements of TML 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 Company has taken advantage of the exemption in section 408 of the Companies Act from presenting its individual profit and loss account.

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 Group 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 Group and Company have 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. Across this range of projections, including a severe but plausible downside scenario, it has been concluded that no material changes to the Group's and Company's activities will be required beyond a controlled and targeted reduction of new lending in the severe but plausible downside scenario. Therefore, the Group and Company can operate with adequate financial resources for the next 12 months, with both capital ratios and liquidity in excess of minimum regulatory requirements. Further information is included within the Directors' Report on page 51.

1.4 Basis of Consolidation

The statutory consolidated Financial Statements comprise the Financial Statements of the Group and its subsidiaries as at 31 December 2022. The subsidiaries are listed in Note 19. The Financial Statements of the Group and its subsidiaries are prepared using consistent accounting policies.

In the Parent company Financial Statements investments in subsidiaries are accounted for at cost less provision for impairment.

Subsidiaries are fully consolidated from the date of their acquisition, being the date on which the Group obtains control and continue to be consolidated until the date that such control ceases. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Where the group owns less than 50% of the voting powers of an entity but controls the entity by virtue of an agreement with other investors which give it control of the financial and operating policies of the entity, it accounts for that entity as a subsidiary.

1. Significant Accounting Policies (continued)

1.4 Basis of Consolidation (continued)

Oplo Holdings Limited and its subsidiaries have been included in the Group Financial Statements using the purchase method of accounting. Accordingly, the Group Income Statement and Statement of Cash Flows include the results and cash flows of the Oplo entities for the period from its acquisition on 24 January 2022. The purchase consideration has been allocated to the assets and liabilities on the basis of fair value at the acquisition date.

All intra-Group balances, transactions, income and expenses are eliminated on consolidation.

Special Purpose Entities ('SPEs')

The Group has consolidated SPEs established for the securitisation of certain financial assets. The Group does not hold voting rights over these entities but is deemed to have control on the basis that the financial and operating decisions are made by the Group.

The Group has also established and is the sponsoring entity of two employee benefit trusts ('EBT') that meet the definition of an intermediate payment arrangement. Notwithstanding the legal duties of the trustees, the Group considers that it has 'de facto' control of these entities and as an intermediate payment arrangement, the assets and liabilities are accounted for by the Company (the sponsoring entity) as an extension of its own business. The Company's equity instruments held by an EBT are accounted for as if they were the Company's own equity and are treated as treasury shares.

1.5 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 12
- Impairment Losses on Loans and Advances to Customers - Note 15
- Goodwill and Intangible Assets - Note 20

1.6 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.

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

1. Significant Accounting Policies (continued)

1.7 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.

1.8 Share-based Incentive Schemes

The Company provides share-based payment arrangements to certain employees.

Equity-settled arrangements are measured at fair value (excluding the effect of non-market based vesting conditions) at the date of grant. The fair value is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity. The amount recognised as an expense is adjusted to reflect the actual number of shares or options that will vest.

There are shares in relation to an equity-settled arrangement held in an EBT which jointly own the shares with the participant. As a special purpose entity that is classified as an intermediary payment arrangement, the EBTs are accounted for as an extension of TML's business and consolidated in the results of TML. See Note 1.4 Basis of Consolidation for further detail.

The Company also has share-based payment arrangements that are classified as cash-settled. The fair value (excluding the effect of non-market based vesting conditions) is measured at each reporting date (annually) and expensed on a straight-line basis over the vesting period, with a corresponding increase in liabilities. As with the equity-settled arrangements, the amount recognised as an expense is adjusted to reflect the actual number of shares or options that will vest and the current proportion of the vesting period.

1.9 Operating Leases

Leases that do not transfer the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to the Income Statement on a straight-line basis over the lease term.

1.10 Adjusted Measures

Adjusted measures exclude amortisation of goodwill and intangible assets on acquisition to present the performance of the Group's acquired businesses consistent with its other businesses. The separate reporting of these items helps give an indication of the Group's underlying performance.

1.11 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.

1. Significant Accounting Policies (continued)

1.11 Taxation (continued)

(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.

1.12 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.

1.13 Financial Instruments Recognition and De-recognition

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

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

1. Significant Accounting Policies (continued)

1.13 Financial Instruments Recognition and De-recognition (continued)

(II) De-recognition (continued)

Once the Group 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 Group has neither retained nor transferred substantially all of the risks and rewards of the asset, then the Group assesses whether it has relinquished control of the asset or not. If the Group does not control the asset then the asset is derecognised; however if the Group has retained control of the asset, then the Group 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.

1.14 Financial Instruments Classification and Measurement

The Group 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 Group 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 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.

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

1. Significant Accounting Policies (continued)

1.14 Financial Instruments Classification and Measurement (continued)

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.

1.15 Impairment of Financial Assets

The Group 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 Group 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 Group's portfolios of assets are predominantly made up of relatively new loans with limited arrears data, the Group 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.

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

1. Significant Accounting Policies (continued)

1.15 Impairment of Financial Assets (continued)

(i) Loans and Advances (continued)

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.

(ii) Financial Assets Classified as Available for Sale

The Group 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.

1.16 Securitisation Transactions

The Group has securitised certain loans in Tandem Home Loans Limited by the transfer of the loans to SPEs controlled by the Group. The securitisation supports the issuance of debt by the SPEs to investors who gain the security of the cash flows from the securitised loans. The Group continues to recognise the loans on its own balance sheet after the transfer because it retains the risks and rewards of ownership through the contractual arrangements with the SPEs. The proceeds received from the transfer are accounted for as a deemed loan repayable to the SPEs.

1.17 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.

1. Significant Accounting Policies (continued)

1.17 Fair Value Measurement (continued)

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.

1.18 Derivative Financial Instruments

The Group 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 Group's derivatives are covered by master netting agreements with the Group's counterparties, with any net exposures then being further covered by the payment or receipt of periodic cash margins, the Group 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 Group, 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.

1.19 Hedge Accounting

The Group 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 Group 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 Group 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 Group 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 Group 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. Significant Accounting Policies (continued)

1.20 Business Combinations and Goodwill

Business combinations are accounted for by applying the purchase method.

The cost of a business combination is the fair value of the consideration given, liabilities incurred or assumed and of equity instruments issued plus the costs directly attributable to the business combination.

On acquisition of a business, fair values are attributed to the identifiable assets and liabilities unless the fair value cannot be measured reliably, in which case the value is incorporated in goodwill. Intangible assets are only recognised separately from goodwill where they are separable and arise from contractual or other legal rights.

Goodwill recognised represents the excess of the fair value and directly attributable costs of the purchase consideration over the fair values to the Group's interest in the identifiable net assets and liabilities.

On acquisition, goodwill is allocated to CGU's that are expected to benefit from the combination.

Goodwill is amortised over its expected useful life which is estimated to be 10 years. Goodwill is assessed for impairment when there are indicators of impairment and any impairment is charged to the Income Statement. No reversals of impairment are recognised.

1.21 Investment in Subsidiaries

Investment in subsidiaries are held at cost less any accumulated impairment losses net of any impairment loss reversals.

1.22 Intangible Assets

Intangible assets are identifiable assets controlled by the Group and from which it expects to derive future economic benefits, and which have no physical substance.

Intangible assets that are acquired or built are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over the assets' estimated useful lives, and recorded within operating expenses in the Income Statement once the asset is available for use. The estimated useful life and amortisation method are reviewed at the end of each financial year, with the effect of any changes in estimate being accounted for on a prospective basis. The useful life has been assessed based on either the length of the licence or expected code obsolescence. The useful life for each class of intangible asset is as follows:

Third party software licences	-	Between 1 and 10 years
Software development costs	-	Between 2 and 4 years
Regulatory licences	-	10 years

1. Significant Accounting Policies (continued)

1.22 Intangible Assets (continued)

Software development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

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

Research and development expenditure that do not meet these criteria above are recognised as expenses as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent year.

