Recognise
BANK

Annual Report and Accounts

2022

Recognise BANK

Highlights

Business development

- **Recognise Bank fully licensed in September 2021**

  Recognise Bank achieved its objective of becoming a fully authorised bank in September 2021 allowing it to accept savings deposits.

- **£100 million lending target met**

  Recognise Bank hit its target of lending £100 million to British businesses by the year end, just over six months after achieving full authorisation. This came from a pipeline of £1billion in lending proposals, evidence of the pent-up demand from SMEs.

- **Personal savings products generated £95m in deposits at 31 March 2022**

  Recognise Bank's saving products which were first launched two days after receiving full authorisation in September 2021 proved popular with savers, including the market leading 5-year Fixed Rate account and 95 Day Notice account.

- **Award winning technology and innovation**

  Recognise Bank's digitally enabled relationship banking model won the top honour in the Fintech Finance Awards 2021, 'Wow! We can build a bank!', in partnership with Mambu, Recognise Bank's cloud banking provider. It was also named 'Best SME Bank 2021' in the SME News Finance Awards.

- **Successful cash raises support Recognise Bank growth**

  The parent company, City of London Group "COLG" raised £12.6 million before expenses during the year from shareholders, including two of its major shareholders. Since the year end, these two shareholders have continued their support by investing a further £6.5m in the Company. The net proceeds, together with funds generated from the sale of non-core businesses and internally, have been invested in Recognise Bank to support its growth and investment in technology.

Financial results

£12.1m loss

Loss before tax (2021: loss before tax £7.6m)

£100.0m

Loan book at 31 March 2022 (2021: £12m)

£95.0m

Deposits at 31 March 2022 (2021: £2k)

Reports
Pages 8 and 9 comprise the Chair's statement, pages 10 to 27 the Strategic report, and pages 36 to 36 the Directors' report, all of which are presented in accordance with the Companies Act 2006. The liabilities of directors in connection with these reports shall be subject to the limitations and restrictions provided by such law. These reports are intended to provide information to shareholders and are not designed to be relied upon by any other party or for any other purpose.

Disclaimer
This annual report and accounts may contain certain statements about the future outlook Recognise Bank Limited and its subsidiary. Although we believe our expectations are based on reasonable assumptions, any statements about the future outlook may be influenced by factors that could cause actual outcomes and results to be materially different.

Overview

Recognise Bank Limited ("Recognise Bank" or "the Bank")

Recognise Bank is a UK licensed bank that is focused on serving the UK SME market. Its business has grown substantially since September 2021 when it was granted full authorisation status by the PRA, enabling it to accept savings deposits. With full operational lending capabilities already in place at that date, Recognise Bank was able to launch its first saving products almost immediately. It now offers a range of business and personal savings products as well as lending products that are tailored to meet the needs of the SME sector.

Recognise Bank operates as a relationship-led SME lending bank with offices in London, Manchester, Birmingham and Leeds. It is supported by the latest cloud-based technologies. The Bank is building on its existing technology infrastructure through its recently set up Innovation Hub that will develop its digital capability and enable Recognise Bank to offer new and improved lending products and services to the SME sector.

With an experienced management team and workforce and no legacy loan book, Recognise Bank is now well placed to support ambitious and successful SME businesses during the challenging economic times ahead.

Abbreviations

AIM	Alternative Investment Market
ALCO	Asset and Liability Committee of Recognise Bank
AwR	Authorisation with Restrictions
BRC	Board Risk Committee of Recognise Bank
CCI	Credit Cycle Index
CET	Common Equity Tier
CRO	Chief Risk Officer
EAD	Exposure at Default
EBA	European Banking Authority
ECL	Expected Credit Loss
EPC	Energy Performance Certificate
ERC	Executive Risk Committee of Recognise Bank
ESG	Environmental, social and governance
FCA	Financial Conduct Authority
FiT	Forward-in-Time
GDP	Gross Domestic Product
HPI	UK House Price Index
ICAAP	Internal Capital Adequacy Assessment Process
IFRS	International Financial Reporting Standards
ILAAP	Internal Liquidity Adequacy Assessment Process
IRRBB	Interest Rate Risk in the Banking Book
KPI	Key Performance Indicator
LGD	Loss Given Default
NCSC	National Cyber Security Centre
PBTL	Professional Buy-to-Let Loan
PD	Probability of Default
PRA	Prudential Regulation Authority
RAG	Red, Amber, Green
RCSAs	Risk and Control Self-Assessments
SECR	Streamlined Energy and Carbon Reporting
SICR	Significant Increase in Credit Risk
TCR	Total Capital Requirement
TtC	Through-the-Cycle

Awards and commendations received by Recognise Bank

Recognise Bank has received a number of important awards and commendations in the past year.

Fintech Finance

Recognise Bank won the Fintech Finance 'Wow! We can build a bank!' award in 2021, the top prize in these prestigious finance technology awards. The award jointly presented to Recognise Bank's banking platform partner, Mambu, acknowledge Recognise Bank's journey from an idea to a fully-fledged bank, using technology and personal relationships to disrupt the UK business banking sector.

SME News Finance Awards

The influential small business magazine named Recognise Bank Best SME Bank 2021 in its annual finance awards, noting Recognise Bank's commitment to supporting growing businesses via its network of regional hubs, providing SMEs with true personal relationships.

Moneynet Awards

Although it had only launched its personal savings accounts in September 2021, Recognise Bank was still Highly Commended in the Best New Savings Provider category of the 2022 Moneynet Awards, an award judged by a panel of personal finance experts, including national journalists.

Mortgage Awards

As evidence of the impact Recognise Bank made in its first full year of lending, it was shortlisted for Best Service from a Commercial Mortgage Provider in the Business Moneyfacts Awards, and Best Newcomer in the Mortgage Space at the Money Age Mortgage Awards 2022.

Recognise Bank customer stories

In the process of achieving its target of making commercial loans of £100m by 31 March 2022, Recognise Bank supported a wide variety of businesses with different lending requirements. For example:

A ground-breaking new dementia care village

Recognise Bank provided a loan of £2.9 million to the Central and Regional Estates (CARE) Healthcare Team to support the purchase of a site for a new residential village for people with dementia, a completely new model for dementia care in the UK mirroring the internationally acclaimed De Hogeweyk Village in Weesp, Netherlands.

Philip Scott, a Director of CARE and Sistine Property Group, said: This is a very important project and will completely change the way people with dementia are cared for in a residential setting. This development will offer a real alternative in terms of accommodation footprint and bring a completely new model of care to the UK.

“As Recognise Bank has great knowledge of the commercial property sector and the healthcare space in particular, the decision-making process was very straightforward and, above all else, swift in terms of execution.”

A green housing development

Recognise Bank provided a £2.3 million bridging loan deal on an eco-housing development, enabling the borrower to refinance an existing acquisition loan in order to move on to the second phase of the overall development. The project included 19 environmentally friendly homes plus the refurbishment of an existing lodge on the site.

Jason Caprioli, Lending Director at broker, Kingswood Associates, said**:** “This is an exciting project and Recognise Bank was able to structure and support our client’s green-centred development in Cambridgeshire. The key to success was its team, who combined experience, dynamism, speed and flexibility.

“While it was our first engagement with Recognise Bank, we can’t wait to work with the bank again. Going into 2022 it’s great to see a new bank able to support ever larger opportunities with its growth strategy and appetite.”

Commercial deal in record timescales

The Bank completed a £2 million loan for a city centre office premises in just 23 days from credit approval being given to the funds being drawn down.

The speed of the transaction was testament to Recognise Bank’s digitally enabled, relationship banking model, whereby expert teams work directly with brokers and clients to progress the application, with cutting-edge technology driving the back-end processes to complete the loan quickly and efficiently.

Mark Jerman, Senior Commercial Manager of broker Watts Commercial Finance, said**:** “Recognise was an absolute pleasure to deal with. It was a very streamlined and joined-up approach between them both: communication was timely, accurate and relevant, and we completed very quickly.

“The valuation turnaround was amazing with the Bank engaging the valuer early and in readiness. It was an absolute pleasure, so on to the next deals with Recognise.”

Supporting business cashflow during the pandemic

During the pandemic, Tier Consult Group, a structural and geotechnical consulting engineer, was faced with a substantial six figure premium for renewing its Professional Indemnity Insurance, so it sought a loan to help fund the payment.

Despite the challenges that the pandemic was creating with cashflow across the property and construction sector, Recognise Bank felt that Tier Consult Group's debtor book was full of strong and credible businesses. Recognise Bank gave Tier Consult a loan for the full sum it needed to pay its Professional Indemnity Insurance, which was due imminently.

In what was a real team effort, Recognise Bank also recommended one of its legal partners, Kuits, to create a single company guarantee for the deal, rather than individual guarantees for each of the five companies that made up the Tier Consult Group.

Chair's statement

This has been a defining year for Recognise Bank Limited.

Over the last 12 months, our vision for creating a new kind of bank for the UK's 5.5 million small businesses has been realised with Recognise Bank achieving fully authorised status in September 2021.

Achieving full authorisation was pivotal for Recognise Bank which then built on this success during the rest of the year. Within little more than six months, the Bank had successfully loaned £100 million to UK SME businesses. Furthermore, having launched its first range of personal savings accounts within two days of becoming fully authorised, Recognise Bank had attracted £95 million in personal savings deposits by the end of March.

These considerable achievements are in line with the Bank's strategy that was set when Recognise Bank began its journey towards a banking licence over four years ago. However, the banking sector has changed significantly since then, and this year we signalled our intention to accelerate Recognise Bank's digital capability with the creation of an Innovation Hub, which will build on the Bank's existing technology infrastructure to develop new and existing products and services and create new revenue streams.

Capital and resources within Recognise Bank has been reallocated to support the creation of the Innovation Hub. As we move forward, I am confident we continue to have the right level of expertise and experience across all areas to ensure Recognise Bank will grow and thrive.

With all new lending now being made by Recognise Bank, the run-off of the loan portfolios of our pre-existing lending businesses continued during the year. Funds generated from the sale of Milton Homes and the run-off of existing loan portfolios at the Group level have been reinvested in Recognise Bank to provide capital to support business development.

Two of the City of London Group cornerstone investors, Parasol V27 Limited and Max Barney Investments Limited, demonstrated their commitment and support when they subscribed, in aggregate, £11.35m in September 2021 and invested a further £6.5m in the parent company City of London Group in May 2022 following exercise of the warrants they received in September 2021.