1.23 Tangible Fixed Assets

Items of property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the cost of the assets.

Depreciation is provided on all property, plant and equipment, and calculated using the straight-line method to allocate their cost, net of residual values, over their estimated useful lives, as follows:

Leasehold improvements	-	4 years
Fixtures and fittings	-	4 years
Office and IT equipment	-	4 years
Vehicles	-	4 years

1. Significant Accounting Policies (continued)

1.24 Impairment of Non-Financial Assets

The Group assesses at each reporting date whether there are any indicators of impairment. If any such indication exists the Group estimates the recoverable amount of the asset as well as assesses the remaining useful life and residual value. If it is not possible to estimate the recoverable amount of the individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. The recoverable amount of an asset or cash-generating unit is the higher of its fair value less costs to sell and its value in use. If the recoverable amount is less than its carrying amount, the carrying amount of the asset is impaired and it is reduced to its recoverable amount through an impairment in the Income Statement.

If an impairment loss is subsequently reversed, the carrying amount of the asset (or the asset's cash generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised in previous years. A reversal of an impairment loss is recognised in the Income Statement.

1.25 Provisions for Liabilities

Provisions are recognised when the following criteria are met:

- the Group has a present legal or constructive obligation as a result of past events;
- it is probable that an outflow of resources will be required to settle the obligation; and
- the amount of the obligation can be estimated reliably

In particular:

- restructuring provisions are recognised when the Group has a detailed, formal plan for the restructuring and has raised a valid expectation in those affected by either starting to implement the plan or announcing its main features to those affected and therefore has a legal or constructive obligation to carry out the restructuring

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

1.26 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.

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

2. Interest Income

Group	2022 £'000	2021 £'000
Interest Income on:		
- Cash and balances at central banks	**4,468**	234
- Loans and advances to banks	**156**	1
- Loans and advances to customers	**87,511**	21,267
- Debt securities	**1,293**	69
Net interest income/(expense) on interest rate swaps hedging loans and advances to customers	**1,206**	(145)
	94,634	21,426

3. Interest Expense

Group	2022 £'000	2021 £'000
Interest Expense on:		
- Deposits by banks	**657**	45
- Customer accounts	**18,689**	6,430
- Debt securities in issue	**6,491**	-
- Other	**202**	-
Net interest expense/(income) on interest rate swaps hedging customer accounts	**68**	(20)
	26,107	6,455

4. Fees and Commission

Group	2022 £'000	2021 £'000
Income		
Servicing fees received	**224**	-
Credit card - other fee income	**-**	11
	224	11
Expense		
Servicing fees paid	**181**	315
Performance fees	**-**	167
	181	482

5. Net Gains on Derivatives and Hedge Ineffectiveness

Group	2022 £'000	2021 £'000
Net gain on derivatives not in a hedging relationship	**1,434**	78
Net gain from hedge ineffectiveness	**982**	37
	2,416	115
Net gain from hedge ineffectiveness:		
Gain on hedging instruments	**26,477**	2,295
Loss on hedged items	**(25,495)**	(2,258)
	982	37

6. Other Operating Income

Group	2022 £'000	2021 £'000
Visa Inc. shares dividend income	**26**	23
Other income	**-**	95
	26	118

7. Operating Expenses

Group	2022 £'000	2021 £'000
Staff costs	**32,659**	14,559
Amortisation of intangible assets	**1,520**	655
Write off of intangible assets	**58**	-
App costs	**64**	62
Credit card costs	**-**	852
IT costs	**7,582**	4,956
Rent	**1,121**	1,091
Depreciation	**355**	111
Fees payable to the Group's auditors	**1,183**	974
Other administrative costs	**12,831**	6,397
	57,373	29,657

8. Auditors' Remuneration

Group	2022 £'000	2021 £'000
Audit of the Group's Financial Statements	1,183	932
Non-audit services	-	42
	1,183	974

The fees payable for the audit of the Group's Financial Statements includes £970k in relation to the audit of the Company's subsidiaries (2021: £720k). Other services provided during the prior year by the Group's auditors relate to the audit of regulatory reporting submissions.

9. Employees

Group	2022 £'000	2021 £'000
Wages and salaries	27,435	12,579
Social security costs	2,925	1,387
Pension costs	522	355
Share-based payments	1,294	(2)
Other staff costs	483	240
	32,659	14,559

The average number of employees during the year, including Directors, was 472 (2021: 181)

10. Directors' Remuneration

Total Directors' Emoluments	2022 £'000	2021 £'000
Remuneration	1,336	1,051
Compensation for loss of office	203	76
Pension contributions	7	17
	1,546	1,144
Highest Paid Director Emoluments		
Remuneration	350	225
Compensation for loss of office	203	-
	553	225

During the year, 3 Directors were participants in the Group's long-term share incentive schemes (2021: 2). 31.0k share-based payment awards were issued to Directors in 2022 (2021: 7,215k), all of which were equity settled share-based payment awards (2021: 2,515k). No Directors exercised share options in the parent's shares during the year (2021: nil). Further details of the relevant incentive plans are outlined in Note 32.

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

11. 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)

12. Taxation

Group The taxation charge based on the loss for the year comprises:	2022 £'000	2021 £'000
Current tax:		
UK corporation tax	**8**	-
Adjustments in respect of prior years	**77**	-
Total current tax	**85**	-
Deferred tax:		
Current year	**(12,874)**	(177)
Adjustments in respect of prior years	**(47)**	-
Total deferred tax	**(12,921)**	(177)
Total tax credit relating to comprehensive income	**(12,836)**	(177)
Total tax charge relating to other comprehensive income	**85**	177

Group	2022 £000	2021 £000
Loss on ordinary activities before taxation	**(12,355)**	(19,586)
Loss on ordinary activities before taxation multiplied by the standard rate of corporation tax of 19.0% (2020: 19.0%)	**(2,347)**	(3,721)
Adjustments in respect of prior years	**30**	-
Expenses not deductible for tax purposes	**1,399**	238
Income not taxable	**(41)**	(29)
Utilisation of unrecognised tax losses	**-**	(177)
Deferred tax asset (recognised)/not recognised	**(11,774)**	3,512
Rate effects	**(103)**	-
Current tax credit for the year	**(12,836)**	(177)
Standard rate of corporation tax:	**19%**	19%

12. Taxation (continued)

Deferred tax assets not recognised	**2022 £'000**		2021 £'000	
	Gross Amount	**Tax Effected**	Gross Amount	Tax Effected
Tax losses	**109,774**	**27,443**	159,148	39,787
Fixed assets	**1,260**	**315**	1675	419

Analysis of deferred tax asset / (liability)	**2022 £'000**	2021 £'000
Losses	**13,814**	809
Short-term timing differences	**(869)**	(828)
Fixed assets	**174**	19
Total Deferred tax asset / (liability)	**13,119**	-

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.

The Group has recognised a deferred tax asset in respect of future taxable profits for the first time this year. The acquisition of Oplo (refer to Note 41 Business Combinations) 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. 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.

13. Cash and Balances at Central Banks

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

14. Loans and Advances to Banks

	2022	2021
Group	**£'000**	£'000
Repayable on demand	**41,114**	18,331
Encumbered cash	**1,104**	500
	42,218	18,831

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 36.2 for further details.