Management change

Jason Oakley

Jason Oakley, one of the co-founders of Recognise Bank, stepped down from his role as Chief Executive Officer of Recognise Bank in March. Jason's drive helped to create Recognise Bank and ultimately enable it to achieve fully authorised status. On behalf of the Board, I would like to thank Jason for all his hard work and dedication over the last five years and wish him well for the future.

Jean Murphy

I am delighted to announce that Jean Murphy was appointed as the new Chief Executive Officer for Recognise Bank on 4 August 2022. Jean brings to the role experience of banking and capital markets, both of which are important to the Bank's future investment. Recognise Bank will also benefit from her entrepreneurial approach as she has previously built successful businesses.

Bryce Glover, who acted as Interim CEO prior to her appointment, continues as the Deputy CEO of Recognise Bank.

Environmental & sustainability matters

The Bank is committed to ensuring its business promotes and supports positive environmental and sustainability goals. In our Climate change section on page 21, we summarise work already done on developing our lending risk assessment processes and on further work that is in progress.

We are conscious of our own responsibilities in this area and are in the process of setting internal targets to reduce energy consumption across the Bank.

Outlook

While I remain confident of a positive future and continued growth for the Bank, it is important to acknowledge we are in a period where many factors are making the future economic outlook, both in the UK and abroad, complex and difficult to predict.

The war in Ukraine has impacted the global economy, which in turn creates pressures here at home, such as rising energy costs, raw material and transport costs, alongside price increases for consumers who are facing their own financial challenges. Rising inflation and interest rates create a scenario not witnessed in the UK for many years.

The SME business sector that Recognise Bank supports remains strong and sentiment remains positive. The sector has initially recovered well from the COVID-19 pandemic, as companies take the opportunity to embrace different business practices or enter new markets. But challenges remain, both in terms of day-to-day operations and future investment plans. Lenders supporting this sector must be balanced in acknowledging the risks as well as the potential in the companies they support, and the funding deals they agree.

Recognise Bank's experienced management and workforce mean it will be able to navigate these challenges and continue lending. Moreover, with its detailed understanding of SMEs and their financial needs, together with its expanding digital capability and no legacy book, the Bank is well-placed to create new and innovative lending solutions for ambitious and successful companies.

I would like to put on record my appreciation of the hard work of all the team and constant support from our major shareholders and the commitment of my colleagues

Philip Jenks
Chair

31 October 2022

STRATEGIC REPORT

Strategic report

Business activities

Recognise Bank traded as a bank throughout the year ended 31 March 2022. After receiving a full UK banking licence in September 2021, Recognise Bank was able to accept savings deposits, and expanded its activities significantly in the second half of the year. With all new lending being made through Recognise Bank, the Bank's other lending company continued to run-off their existing portfolios, with Property & Funding Solutions Ltd. run-off being completed by the year end.

A review of each business is included on pages 13 to 15.

Financial summary

The consolidated results before tax of the businesses in the Bank are shown below:

	2022 £'000	**2021 £'000**
Banking activities	(12,444)	(7,812)
Property bridging finance(a)	308	161
Loss before tax	(12,136)	(7,651)

(a) Following the acquisition of PFS in October 2020, the results for the year ended 31 March 2021 included accumulated profits for year ended 31 March 2020: £52k.

The key performance indicators for the Bank are:

	2022 £'000	**2021 £'000**
Loan book at year end	98,941	12,128
Deposits at year end	94,994	2

The results for the year reflect the transition of the Bank in line with its core strategy. Recognise Bank was able to expand its activities significantly in the second half of the year after receiving a full UK banking licence in September 2021, lending £100m of commercial loans in the period to 31 March 2022.

Recognise Bank's loss of £12,444k reflects the costs incurred in developing the business over the year and is in line with the Board's expectations.

As a consequence of setting up the Innovation Hub, Recognise Bank has reallocated resources within the business over the medium term and realigned some of its activities, with a resulting reduction in headcount. As the bank continues to pursue its business plan, we will see overall headcount increase.

The run-off of the PFS portfolio was completed in March 2022 with the final loan being novated to Recognise Bank.

Current activities

Recognise Bank is continuing to develop its business in line with its business plan and is monitoring closely the effect of both the war in Ukraine and UK economic pressures on its SME customers. The additional capital invested in Recognise Bank by COLG this year will support development, including that of the Innovation Hub and growing the lending book.

Since the year-end, Recognise Bank has launched its Business Savings Range of accounts, which has proved popular with SMEs. Interest rates offered to both business and personal savers remain attractive as these have been increased following increases in the Bank of England base rate. The bank has attracted £100m of deposits, in the period to July 2022.

Following its establishment in March, the Innovation Hub is in the process of developing its first new products and processes for delivery and implementation in the second half of the year. To support the hub, recruitment of expertise is taking place and new supplier relationships put in place.

Review of the businesses

Recognise Bank Limited ("Recognise Bank") – Bank focused on UK SME market

(a) Business review

It was a major achievement for Recognise Bank to become a fully authorised UK bank in September 2021 within ten months of receiving Authorisation with Restrictions (AwR). It shows the strength and determination of the Recognise Bank's management team to deliver on its strategy within the timescales it had set, against the backdrop of a challenging economic environment.

Little more than six months after full authorisation, Recognise Bank achieved the milestone of making £100m of commercial loans and £95m in saving deposits.

This was proof that Recognise Bank's digitally enabled relationship banking model is needed by a sector still recovering from the impact of the coronavirus pandemic. While many mainstream banks continued to underserve the SME market, either focusing only on big-ticket loans for larger businesses or forcing their smaller customers to apply for funding via faceless call centres or algorithm-driven online forms, Recognise Bank built relationships with over 60 commercial finance brokers, generating over £1 billion in lending requests over the period.

These relationships give Recognise Bank an insight into the shifting needs of commercial borrowers, driving product innovation and expanding the lending proposition beyond the initial line-up of commercial property loans, working capital loans and bridging loans. In November 2021, Recognise Bank launched a Professional Buy-to-Let (PBTL) loan designed for experienced property owners and investors.

This new product was created to support the growing number of professional landlords who need a lender that understands the complex nature of property investment, as well as having the flexibility to support the acquisition and re-finance of portfolios containing different property types. As regulation in the buy-to-let sector increases, with far-reaching changes to the Government's Energy Performance Certification (EPC) regime, and tax benefits are reduced, we believe the market will become ever more professional as it becomes far less appealing to smaller landlords. Property investors will need the support of experienced lenders who not only appreciate their funding needs, but also the fast-changing private rental sector, for both residential and commercial properties.

These factors are ushering in a quiet revolution in property and property finance, and the successful lenders will be those that offer their customers added-value services, as well as cost-effective lending. Anticipating this, and demonstrating its insight and innovation, Recognise Bank partnered with property-tech pioneer Rent Chief to provide buy-to-let borrowers and PBTL customers with a number of digital tools.

Available on the Recognise Bank website, these tools help property investors research the locations and types of property they are considering acquiring, providing real-time access to property prices and rental incomes, as well as forecasting rental yields and return on investment

However, Recognise Bank is not just a lender. After receiving full approval from the Prudential Regulation Authority (PRA) and the removal of deposit restrictions in September 2021, Recognise Bank unveiled a range of personal savings accounts two days later. A number of Recognise Bank's new products topped the best buy tables in an extremely competitive savings market.

The 95 Day Notice Account proved particularly popular with savers searching for a decent return on their money without having to lock their cash away for months or years. When the Bank of England finally increased the Base Rate in December 2021 after years of low interest rates, Recognise Bank passed the rise on in full to its variable rate savers.

This helped Recognise Bank build a strong presence with savers, the media and commentators in a busy savings marketplace which is often notable for new entrants offering headline grabbing rates for a short period of time.

By the end of the financial year, Recognise Bank had attracted £95 million in personal savings deposits. Recognise Bank's focus on savings products continued with the introduction of a range of Business Savings products in early April 2022. At a time when many big banks were paying their business savings customers as little as 0.01% AER, Recognise Bank is offering SMEs better value, competitive rates and straightforward management of their business savings accounts.

Recognise Bank's lending success is a testament to its technology infrastructure, combining the very best of cutting edge fintech partners like Mambu and nCino with Recognise Bank's own proprietary systems. This enables Recognise Bank to be flexible, developing new services and quickly responding to the changing needs of SME customers.

Building on this capability, Recognise Bank announced in March the creation of what has been initially dubbed "The Innovation Hub" or the "the Hub" – a new environment designed to accelerate Recognise Bank's digital capability and drive innovation. The Hub will help develop new and improved products and services for new and existing customers, as well as helping to deliver cost efficiencies. Importantly, the Hub will operate as a technology "greenhouse" to research and develop brand new revenue streams for Recognise Bank.

Overseen by Recognise Bank's Chief Technology Officer (CTO), the Hub will be home to Recognise Bank's own technologists, as well as having strategic partnerships with accelerators and start-ups and with leading tech consultancies and development firms. Recruitment is well underway, bringing new talent and creative thinking to the Bank.

The last 12 months also saw the handing over of the baton of a driving force in the Recognise Bank journey so far. After nearly five years at the helm, co-founder Jason Oakley stepped down as CEO in March 2022, having successfully led Recognise Bank to full authorisation status. His fellow co-founder and Deputy CEO, Bryce Glover, acted as Interim CEO until Jean Murphy was appointed as the new CEO on the 4 August 2022.

(b) Financial review

£'000	2022	2021
Total operating income	1,240	44
Loss before tax	(12,444)	(7,812)

The loss, which is in line with the Board's expectations, reflects the expansion in Recognise Bank's level of activities over the year. The executive team continue to monitor costs and the timing of expenditure carefully, as it has done throughout this journey.

A further £22.9m was invested by COLG in Recognise Bank during the year to facilitate the Bank's development by increasing its capital base to support lending activities. Having met the technical conditions set by the PRA to exit mobilisation in June 2021, full authorisation as a bank was granted in September after capital adequacy conditions were met. As explained in the business review, Recognise Bank took advantage of the opportunities this afforded to the business and, by 31 March 2022, its loan book had grown to £99m and customer deposits had reached £95m.

Recognise Bank is continuing to work to develop its business in line with its strategy and business plan, having a regional presence in the North West, Yorkshire, the Midlands and the South. It does not have the potential problems associated with a legacy loan book and hence can concentrate on meeting the needs of its SME customers and building a quality loan portfolio.