	2022	2021
Company	**£'000**	£'000
Repayable on demand	**1,480**	997

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

15. Loans and Advances to Customers

Group	2022 £'000	2021 £'000
Gross loans and advances to customers	**1,260,859**	445,076
Provision for impairment	**(30,222)**	(5,834)
Fair value adjustment for portfolio hedged risk	**(27,898)**	(2,238)
	1,202,739	437,004
Remaining maturity:		
Repayable on demand	**7,561**	13,966
3 months or less	**17,047**	12,566
Between 3 months and 1 year	**51,148**	31,829
Between 1 year and 5 years	**398,755**	175,757
Over 5 years	**786,348**	210,958
	1,260,859	445,076

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

	2022 £'000	2021 £'000
Secured lending	**826,075**	262,182
Unsecured lending	**434,784**	182,894
	1,260,859	445,076
	%	%
Secured lending	**66**	59
Unsecured lending	**34**	41
	100	100

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

15. Loans and Advances to Customers (continued)

Year ended 31 December 2022	**Secured lending £'000**	**Unsecured lending £'000**	**Total £'000**
Opening balance	**48**	**5,786**	**5,834**
Provisions on acquired portfolios	**11,126**	**15,218**	**26,344**
Provisions on sold portfolios	**-**	**(10,914)**	**(10,914)**
New impairment provisions less releases	**2,558**	**13,457**	**16,015**
Amounts transferred to write-offs	**(721)**	**(6,336)**	**(7,057)**
Closing balance	**13,011**	**17,211**	**30,222**
Gross amount of loans individually determined to be impaired, before deducting any individually assessed impairment allowance	**29,619**	**28,252**	**57,871**

Year ended 31 December 2021	Secured lending £'000	Unsecured lending £'000	Total £'000
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)	**8,958**	(1,121)
Write-offs	**7,057**	2,867
Recoveries of amounts previously written-off	**(280)**	(41)
Provision for bad and doubtful debts per Income Statement	**15,735**	1,705

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

15. 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 1.15 for impairment of Financial Assets. For further detail and sensitivity analysis refer to Note 36.1.

- **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 £227,468k (2021: £262,182k) 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.

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 £1,033,391k (2021: £182,894k) and have an impairment allowance of £30,222k (2021: £5,834k).

15. 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.

16. Debt Securities

Group	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

17. Derivatives held for Risk Management

Group	2022 £'000	2021 £'000
Assets	**29,592**	2,358
Liabilities	**(809)**	(89)

As part of its risk management strategy, the Group 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 Group'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 Group 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 Group 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.

17. Derivatives held for Risk Management (continued)

Using this analysis, the Group 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.

18. Equity Shares

Group	**2022** **£'000**	2021 £'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).

On 16 August 2021, Hiber Energy Limited entered administration. As a result, an impairment of £1,000k was recognised in profit and loss in 2021, reducing the carrying value to zero. Subsequently, the investment was written-off at the end of 2021 as no further prospect of recovery was identified.

19. Investments in Subsidiaries

Company **At cost**	**2022** **£'000**	2021 £'000
Tandem Bank Limited	**190,854**	81,931
Oplo Holdings Ltd	**31,911**	-
Allium Lending Group Limited	**-**	-
Pariti Technologies Limited	**-**	10
	222,765	81,941

A £32,458k impairment reversal relating to the investment in TBL was recognised during the year (2021: impairment loss of £22,874k). TML invested £76,465k of capital into TBL during the year (2021: £12,309k).

On 24 January 2022, TML purchased the entire issued share capital of Oplo Holdings Ltd for £153,696k. During the year, Oplo Holdings Ltd paid a dividend of £41,137k which was recognised as a reduction in TML's investment in Oplo Holdings Ltd. An impairment loss of £80,649k relating to the investment in Oplo Holdings Limited was recognised during the year as a result of the loan portfolios being transferred from the Oplo entities to TBL. Refer to Note 41 for further information.

The investment in Allium Lending Group was impaired to zero in 2020. No impairment reversal relating to the investment in Allium Lending Group was recognised during the year (2021: £nil).

Pariti Technologies Limited issued dividends of £10k during the year prior to entering liquidation reducing the value of the investment held by TML.

19. Investments in Subsidiaries (continued)

Wholly owned subsidiary companies

As at 31 December 2022, the Group includes the following subsidiary companies whose results are included in the consolidated Financial Statements:

Name	Holding	Ownership Type	Nature of business
Tandem Bank Limited*	100%	Direct	Providing loans and deposits to customers
Oplo Holdings Ltd**	100%	Direct	Holding company
Allium Lending Group Limited*	100%	Direct	Holding company
Pariti Technologies Limited*	100%	Direct	Dormant
Tandem Home Loans Limited (formerly Oplo HL Ltd)**	100%	Indirect	Providing loans to customers
Tandem Motor Finance Limited (formerly Oplo CF Ltd)**	100%	Indirect	Providing loans to customers
Oplo PL Ltd**	100%	Indirect	Providing loans to customers
Oplo Group Ltd**	100%	Indirect	Loan servicing and administration
Oplo Reserve Ltd****	100%	Indirect	Providing funding to entities in the Group
Oplo Funding Ltd****	100%	Indirect	Providing funding to entities in the Group
GDFC Assets Ltd*	100%	Indirect	Providing loans to customers
GDFC HoldCo Ltd*	100%	Indirect	Holding company
GDFC Services PLC*	100%	Indirect	Loan servicing and administration
Polo Funding 2021-1 (Holdings) Limited***	0%	SPE	Special purpose funding vehicle
Polo Funding 2021-1 PLC***	0%	SPE	Special purpose funding vehicle
Oplo Funding No.2 Limited****	0%	SPE	Special purpose funding vehicle

All subsidiaries were incorporated in the United Kingdom. For more information relating to the consolidation of SPE's, refer to Note 1.4

Subsidiaries marked with "*" have a registered office address of Hogarth House, 136 High Holborn, London, WC1V 6PX.

Subsidiaries marked with "**" have a registered office address of Viscount Court, Sir Frank Whittle Way, Blackpool, FY4 2FB.

Subsidiaries marked with "***" have a registered office address of 11th Floor 200 Aldersgate Street, London, EC1A 4HD

Subsidiaries marked with "****" have a registered office address of 40a Station Road, Upminster, Essex, RM14 2TR

Pariti Technologies Limited is exempt from audit by virtue of s479A of Companies Act 2006.

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

20. Fixed Assets

Intangible Assets

Group	Internally Generated Software £000	Brand & Trademark £000	Computer Software £000	Regulatory Licences £000	Work in Progress £000	Goodwill £000	Total £000
Cost							
As at 1 January 2022	1,649	62	576	2,395	67	11,188	15,937
Additions related to acquisition of subsidiary	-	290	2,944	-	-	107,332	110,566
Additions	16	5	-	-	958	-	979
Write-offs	-	-	(20)	(323)	(38)	-	(381)
As at 31 December 2022	**1,665**	**357**	**3,500**	**2,072**	**987**	**118,520**	**127,101**
Accumulated Amortisation							
As at 1 January 2022	735	34	162	1,152	-	1,523	3,606
Charge	551	278	1,053	207	-	11,160	13,249
Write-offs	-	-	-	(323)	-	-	(323)
As at 31 December 2022	1,286	312	1,215	1,036	-	12,683	16,532
Net book value as at 31 December 2022	**379**	**45**	**2,285**	**1,036**	**987**	**105,837**	**110,569**

Group	Internally Generated Software £000	Brand & Trademark £000	Computer Software £000	Regulatory Licences £000	Work in Progress £000	Goodwill £000	Total £000
Cost							
As at 1 January 2021	1,492	60	315	2,395	204	11,188	15,654
Additions	157	2	57	-	67	-	283
Transfer of Work in progress	-	-	204	-	(204)	-	-
As at 31 December 2021	**1,649**	**62**	**576**	**2,395**	**67**	**11,188**	**15,937**
Accumulated Amortisation							
As at 1 January 2021	225	28	23	943	-	344	1,563
Charge	510	6	139	209	-	1,179	2,043
As at 31 December 2021	**735**	**34**	**162**	**1,152**	**-**	**1,523**	**3,606**
Net book value as at 31 December 2021	**914**	**28**	**414**	**1,243**	**67**	**9,665**	**12,331**

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

20. Fixed Assets (continued)

Intangible Assets (continued)