Property Funding Solutions

(a) Business review

Prior to the decision by the Board in March 2020 to make all new lending through Recognise Bank, PFS provided short-term property bridging and development finance to commercial customers.

The business began the run off of their existing loan portfolios in March 2020 and this has continued in line with expectations from that date. A review of the financial performance of the business in the year is given below.

(b) Financial reviews

£'000	2022	2021
Total operating income	317	700
Profit before tax	308	109

PFS, which had a loan book of £5.74m at 31 March 2021, completed the run-off of its portfolio during the year. It is no longer trading and will be dissolved in due course.

Risk management

Risk management governance

The Board has overall responsibility for ensuring the Bank operates in a safe and sound manner and for establishing an organisational structure to discharge this duty.

The Board Audit Committee and Board Risk Committee are responsible for the oversight of both Bank risk management and the Bank's internal control environment.

The oversight is provided through the following committees that have been established by the Bank board and contribute to various aspects of risk management:

Forum	Responsibilities
Recognise Board Risk Committee	Responsible for oversight of the risk management framework of Recognise Bank including reviewing and approving risk appetite statements; stress and scenario testing; key policies; principal risks and mitigants; the Annual Compliance Plan; for overseeing exceptions reporting and approving management action plans.
Recognise Board Audit Committee	Responsible for oversight of the internal control environment of Recognise Bank including culture, risk awareness, and the effectiveness of internal controls. It oversees the Internal Audit function, reviewing and approving the annual internal audit plan and receiving the internal audit report, and the Whistleblowing Policy.
Recognise Executive Risk Committee	The Executive Risk Committee supports the Board Risk Committee by reviewing key documents relating to the risk management framework of Recognise Bank, and risks other than those covered at the Asset and Liability Committee and Credit Committee.
Recognise Board Asset and Liability Committee	The Board Asset and Liability Committee ("ALCO") is responsible for oversight of Recognise Bank's funding and liquidity risks, and for interest rate risk. It provides reports to the Recognise Board Risk Committee.

Recognise Credit Committee	The Credit Committee is responsible for oversight of the credit risk profile of Recognise Bank, including responsible lending, stress testing of the books, monitoring the credit risk profile, credit concentration and monitoring arrears and defaulted loans.
Recognise Model Risk Committee	The Model Risk Committee is responsible for oversight of the use of and reliance on models in Recognise Bank.

As a fully authorised UK bank, Recognise Bank has developed a strong risk management function to address the operational and other risks it faces. The Board endorses the risk management strategy of Recognise Bank which is set out below and, to the extent it is applicable, has adopted it for the other group company.

Risk culture

Recognise Bank understands the need for an open and clear risk management approach and the risk culture within Recognise Bank is designed to facilitate:

- strong risk awareness across the organisation;
- reward structure that aligns with the risk appetite and reinforces the risk management culture;
- risk-aware decision making in line with the strategic goals;
- clarity in roles and responsibilities within the three lines of defence; and
- risks being identified, quantified, managed and reported in a timely fashion.

All employees are provided with training during their induction and have on-going refresher training.

Risk appetite

The Risk Appetite Statement, which is approved by the Recognise Bank board, is reviewed regularly.

Risk Appetite Statements include qualitative and quantitative measures of risk, and the position against risk appetites is reported monthly to the Board.

The Risk Appetite Statements cover the risks included in the Principal Risks identified in the table below.

Enterprise risk management

All business areas maintain risk and control self-assessments (“RCSAs”) within an enterprise risk management system, which records the risks and controls. RCSAs are subject to approval by members of the Recognise Bank Executive Committee (“Executives”) and are subject to re-certification and approval at regular intervals, which are set depending on the risk.

Material risks based on these RCSAs are reported to the Executive Risk Committee (“ERC”) monthly, and to the Board Risk Committee (“BRC”) on an exceptions basis (i.e., those risks which are outside risk appetite).

Emerging risks

All colleagues, particularly Executives, are tasked with identifying emerging risks and ensuring these are adequately captured in the enterprise risk management system.

Recognise Bank maintains a risk radar, which includes emerging risks identified from regulatory publications and industry publications.

Scenario testing - Recognise Bank runs an annual programme of adverse scenarios, such as a cyber-attack, to test the adequacy of controls and incident management plans. The results are reported to the ERC and are summarised for the Board Risk Committee.

Risk strategy

Recognise Bank operates an annual reassessment of the risk management framework, in which it considers the risk management capability that it aims to have in place to support the business in the next 12 to 18 months, and sets out any actions required to improve and develop the risk management framework.

The Risk strategy is subject to approval by the BRC, and progress against the actions in the Risk strategy is provided to each ERC and BRC meeting.

Three lines of defence

Recognise Bank operates three lines of defence.

The first line of defence accepts, manages, and declines risks; owns the risks, and implements controls and/or other methods to mitigate the risk, as required; and operates within the Recognise Bank board approved risk appetite statements and supporting limits.

The second line of defence (Risk team) supports the Recognise Bank board in establishing and maintaining the risk management framework; provides independent challenge to the business; provides assurance through a risk and compliance monitoring and testing plan; provides independent reporting to the Board against risk appetite; and reports to the Board Risk Committee.

The third line of defence (Internal audit) reviews the internal control environment, including culture, and governance; and reports to the Audit Committee.

Risk function

The Risk function, led by the CRO, is responsible for oversight of risks in the Bank and this is achieved by:

- providing support and advice to the first line of defence;
- establishing the risk framework;
- monitoring the performance of the business against those risks; and
- reviewing action plans where risk appetite is, or is at risk of, being exceeded.

All colleagues

All colleagues have a responsibility for risk identification and management. This includes the identification and assessment of risks, working openly and cooperatively with the second and third lines of defence, and addressing recommendations or findings on a timely basis.

Each business area is responsible for maintaining clear processes, and managers are responsible for ensuring that their staff have the appropriate skills and/ or experience and training for their roles.

Principal risks and uncertainties

The objective of the Recognise Bank board is to set policies to manage and mitigate risk within acceptable levels whilst maintaining Recognise Bank's ability to achieve its strategic objectives.

Risk Description	Key Mitigants and Controls	Commentary
Strategic – The risk that either the business model is unviable, or that the strategy will not be implemented successfully – with the outcome that Recognise Bank do not achieve their strategic aims.	Regular reforecasting which takes into account forecast economic circumstances, the actual outcomes to date compared to our assumptions and which is subject to Board approval.	The absence of a material legacy book pre-pandemic reduced this risk such that Recognise was able to lend in the recovery. We are closely monitoring forecasts in the light of the Russian invasion of Ukraine and the inflationary environment in the UK.
Capital - The Bank has (or will have) insufficient capital to address risks to which it is exposed – with the impact that Recognise Bank may have to implement its Recovery Plan and/or Solvent Wind Down Plan.	Regular reporting of the actual and forecast capital positions of Recognise Bank, including actual and forecast positions against capital risk appetite. Recognise Bank has a Capital Contingency Plan that sets out the management of capital under business as usual, when the capital risk is increased, and if we are outside capital risk appetite. It is reviewed and approved by the Recognise Bank board annually.	As Recognise Bank is not yet profitable, capital risk is a key risk for the Bank. We regularly review the position. We seek to raise capital in advance of requiring it.
Liquidity - The Bank has (or will have) insufficient liquidity to address liquidity risks to which it is exposed – with the impact that Recognise Bank must implement its Recovery Plan.	Regular monitoring and reporting of actual and forecast liquidity positions, including the actual and forecast positions against liquidity risk appetite. Recognise Bank has a Liquidity Contingency Plan that sets out the management of liquidity under business as usual, when the risk is increased, and if we are outside liquidity risk appetite. It is reviewed and approved by the Recognise Bank board annually.	We entered the savings market and were successful in both 5-year bonds and 95-day notice accounts. As a result, our funding risk is low and our liquidity position stronger than we would otherwise have expected.
Credit - Risk that borrowers do not meet their obligations to a degree greater than anticipated – with the impact that current or future credit losses are greater than anticipated. Risk that a cohort of borrowers is adversely impacted by a stress to a geographical area/ sector such that losses are greater than anticipated – with the impact that current or future credit losses are greater than anticipated.	Loans are subject to detailed underwriting that takes into account affordability, borrower experience, and the ability to maintain repayments under stress. Lending and loan book quality is reported regularly and is subject to quarterly second line reviews that are reported to the Board Risk Committee. Lending is subject to stress testing using parameters that are at least as severe as the Bank of England annual scenario.	The loan book to date has been originated at a higher quality than expected. The lending has a higher-than-expected proportion of loans assessed as strong, and a lower average LTV.

Risk Description	Key Mitigants and Controls	Commentary
Third Party Risk - The risk that the failure of a third party to perform impacts adversely on the Bank with the consequence that the Bank is unable to meet its obligations, there is customer harm, or the Bank suffers material loss.	Recognise Bank operates a Third-Party Policy that is subject to annual review and approval by the Board Risk Committee. Third parties are subject to assessment as Critical, Important or Other at inception. Depending on their classification they are subject to enhanced due diligence. The due diligence is repeated regularly: at least annually for Critical and Important third parties, and more regularly if the assessment deems that appropriate.	The Third-Party process is operating as expected and our Critical and Important third parties are within risk appetite.
Operational Resilience – The risk that the Bank is subject to a disruptive event that results in material cost and/ or significant customer harm. The risk comprises the risk of a disruptive event occurring, and the risk that the Bank is unable to recover from it.	Recognise Bank operates an Operational Resilience Policy that is subject to annual review and approval by the Recognise Bank board. Recognise Bank stress tests a severe but plausible scenario and tests its ability to remain within Recognise Bank board approved Impact Tolerances. Recognise Bank performs an annual self-assessment of Operational Resilience, reporting to the Recognise Bank board. Recognise Bank monitors a range of operational resilience indicators and reports to the Recognise Bank board monthly.	We concluded positively on operational resilience. We will continue to monitor and test operational resilience.
Data - The risk that the Bank is in breach of data protection regulations.	We have a Data Privacy Policy that is subject to annual review and approval by the Board Risk Committee. We have processes and procedures which are designed and implemented so as to achieve compliance with that policy There is an annual review by the Data Protection Officer reporting to the Board Risk Committee.	The last report was made after the year end and concluded positively.
Cyber - The risk that the Bank is subject to a successful cyber attack.	We have a number of policies, including the Information Security Policy, that are subject to annual review and approval. We have processes and procedures which are designed and implemented so as to achieve compliance with those policies. We undertake regular exercises to ensure our incident management response is fit for purpose. The outcome of these exercises is reported to the Board.	The risk of a cyber attack has increased: the NCSC has issued warnings in this regard. In response, we have enhanced our review of their advice and compared it to our current stance.
Operational - The risk that a failed or inadequate process or human error results in a material loss or to customer harm.	Recognise Bank operates risk and control self-assessments ("RCSAs") which are approved by Executives. The second line undertakes a program of challenges to calibrate the RCSAs and ensure they are fit for purpose. All risks with a net score above a certain level are reported to the Executive Risk Committee and Board Risk Committee, together with any remediation plan.	We have identified a number of risks that are closely monitored. None are outside risk appetite.
Conduct - The risk that Recognise Bank causes harm to some or all of its customers. This includes the failure to treat customers fairly, or to identify and respond appropriately to customers in vulnerable circumstances.	Recognise Bank has a Conduct Risk Policy that is subject to annual review and approval by the Board Risk Committee. We have processes and procedures which are designed and implemented so as to achieve compliance with that policy. A Conduct Risk dashboard is reported to the Executive Risk Committee monthly, and to the Board Risk Committee on an exception basis.	Our reporting indicates that we are operating within conduct risk appetite.