Company	Internally Generated Software £'000	Trademark £'000	Work in Progress £'000	Total £'000
Cost				
As at 1 January 2022	1,649	62	38	1,749
Additions	16	5	958	979
Write-offs	-	-	(38)	(38)
As at 31 December 2022	**1,665**	**67**	**958**	**2,690**
Accumulated Amortisation				
As at 1 January 2022	735	34	-	769
Charge	551	6		557
As at 31 December 2022	**1,286**	**40**	**-**	**1,326**
Net book value as at 31 December 2022	**379**	**27**	**958**	**1,364**

Company	Internally Generated Software £'000	Trademark £'000	Work in Progress £'000	Total £'000
Cost				
As at 1 January 2021	1,492	60	-	**1,552**
Additions	157	2	38	**197**
As at 31 December 2021	**1,649**	**62**	**38**	**1,749**
Accumulated Amortisation				
As at 1 January 2021	225	28	-	**253**
Charge	510	6	-	**516**
As at 31 December 2021	**735**	**34**	**-**	**769**
Net book value as at 31 December 2021	**914**	**28**	**38**	**980**

20. Fixed Assets (continued)

Intangible Assets (continued)

(i) Adjusted Measures

The amortisation of goodwill and intangible assets on acquisition totalled £11,729k (2021: £1,388k) and consists of the amortisation of goodwill £11,160k (2021: £1,179k), fair value of brands acquired of £271k (2021: £nil), fair value adjustment to technology acquired of £91k (2021: £nil) and regulatory licences of £207k (2021: £209k).

(ii) Goodwill Impairment

Significant judgement is applied when determining the expected useful life of Goodwill and when considering whether goodwill is impaired.

The expected useful life of Goodwill is 10 years and any change in this estimate will have an impact on the period over which the capitalised expenditure is amortised.

The Group has 2 main cash generating units ('CGU') with associated goodwill and has carried out a review for indicators of impairment for both. The first is in relation to the Allium acquisition in August 2020 and the second is in relation to the Oplo acquisition in January 2022. Whilst the performance of each CGU has been strong, other macroeconomic factors during 2022 have resulted in the need for the recoverable amounts to be evaluated.

The recoverable amount is the higher of the value in use ('VIU') and the fair value less costs to sell. In both cases the VIU was higher than the carrying value and therefore no impairment charge has been recognised. In addition, the latest forecasts remain supportive of strong growth and there is no indication that the useful life should be required to be shortened.

The VIU calculation is based on the Board approved 5-year plan adjusted for non-cash items, capital expenditure and cash flows as a result of regulatory capital requirements. A discount rate is applied in order to calculate the net present value ('NPV') of the cash flows (16% and 20% for Allium and Oplo CGUs respectively) and a terminal value has been calculated using a multiple of the tangible book value (2.0x for both Allium and Oplo). Given the significant judgement involved in determining terminal value multiples and discount rates to be used, these assumptions can significantly impact the NPV of cash flows calculated to support the value of the goodwill in the Financial Statements. As at 31 December 2022 the total carrying value of the CGU's is £192,957k. The total VIU has been calculated as £223,237k. A 100bps increase/decrease in the discount rate applied would result in a £13,867k decrease/£14,569k increase in the VIU. An increase/decrease of 0.1 in the tangible book value multiple used would result in a £11,145k increase/£11,145k decrease in the VIU.

20. Fixed Assets (continued)

Intangible Assets (continued)

(iii) Individual Intangible Assets Material to the Financial Statements

The individual intangible assets, excluding goodwill, which are material to the Financial Statements consist of the following:

Internally Generated Software (Group & Company)

- A mobile savings application allowing customers to open and manage their deposit accounts. The mobile savings application has a net book value of £249k (2021: £521k) and remaining amortisation period of 1 years (2021: 2 years).
- A custom built loan origination system that manages applications and onboarding. The loan origination system has a net book value of £763k (2021: £nil) and was still in progress as at 31 December 2022.

Regulatory Licences (Group)

- A licence granted by the FCA and PRA allowing the Group to act as a deposit-taker in the United Kingdom. The licence has a net book value of £1,036k (2021: £1,243k) and a remaining amortisation period of 5 years (2021: 6 years).

20. Fixed Assets (continued)

Tangible Assets

Group	Leasehold Improvements £'000	Office and IT Equipment £'000	Fixtures and Fittings £'000	Vehicles £'000	Total £'000
Cost					
As at 1 January 2022	18	332	7	-	357
Additions related to acquisition of subsidiary	234	396	121	53	804
Additions	53	341	53	8	455
As at 31 December 2022	**305**	**1,069**	**181**	**61**	**1,616**
Accumulated Depreciation					
As at 1 January 2022	11	224	6	-	241
Charge	92	201	48	14	355
As at 31 December 2022	**103**	**425**	**54**	**14**	**596**
Net book value as at 31 December 2022	**202**	**644**	**127**	**47**	**1,020**

Group	Leasehold Improvements £'000	Office and IT Equipment £'000	Fixtures and Fittings £'000	Vehicles £'000	Total £'000
Cost					
As at 1 January 2021	28	381	72	32	**513**
Additions	18	66	-	-	**84**
Write-offs	(28)	(115)	(65)	(32)	**(240)**
As at 31 December 2021	**18**	**332**	**7**	**-**	**357**
Accumulated Depreciation					
As at 1 January 2021	16	237	59	32	**344**
Charge	15	92	4	-	**111**
Write-offs	(20)	(105)	(57)	(32)	**(214)**
As at 31 December 2021	**11**	**224**	**6**	**-**	**241**
Net book value as at 31 December 2021	**7**	**108**	**1**	**-**	**116**

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

20. Fixed Assets (continued)

Tangible Assets (continued)

Company	Leasehold Improvements £'000	Office and IT Equipment £'000	Fixtures and Fittings £'000	Vehicles £'000	Total £'000
Cost					
As at 1 January 2022	18	297	7	-	322
Additions	8	90	42	-	140
As at 31 December 2022	26	387	49	-	462
Accumulated Depreciation					
As at 1 January 2022	11	214	6	-	231
Charge	8	31	4	-	43
As at 31 December 2022	19	245	10	-	274
Net Book Value as at 31 December 2022	**7**	**142**	**39**	**-**	**188**

Company	Leasehold Improvements £'000	Office and IT Equipment £'000	Fixtures and Fittings £'000	Vehicles £'000	Total £'000
Cost					
As at 1 January 2021	28	350	72	32	**482**
Additions	18	62	-	-	**80**
Write-offs	(28)	(115)	(65)	(32)	**(240)**
As at 31 December 2021	**18**	**297**	**7**	**-**	**322**
Accumulated Depreciation					
As at 1 January 2021	16	234	59	32	**341**
Charge	15	85	4	-	**104**
Write-offs	(20)	(105)	(57)	(32)	**(214)**
As at 31 December 2021	**11**	**214**	**6**	**-**	**231**
Net Book Value as at 31 December 2021	**7**	**83**	**1**	**-**	**91**

21. Other Assets

Group	2022 £'000	2021 £'000
Trade receivables	**5,821**	3,728
Refundable deposits	**177**	110
Research and development tax credit	**366**	151
Sundry debtors	**874**	50
Deferred tax	**13,119**	-
	20,357	4,039
Company		
Refundable deposits	**177**	92
Research and development tax credit	**273**	151
Intercompany	**1,274**	12
Sundry debtors	**298**	22
Deferred tax	**8,755**	-
	10,777	277

22. Prepayments and Accrued Income

Group	2022 £'000	2021 £'000
Prepayments	**3,009**	2,181
Accrued income	**-**	4
	3,009	2,185
Company		
Prepayments	**2,176**	2,152

23. Deposits by Banks

Group	2022 £'000	2021 £'000
Bank of England Term Funding Scheme	**23,647**	39,971
Derivative collateral received	**19,849**	-
	43,496	39,971
Repayable:		
Undated	**19,849**	-
3 months or less	**-**	16,513
Between 1 and 5 years	**23,647**	23,458
	43,496	39,971

Refer to Note 36.2 for further details on derivative collateral received.