Risk Description	Key Mitigants and Controls	Commentary
Compliance - The risk that the Bank does not comply with its regulatory and legal obligations Included in compliance risk is the risk that the Bank does not comply with AIM listing rules.	Recognise Bank has a Compliance Risk Policy that is subject to annual review and approval by the Board Risk Committee. We have processes and procedures which are designed and implemented so as to achieve compliance with that policy. A Compliance Monitoring Plan is reviewed and approved by the Board Risk Committee, with progress against it and the outcomes of the reviews also being reported to the Board Risk Committee. The Bank has policies, including the Share Dealing Policy, to ensure the AIM listing rules are met, and processes and procedures to monitor compliance with those policies.	Compliance Monitoring has operated to plan. There have been no material breaches of AIM listing rules.
Financial Crime - The risk that Bank is used to undertake and / or launder the proceeds of financial crime or to facilitate the financing of terrorism.	We have an Anti-Money Laundering and Counter Terrorist Financing Policy ("AML and CTF Policy") that is subject to annual review and approval by the Board Risk Committee. We have processes and procedures which are designed and implemented so as to achieve compliance with that policy. There is an annual review by the Money Laundering Reporting Officer ("MLRO") reporting to the Board Risk Committee. The MLRO reviews compliance with the AML and CTF Policy on a sample of loans monthly, reporting to the Executive Risk Committee.	Monitoring has indicated that we are operating within our policy and financial crime risk appetite.
Interest Rate Risk - The risk that a change in market interest rates results in a material loss in value to the Bank.	Recognise Bank measures and reports the interest rate risk to a 200 basis points parallel shift on a static book basis and the risk to net interest income of a change in interest rates, reporting to ALCO monthly. Recognise Bank also measures the exposure to the standardised interest rate shocks, reporting to ALCO monthly.	We have, through the period, operated within the IRRBB risk appetite.
Climate Risk - The risk that loan assets are adversely impacted by climate change (e.g., flooding). The risk that loan assets are adversely impacted by the transition to a low carbon economy.	Climate Risk impact of loans made by Recognise Bank is assessed individually during the loan underwriting process. Recognise Bank measures and reports the loan book by EPC rating and flood risk.	Our work on climate change is evolving. We are seeking to assess lending to SMEs on a RAG basis for climate and set limits for lending that is other than green in this regard. We plan to implement climate risk stress testing on our loan book.
Regulatory Reporting - The risk that the Bank fails to submit a report, does not report on time, or submits inaccurate regulatory reports.	Recognise Bank has a Regulatory Reporting Policy that is subject to review and approval by ALCO. All regulatory returns are subject to review and approval before submission, including reconciliation to management accounts and rationalisation of the movement in key indices.	We have met the regulatory reporting deadlines. We monitor re-submissions and this is within risk appetite.

Climate change

The Bank has an Environmental and Sustainability Policy which sets out its approach to environmental, social and governance ("ESG Policy") and sustainability matters impacting its business as well as how the Bank impacts the wider environment and communities in which it operates. The Bank has not undertaken any public advocacy on climate change matters.

Recognise Bank set up a Responsible Business Group to assist with the development of a plan in relation to climate-related financial risk.

Climate-related financial risks and the actions taken to mitigate them are included in the risk management framework, as shown on page 20.

In relation to climate-related financial risks:

- the Board is responsible for ensuring that the Bank has in place an appropriate risk and control environment for climate related financial risks;
- the Board has delegated oversight for climate-related financial risks to the Recognise Bank Board Risk Committee ("BRC"), and this is included in the terms of reference for the BRC;
- a climate-related risk appetite statement has been developed and has been approved by the Recognise Board;
- climate-related financial risks are covered in the Bank's ESG Policy;
- processes and procedures are in place or in course of development in specific areas to implement the ESG Policy; and
- responsibility for the oversight of climate-related financial risks has been assigned to the CRO and is included in both his Statement of Responsibility and the Responsibility Map.