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

24. Customer Accounts

Group	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

25. Debt Securities in Issue

Group	2022 £'000	2021 £'000
Securitisation Loan Notes	**128,400**	-

The Securitisation Loan Notes are issued through Polo Funding 2021-1 PLC, a SPE set up for securitising a portfolio of second and subsequent ranking consumer secured loans originated by Tandem Home Loans Limited. These notes attract interest rates of up to 6.50% above SONIA and have a final maturity date in September 2046.

26. Other Liabilities

Group	2022 £'000	2021 £'000
Trade creditors	**2,774**	331
Other taxes and social security costs	**916**	430
Cash settled share-based payments	**65**	64
Other liabilities	**1,170**	852
Corporation tax payable	**117**	-
	5,042	1,677
Company		
Trade creditors	**1,108**	241
Other taxes and social security costs	**916**	359
Cash settled share-based payments	**65**	64
Intercompany	**3,960**	963
Other liabilities	**460**	345
	6,509	1,972

27. Accruals and Deferred Income

Group	**2022 £'000**	2021 £'000
Accruals	**5,012**	2,086

Company		
Accruals	**3,754**	1,581

28. Provisions for Liabilities

Group & Company	Restructuring Provision £'000	**Total £'000**
As at 1 January 2022	943	**943**
Utilisation during the year	(943)	**(943)**
As at 31 December 2022	-	-
As at 1 January 2021	-	-
Additions through profit or loss	943	**943**
As at 31 December 2021	943	**943**

Restructuring Provision

In December 2021, the Group began implementing a restructuring plan in preparation for the acquisition of Oplo Holdings Ltd. The provision consisted of redundancy costs for impacted employees as well as expected costs related to the integration of the Group and Oplo Holdings Ltd. The provision was fully utilised in 2022.

29. Commitments and Contingent Liabilities

The Group had the following future commitments in relation to lending contracts:

Commitments	**2022 £'000**	2021 £'000
Unsecured lending commitments	**81,550**	24,200
Mortgages	**12,071**	4,525
	93,621	28,725

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

30. Share Capital, Warrants and Reserves

Group	2022 £'000	2021 £'000
Called-up ordinary share capital		
As at 1 January	**915**	804
Issued as consideration for subsidiary	**308**	-
Issued for cash	**1,806**	111
As at 31 December	**3,029**	915
Share premium account		
As at 1 January	**210,671**	202,694
Issued as consideration for subsidiary	**27,182**	-
Issued for cash	**158,239**	7,977
As at 31 December	**396,092**	210,671
Warrants	**1,391**	1,391
Other reserves		
Share options reserve	**5,741**	4,683
Distributable reserves from employee benefit trusts	**781**	781
	6,522	5,464
Retained reserves	**(161,979)**	(164,941)

Company	2022 £'000	2021 £'000
Called-up ordinary share capital		
As at 1 January	**915**	804
Issued as consideration for subsidiary	**308**	-
Issued for cash	**1,806**	111
As at 31 December	**3,029**	915
Share premium account		
As at 1 January	**210,671**	202,694
Issued as consideration for subsidiary	**27,182**	-
Issued for cash	**158,239**	7,977
As at 31 December	**396,092**	210,671
Warrants	**1,391**	1,391

30. Share Capital, Warrants and Reserves (continued)

	2022 £'000	2021 £'000
Other reserves		
Share-based payment reserve	**5,741**	4,683
Distributable reserves from employee benefits trusts	**781**	781
	6,522	5,464
Retained reserves	**(178,547)**	(136,499)

As at 31 December 2022, the Company had 1,514,374k ordinary shares of £0.002 authorised, fully paid up and in issue (2021: 457,513k). During the year ended 31 December 2022, the Company issued 902,659k ordinary shares (2021: 55,467k) of £0.002 nominal value for cash consideration of £160,045k (2021: £8,088k). During the year ended 31 December 2022, the Company issued £154,203k ordinary shares as consideration for the purchase of a subsidiary (2021: £nil) with a deemed value of £27,490k (2021: £nil). There are no restrictions on the distribution of dividends and the repayment of capital.

On 4 July 2019, Allium Lending Group ('ALG') and Abundance Investment Ltd entered into a warrant instrument pursuant to which Allium issued warrants entitling the holders of such warrants to subscribe for 671.4k B Ordinary Shares in the capital of ALG. The acquisition of the entire issued share capital of ALG by the Company constitutes a Share-for-Share Sale which, in accordance with the provisions of the Original Warrant Instrument, results in the cancellation of the Original Warrants and the issue of replacement warrants in respect of shares in the Company to the holders of the Original Warrants. Accordingly, the Company, by resolution of its Directors and shareholders and with the consent of its Major Shareholders, agreed to issue warrants to subscribe for 5,506.8k Ordinary Shares in the capital of the Company on the terms set out in this Instrument.

The total number of share awards outstanding under share-based payment schemes is 16,022k (2021: 16,102k), of which 73k were awarded in 2022 (2021: £7,718k). No share options were exercised in 2022 (2021: nil). There are shares held in EBTs in relation to share-based award schemes. The EBTs are consolidated in the Company results and the distributable reserves form part of other reserves. See Note 32 for further details on share-based payments.

31. Dividends

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

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

32. Share-based Payments

As at 31 December 2022, 4 employee incentive schemes are in operation by the Group: a Growth Share Plan ('GSP'), a Joint Share Ownership Plan ('JSOP'), an Unapproved Share Option Plan ('USOP') and an Employee Share Scheme ('ESS').

The expense charged to the Income Statement for each during 2022 was as follows:

	2022 £'000	2021 £'000
Growth Share Plan	**1,072**	-
Joint Share Ownership Plan	**217**	81
Unapproved Share Option Scheme	**3**	(79)
Employee Share Scheme	**2**	(4)
	1,294	(2)

Growth Share Plan

In 2022 Tandem issued 73k C shares (a new class of share) at a subscription price of £3.82 per share. The participants will receive 10% of equity proceeds in excess of a predetermined hurdle value. The awards can be redeemed only in the event of an asset or share sale for a controlling interest in the Company or an Initial Public Offering ('IPO').

The awards have a nearly 4 year vesting schedule with 20% vesting either at grant date or 10 months after the grant date and then the remaining vesting in equal monthly instalments from 24 January 2023 over 36 months. They are classified as equity settled and the fair value of the awards calculated as at the date of grant and are not remeasured.

	2022 No. of awards ('000)
Outstanding as at 1 January	**-**
Granted during the year	**73**
Forfeited during the year	**(8)**
Outstanding as at 31 December	**65**

Joint Share Ownership Plan

The participants of the JSOP are required to make a payment up front, the subscription price of £0.06 per option, for the right to the future growth in the company's value above a predetermined hurdle price. The shares are held in an EBT which jointly own the shares. As with the GSP, awards can be redeemed only in the event of an asset or share sale for a controlling interest in the Company or an IPO, at which point the participant will receive the value above the hurdle price and the value below the hurdle price will remain in the EBT to distribute at the discretion of the RemCo.

There is an Employee JSOP scheme and a Founder JSOP scheme, both of which have a 5 year vesting schedule with 40% of the award vesting after 2 years and then a further 10% vesting every 6 months thereafter. They are classified as equity settled and the fair value of the awards calculated as at the date of grant and are not remeasured.

32. Share-based Payments (continued)

Joint Share Ownership Plan (continued)

	2022 No. of awards ('000)	2021 No. of awards ('000)
Outstanding as at 1 January	**7,788**	10,164
Forfeited during the year	**(118)**	(2,376)
Outstanding as at 31 December	**7,670**	7,788

The JSOP has been closed to new entrants since 2019. However, in 2021 a separate award was issued that is not part of the JSOP management incentive plan but is using the potential value in the EBTs representing the 'below the hurdle' value of the shares. Under the terms, the participant will receive the value from £0 to £1.55 based on a notional of 4,700k shares, providing a predetermined hurdle price is achieved in the event of an asset or share sale for a controlling interest in the Company or an IPO. The award has been classified as a cash settled share-based payment and the fair value of the award is calculated at each reporting date.

Unapproved Share Option Scheme

The Company has granted options on Ordinary B shares in an USOP in 2016 and has made further grants in subsequent years with eligibility determined by the Board. There have been no further issuances since 2021 and the scheme now remains closed to new participants.

These options are equity settled with the option giving the holder the right to acquire shares at a future date at the exercise price of £0.002 or £0.253 (depending on the terms when they were issued).

The USOP has a 4-year vesting period, in equal 6 month tranches of 12.5%. The vesting period begins on the date of employment with the Company with the exception of the options granted in 2018 where the vesting commencement date is linked with the acquisition date of TBL for certain employees. As with the other awards, the options can be exercised only in the event of an asset or share sale for a controlling interest in the Company or an IPO.

As an equity settled scheme, the fair value of the options are calculated as at the date of grant and is not re-measured

The number and weighted average exercise price of options outstanding as at the Balance Sheet date were as follows:

	2022		2021	
	No. ('000)	**Weighted average exercise price £**	No. ('000)	Weighted average exercise price (restated) £
Outstanding as at 1 January	**3,473**	**0.014**	1,553	0.039
Granted during the year	**-**	**-**	3,018	0.002
Forfeited during the year	**(27)**	**0.124**	(1,098)	0.015
Outstanding as at 31 December	**3,446**	**0.013**	3,473	0.014

32. Share-based Payments (continued)

Unapproved Share Option Scheme (continued)

There were no exercisable options in the year (2021: nil).

The fair values of the above awards (for the GSP, JSOP and USOP) have been estimated using an option valuation model as there are not currently open market conditions for these awards given they are privately held. The significant inputs are the share price and the volatility rates. The share price is based on the prevailing share price from the latest capital raises at the date of the valuation. The expected volatility is determined by assessing the historical volatility of listed peers to obtain an estimated 'implied' volatility at this date. Other inputs included the risk-free rate and length of hold.

Employee Share Scheme ('ESS')

From 23 November 2016, the Company closed the ESS to new entrants, following withdrawal by the UK Government of their support for such schemes. On entry into the scheme, ordinary shares were issued to employees following their probation period. The vesting period began from the date of employment with the Company. The fair value was determined at the grant date and is not re-measured.

All shares are now either fully vested or lapsed. There are 141k outstanding awards as at 31 December 2022 (31 December 2021: 141k). There were 296k shares granted in total under the ESS scheme, of which 155k have lapsed.

33. Operating Leases

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

Group	**2022 £'000**	2021 £'000
Less than 1 year	696	428
Between 1 year and 5 years	258	-
	954	428

Company	**2022 £'000**	2021 £'000
Less than 1 year	460	274
Between 1 year and 5 years	144	-
	604	274

Total lease payments made by the Group in 2022 were £1,121k (2021: £1,086k).

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

34. Notes to the Cash Flow Statement

For the cash flow statement, cash and cash equivalents comprise the following:

Group	2022 £'000	2021 £'000
Cash and balances at central banks	**679,659**	360,378
Loans and advances to banks:		
Repayable on demand	**41,114**	18,331
Cash collateral on derivatives placed with banks	**1,104**	500
	721,877	379,209
Company		
Loans and advances to banks:		
Repayable on demand	**1,480**	997

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

Group	2022 £'000	2021 £'000
Loss on operating activities before tax	**(12,355)**	(19,586)
Impairment movement on loans and advances to customers	**15,735**	1,705
Amortisation of intangible fixed assets	**1,520**	657
Amortisation of goodwill and intangible assets on acquisition	**11,729**	1,386
Depreciation	**355**	111
Write-off of tangible and intangible assets	**58**	26
Share-based payments	**1,058**	(177)
Fair value adjustments for portfolio hedged assets	**25,660**	2,333
Fair value adjustments for portfolio hedged liabilities	**(165)**	(75)
Fair value gain on derivatives	**(27,911)**	(2,373)
Loss on sale of loan portfolios	**-**	569
Loss on sale of debt securities	**249**	-
Write-off of equity shares	**-**	1,000
Unrealised foreign exchange gain on equity shares	**-**	(36)
Non-cash items included loss on operating activities before tax	**28,288**	5,126
Increase in loans and advances to customers	**(398,908)**	(46,856)
Decrease in derivative instruments	**1,397**	-
Decrease in equity shares	**-**	7
Decrease in other assets	**5,443**	2,981
Decrease/(increase) in prepayments and accrued income	**1,914**	(135)
Increase/(decrease) in deposits by banks	**3,525**	(10,042)
Increase in customer accounts	**983,872**	276,274
Decrease in debt securities in issue	**(791)**	-
Increase/(decrease) in other liabilities	**3,299**	(2,299)
Decrease in accruals and deferred income	**(296)**	(445)
(Decrease)/increase in provisions for liabilities	**(943)**	943
Change in operating assets and liabilities	**598,512**	220,428
	614,445	205,968

34. Notes to the Cash Flow Statement (continued)

Analysis of changes in net debt

	As at 1 January 2022 £'000	Acquired as part of acquisition of subsidiary £'000	Cash flows £'000	Fair value & exchange movements £'000	Non-cash Changes* £'000	As at 31 December 2022 £'000
Cash and balances at central banks	360,378	-	318,235	-	1,046	679,659
Loans and advances to banks	18,831	15,226	8,161	-	-	42,218
Cash and cash equivalents	**379,209**	**15,226**	**326,396**	**-**	**1,046**	**721,877**
Deposits from banks	(39,971)	-	(3,300)	-	(225)	(43,496)
Customer accounts	(771,161)	-	(975,871)	165	(8,001)	(1,754,868)
Debt securities in issue	-	(389,497)	260,391	-	706	(128,400)
Derivatives held for risk management	(89)	-	-	(720)	-	(809)
Total	**(432,012)**	**(374,271)**	**(392,384)**	**(555)**	**(6,474)**	**(1,205,696)**

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

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

35. Analysis of Financial Instruments by Classification Basis

The carrying value of the Group'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	42,218	-	-	-	42,218
Loans and advances to customers	1,202,739	-	-	-	1,202,739
Debt securities	-	91,210	-	-	91,210
Derivatives held for risk management	-	-	29,592	-	29,592
Equity shares	-	2,309	-	-	2,309
Total Financial Assets	**1,924,616**	**93,519**	**29,592**	**-**	**2,047,727**
Non-financial assets					**134,955**
Total Assets					**2,182,682**
Financial Liabilities					
Deposits by banks	-	-	-	43,496	43,496
Customer accounts	-	-	-	1,754,868	1,754,868
Debt securities in issue	-	-	-	128,400	128,400
Derivative held for risk management	-	-	809	-	809
Other liabilities	-	-	-	5,042	5,042
Accruals and deferred income	-	-	-	5,012	5,012
Total Financial Liabilities	**-**	**-**	**809**	**1,936,818**	**1,937,627**
Total Liabilities					**1,937,627**

35. Analysis of Financial Instruments by Classification 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	18,831	-	-	-	18,831
Loans and advances to customers	437,004	-	-	-	437,004
Debt securities	-	30,215	-	-	30,215
Derivatives held for risk management	-	-	2,358	-	2,358
Equity shares	-	1,970	-	-	1,970
Total Financial Assets	**816,213**	**32,185**	**2,358**	**-**	**850,756**
Non-financial assets					18,671
Total Assets					**869,427**
Financial Liabilities					
Deposits by banks	-	-	-	39,971	39,971
Customer accounts	-	-	-	771,161	771,161
Derivative held for risk management	-	-	89	-	89
Other liabilities	-	-	-	1,677	1,677
Accruals and deferred income	-	-	-	2,086	2,086
Provisions for liabilities	-	-	-	943	943
Total Financial Liabilities	**-**	**-**	**89**	**815,838**	**815,927**
Total Liabilities					**815,927**

36. Risk Management

Through its normal operations, the Group 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.

36.1 Credit Risk

Credit risk is the risk of financial losses to the Group resulting from a borrower 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 Group 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 Group to resolve the situation. The Group 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 Group will take steps to recover the debt using their expertise to determine an optimum recovery strategy.

For its unsecured lending and second charge mortgages, the Group 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 certain secured lending, everything past due is classified as impaired but not all is expected to be written-off. The Group 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.

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

36. Risk Management (continued)

36.1. Credit Risk (continued)

(ii) Loans and Advances to Customers (continued)

Credit Quality Analysis

As at 31 December 2022	Unsecured Lending £'000	Secured Lending £'000	Total £'000
Total gross impaired loans	28,252	29,619	57,871
Past due but not impaired	-	11,604	11,604
Neither past due nor impaired	406,532	784,852	1,191,384
Total gross amount due	434,784	826,075	1,260,859
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	423,559
Total gross amount due	182,894	262,182	445,076

Aging Analysis

As at 31 December 2022	Unsecured Lending £'000	Secured Lending £'000	Total £'000
Total gross impaired loans			
Less than 3 months	13,294	11,505	24,799
Past due 3 to 12 months	11,224	10,023	21,247
Past due over 12 months	3,734	8,091	11,825
	28,252	29,619	57,871
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

36. Risk Management (continued)

36.1. Credit Risk (continued)

(ii) Loans and Advances to Customers (continued)

Aging Analysis (continued)

As at 31 December 2021	Unsecured Lending £'000	Secured Lending £'000	Total £'000
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 Group 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 first charge 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 Group'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 £'000	Provision Increase %
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%

36. Risk Management (continued)

36.1. 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	3.1%	N/A	N/A
+2.5%	3.2%	114	2.1%
+5.0%	3.2%	228	4.3%
+7.5%	3.3%	342	6.4%
+10.0%	3.4%	456	8.5%

*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%	1,312	13.8%

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

36. Risk Management (continued)

36.1. 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%	210	3.9%
5.0%	68.3%	421	7.9%
7.5%	70.8%	631	11.8%
10.0%	73.3%	841	15.8%

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

36. Risk Management (continued)

36.1. Credit Risk (continued)

(ii) Loans and Advances to Customers (continued)

Sensitivity Analysis of Loans to Customers Impairment Provision (continued)

- **Increase in Emergence Period**

The Group's impairment provision for its secured lending (second charge mortgage) portfolio is particularly sensitive to increases in emergence period (see Note 15) 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 months	4	326	2.5%
+2 months	5	678	5.2%
+3 months	6	1,051	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 Group'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**	100

36. Risk Management (continued)

36.1. Credit Risk (continued)

(iii) Debt Securities Held for Liquidity Purposes

The Group's Treasury Policy allows the holding of debt securities within its High-Quality Liquid Asset buffer to meet its liquidity requirements under the Group's Liquidity Risk Appetite. Additionally, the Group 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 Group 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 Group's holdings of Debt Securities is shown below:

Issuer	Rating (Moody's)	Notional Value £'000	Mark to 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.

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

36. Risk Management (continued)

36.2. Liquidity Risk

Liquidity risk is the risk that the Group 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 Group will maintain liquidity resources which are adequate, both as to amount and quality in order to meet its requirements at all times.

The Group 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 Group'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 Group'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 Group'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 the Group'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 Group'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 Group's liquidity RMF and internal governance; and
- The recovery plans it has in place to manage a severe stress scenario

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

36. Risk Management (continued)

36.2. Liquidity Risk (continued)

Contractual Maturity Analysis

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

As at 31 December 2022	**On demand £'000**	**< 3 months £'000**	**3 to 12 months £'000**	**1 to 5 years £'000**	**Over 5 years £'000**	**Undated £'000**	**Total £'000**
Non-derivative liabilities							
Deposits by banks	-	-	-	(23,647)	-	(19,849)	(43,496)
Customer accounts	(695,676)	(114,357)	(711,663)	(232,494)	(678)	-	(1,754,868)
Debt securities in issue	-	-	-	-	(128,400)	-	(128,400)
Other liabilities	(5,042)	-	-	-	-	-	(5,042)
Accruals and deferred income	(5,012)	-	-	-	-	-	(5,012)
	(705,730)	(114,357)	(711,663)	(256,141)	(129,078)	(19,849)	(1,936,818)
Derivative liabilities							
Fair value hedges:							
Outflow	-	(3,014)	(9,726)	(9,315)	-	-	(22,055)
Inflow	-	3,283	9,158	8,805	-	-	21,246
Net derivative cash flows	-	269	(568)	(510)	-	-	(809)
	(705,730)	(114,088)	(712,231)	(256,651)	(129,078)	(19,849)	(1,937,627)

As at 31 December 2021	**On demand £'000**	**< 3 months £'000**	**3 to 12 months £'000**	**1 to 5 years £'000**	**Over 5 years £'000**	**Undated £'000**	**Total £'000**
Non-derivative liabilities							
Deposits by banks	-	(16,513)	-	(23,458)	-	-	(39,971)
Customer accounts	(383,901)	(30,839)	(261,756)	(94,665)	-	-	(771,161)
Other liabilities	(1,677)	-	-	-	-	-	(1,677)
Accruals and deferred income	(2,086)	-	-	-	-	-	(2,086)
Provisions for liabilities	(943)	-	-	-	-	-	(943)
	(388,607)	(47,352)	(261,756)	(118,123)	-	-	(815,838)
Derivative liabilities							
Fair value hedges:							
Outflow	-	(50)	(299)	-	-	-	(349)
Inflow	-	77	183	-	-	-	260
Net derivative cash flows	-	27	(116)	-	-	-	(89)
	(388,607)	(47,325)	(261,872)	(118,123)	-	-	(815,927)

36. Risk Management (continued)

36.2. Liquidity Risk (continued)

Collateral

The Group 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 Group's policy to post and receive only GBP cash collateral. As at 31 December 2022, the Group has provided collateral of £1,104k (2021: £500k) and received collateral of £19,849k (2021: £nil) against its derivatives portfolio.

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

36.3. Market Risk

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

IRRBB is the current or prospective risk to the Group's capital and earnings, arising from adverse movements in interest rates affecting the firm's Banking Book positions. Where possible the Group seeks to match the interest rate structure of assets and liabilities creating a natural hedge. The Group 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 Group'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 Group's assets and liabilities and on the Group's projected earnings.

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

Interest Rate Risk Sensitivities:

	NPV present value sensitivity	
	2022	2021
Parallel shift in yield curve	**£'000**	£'000
+200bps	**(1,355)**	(108)
-200bps	**1,670**	234

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

37. Capital Management (unaudited)

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

The Group 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 Group 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 Group 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 Group of 0.982% as at 31 December 2022, given the Group'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 Group maintained capital in excess of its minimum capital requirements.

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

37. Capital Management (unaudited) (continued)

The Group's regulatory capital position as at the year-end was as follows:

	2022 £'000 (unaudited)	2021 £'000 (unaudited)
Tier 1 Capital		
Ordinary share capital	**399,121**	211,586
Other reserves	**6,522**	5,464
Retained reserves	**(161,979)**	(164,941)
Prudent valuation adjustment	**(93)**	(34)
Intangible assets	**(110,569)**	(12,331)
Deferred tax	**(13,119)**	-
	119,883	39,744
Total Capital	**119,883**	39,744

	2022 £'000 (unaudited)	2021 £'000 (unaudited)
Credit risk	**699,002**	249,718
Counterparty credit risk	**1,550**	673
Operational risk	**84,988**	26,340
Credit valuation adjustment	**4,618**	3,482
RWA	**790,158**	280,213
CET1 Ratio	**15.2%**	14.2%
Capital Ratio	**15.2%**	14.2%

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

38. Financial Instruments held at Fair Value

The Group 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 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 financial assets and liabilities held on the Statement of Financial Position at fair value, categorised into levels 1 to 3 based on the degree to which the fair value is observable.

	Level 1	Level 2	Level 3	Total
As at 31 December 2022	**£'000**	**£'000**	**£'000**	**£'000**
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	-	(809)	-	(809)
	-	(809)	-	(809)

	Level 1	Level 2	Level 3	Total
As at 31 December 2021	**£'000**	**£'000**	**£'000**	**£'000**
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)

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

39. Discontinued Operations

In 2020 the Group 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 £1,391k).

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

40. Related Party and Controlling Party

On 24 January 2022, a majority shareholding in the Group was acquired by PSC Nominee 4 Limited. Prior to this, a majority shareholding in the Group was held by PSC Plane (Guernsey) LP Incorporated. Both PSC Nominee 4 Limited and PSC Plane (Guernsey) LP Incorporated are incorporated in Guernsey and are investment vehicles of Pollen Street Capital Limited.

The largest company in which the results of the Group are consolidated is Tandem Money Limited. No other Financial Statements include the results of the Group.

Transactions with Related Parties

The Company has taken advantage of the exemptions set out in FRS 102 Section 33.1A to not disclose transactions with its subsidiaries that are wholly owned.

In 2021, the Group received IT platform services from SamePage Group Limited. During 2021, costs relating to the year were recognised in the Income Statement within Administrative Expenses and totalled £311k . Costs of £30k were recorded as additions to Work In Progress and costs of £58k were recorded as additions to Computer Software within Intangible Assets as they related to the development of a loan servicing system during the year. As at 31 December 2021 there was an outstanding payable of £52k within Other Liabilities and an accrual of £19k within Accruals and Deferred Income relating to SamePage Group Limited, which were to be settled in cash. The Group and SamePage Group Limited were related parties due to being under the common control of Pollen Street Capital Limited. SamePage Group Limited ceased to be a related party on 10 November 2021.

In December 2020, the Group 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 Group (beginning in 2021). As part of the agreement, the Group 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 Group. All payables and receivables between the Group and Oplo HL Ltd were settled in cash. The Group and Oplo HL Ltd were related parties due to being under the common control of Pollen Street Capital Limited. On 24 January 2022 the Group purchased Oplo Holdings Ltd (the parent of Oplo HL Ltd). Refer to Note 41 for more details.

The Group received management consulting services from Pollen Street Capital. Costs incurred were recognised in the Income Statement within Administrative Expenses and totalled £200k in 2022 (2021: £159k). As at 31 December 2022, there was £200k outstanding payable relating to the management consulting services within Accruals and Deferred Income (2021: £nil). The Group and PSC Service Company are related parties due to being under the common control of Pollen Street Capital Limited.

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

40. Related Party and Controlling Party (continued)

Transactions with Related Parties (continued)

During the year, the Group rented premises from Clear Property (NW) Limited. Costs relating to the year were recognised in the Income Statement within Administrative Expenses and totalled £12k. All amounts due were settled in cash during the year. As at 31 December 2022, there were no outstanding balances payable. Clear Property (NW) Limited is a related party due to being controlled by a member of Key Management Personnel.

During the year, the Group rented premises from TM Legal Services Limited. Costs relating to the year were recognised in the Income Statement within Administrative Expenses and totalled £37k. All amounts due were settled in cash during the year. As at 31 December 2022, there were no outstanding balances payable. TM Legal Services Limited was a related party due to being controlled by a close family member of Key Management Personnel. TM Legal Services Limited ceased to be a related party from 28 April 2022.

During the year, the Group rented premises to Perch Group Limited. Income relating to the year was recognised in the Income Statement within Administrative Expenses and totalled £28k. All amounts due were settled in cash during the year. As at 31 December 2022, there were no outstanding balances receivable. Perch Group Limited was a related party due to being controlled by a close family member of Key Management Personnel. Perch Group Limited ceased to be a related party from 28 April 2022.

During the year, the Group 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.

During the year, the Group received customer administration services from FieldConnect Limited. Costs relating to the year were recognised in the Income Statement within Administrative Expenses and totalled £93k. All amounts due were settled in cash during the year. As at 31 December 2022, there were no outstanding balances payable. FieldConnect Limited was a related party due to being controlled by a close family member of Key Management Personnel. FieldConnect Limited ceased to be a related party from 28 April 2022.

During the year, the Group rented premises from the Mollart Family Pension Scheme. Costs relating to the year were recognised in the Income Statement within Administrative Expenses and totalled £84k. All amounts due were settled in cash during the year. As at 31 December 2022, there were no outstanding balances payable. The Mollart Family Pension Scheme is a related party due to a member of Key Management Personnel being a member of the scheme.

40. Related Party and Controlling Party (continued)

Transactions with Key Management Personnel

Key Management Personnel are defined as members of the Executive Committee, including Directors for whom amounts have been separately disclosed in Notes 9 and 10.

Key Management Personnel	**2022 £000**	2021 £000
Remuneration	**3,473**	2,841
Pension Contributions	**52**	96
	3,525	2,937

During the year Key Management Personnel made investments of £70k in the Company (2021: £150k).

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).

41. Business Combinations

On 24 January 2022, TML purchased the entire issued share capital and voting rights of Oplo Holdings Ltd for £153,696k.

Oplo represented a fast growing diversified consumer lender with business plans supporting the transaction price indicative of a growing business beyond the explicit forecast. Management have estimated the useful life of the goodwill to be 10 years.

The following table summarises consideration paid by the Group, the fair value of the assets acquired and liabilities assumed on the acquisition date.

Consideration at 24 January 2022	**£000**
Cash consideration	122,273
Equity instruments (154.2m ordinary shares)	27,491
Direct attributable costs	3,932
	153,696

For cashflow disclosure purposes the amounts are disclosed as follows	
Cash consideration	122,273
Directly attributable costs	3,932
Less: Cash and cash equivalents acquired	(15,226)
Net cash outflow	**110,979**

41. Business Combinations (continued)

Recognised amounts of identifiable assets acquired and liabilities assumed	Book values £000	Adjustments * £000	Fair value £000
Cash and cash equivalents	15,226	-	15,226
Loans and advances to customers	408,222	-	408,222
Intangible assets	7,750	(4,516)	3,234
Tangible fixed assets	804	-	804
Other assets	8,925	-	8,925
Prepayments and accrued income	2,738	-	2,738
Debt securities in issue	(389,497)	-	(389,497)
Other liabilities	(66)	-	(66)
Accruals and deferred income	(3,222)	-	(3,222)
Total identifiable net assets	**50,880**	**(4,516)**	**46,364**
Goodwill			107,332
Total			**153,696**

*Management have identified technology and brand as intangible assets that require valuation separate from goodwill. Included within the book value of intangible assets acquired was £5,133k related to historic goodwill. The adjustment to remove the goodwill value from the acquired intangibles has been offset by £326k fair value adjustment to technology acquired (to be amortised over 3 years) and £290k for the fair value of the brand (to be amortised over 1 year). Management have assessed the book values of all other assets and liabilities acquired and deemed that they are representative of the fair value acquired.

42. Events Subsequent to the Reporting Date

Issuance of Share Capital

On 18 January 2023, PSC Nominee 4 Limited, an existing TML shareholder, subscribed for 140,724,370 Ordinary B shares of £0.002 each in TML for cash consideration of £24,960k.

Asset Acquisition

On 3 April 2023, TML acquired the business assets of PDP2021 Limited (a business trading as 'Loop' and 'Loop Money') by way of an asset acquisition. Consideration for the acquisition comprised of cash and share consideration. The fair value of the assets acquired cannot currently be determined. PDP2021 Limited is a related party as its person with significant control is the Chair of the Group.