The principal climate-related risks that impact the Bank are:

- Physical risk – the risk to assets (including assets which are collateral for loans made by Recognise Bank) as a result of climate change, including the impact of more extreme weather events that may result in, for example, flooding.
- Transition risk – the risk to borrowers' ability to meet their obligations as they fall due arising from the impact of the transition to a low carbon economy.

Lending Risk Management Disclosures

Climate change risks are considered as part of the lending decision process. The factors considered include:

- the energy efficiency of a property; and
- the flood risk to the property (for lending on properties).

Recognise Bank lends only on properties in England and Wales. No loans are made on properties connected with or to businesses involved with tobacco, fossil fuels, hazardous chemicals, or mining. Forestry and logging is a permitted activity where it follows sustainable practices.

Transition risk is considered as part of the underwriting assessment process when lending to SMEs. Recognise Bank is in the process of developing categories of "green" (climate positive/ neutral and/or resilient to transition risk) and "brown" (climate negative and/or not resilient to transition risk). These have not yet been fully developed and implemented. We anticipate integrating these into the assessment process within the next five months.

The following tables show the EPC and flood risk ratings for properties which were collateral for loans made by Recognise Bank as at 31 March 2022.

EPC Rating	% of properties
A to C	23
D to E	61
Below E[1]	3
No ratings[2]	13

1 - This relates to a property the energy performance of which is being improved.
2 - This includes properties with exemptions or where there is no building on the property.

Flood Risk	% of properties
Very low	29
Low	51
Medium	13
High	7

To mitigate flood risk, properties, including all properties in high-risk flood areas, are required to have adequate flood defence measures.

Energy consumption and GHG emissions

Energy consumption (kWh)	2022	2021
Electricity used in Head Office	60.3	50.2

Energy consumption increased at the Head Office during 2022 as a result of the post-pandemic return to working in the office.

Since the year-end, the Bank has moved to a smaller office in London. The energy consumption of the Bank is expected to be less, and we intend to set targets to reduce energy consumption during the current year.

Recognise Bank has offices in Leeds, Manchester and Birmingham, all of which are serviced offices where we do not have responsibility for energy costs. Our landlord, Bruntwood, makes a statement about sustainability on its website (www.bruntwood.co.uk/sustainability).

The Bank does not operate a company car scheme, nor does it fund fuel for cars. Staff who undertake work-related travel are able to claim expenses for this. During the year to 31 March 2022, the Bank has met expenses claims for 15,200 miles of work-related travel. This excludes journeys by train or air, where there was no incremental use of fuel.

Going concern

The directors' assessment of going concern has included a detailed review of the base case and stressed Bank cash flow forecasts for at least 12 months following the signing of these accounts to October 2023.

In making their going concern assessment the directors have considered:

- the capital structure and liquidity of the Bank over the period;
- the principal and emerging risks facing the Bank and its systems of risk management and internal control;
- uncertainties in the UK economic outlook and actions the Bank could take to mitigate the impact on Recognise Bank;
- the raising of capital by the parent company COLG to support the growth of Recognise Bank in serving the SME market; and
- stress scenarios which include not raising further capital and incurring greater losses from loan defaults during the period of 12 months from the signing of these accounts.

The Board has also considered mitigating actions that could be taken by the Bank and the Board if there were a delay in raising additional capital to support the growth of the Bank or if the amount raised was less than forecast.

The Board assesses its future capital and liquidity requirements regularly and, as part of its overall strategy, develops plans to access new funding as and when required. The Bank prepares annual budgets that include budgeted cash forecasts and funding requirements which have been reviewed by the Board and form part of the submission made by Recognise Bank to the PRA.

Recognise Bank

After receiving its Authorisation with Restrictions (AwR) in November 2020, Recognise Bank became fully authorised in September 2021 and was able to accept savings deposits.

The parent company, City of London Group ("COLG"), has provided funding of £22.9m to the Bank during the year, which includes £10.4m of investment from existing shareholders and £7.4m from the sale of Milton Homes, a subsidiary in the COLG group. A further investment of £6.5m since the year end will enable the Bank to meet its regulatory capital and liquidity adequacy requirements for a period of at least 12 months following the signing of these accounts in October 2022.

Risk factor

The Board has also considered mitigating actions that could be taken by Bank and the Board if there were a delay in raising additional capital to support the growth of the Bank or if the amount raised was less than forecast. The Board assesses its future capital and liquidity requirements regularly and, as part of its overall strategy, develops plans to access new funding as and when required. The Bank prepare annual budgets that include budgeted cash forecasts and funding requirements which have been reviewed by the Board and form part of its submission to the PRA.

Conclusion

Based on the above risk factors and the projected cash balances, the Directors are satisfied that the Bank has and will maintain sufficient financial resources to enable it to continue operating for the foreseeable future and therefore continue to adopt the going concern basis in preparing the annual report and accounts.

Section 172 statement

Section 172 of the Companies Act 2006 requires a director of a company to act in the way he or she considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole. In doing this, section 172 requires a director to have regard, among other matters:

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

Decision-making

An example of how the directors have had regard to the matters set out in section 172 and acted to promote the interests of the Bank for the benefit of its members as a whole is given below.

With Recognise Bank having achieved fully authorised status in September 2021, the strategy is for Recognise Bank to develop its business as a digitally enabled, relationship-led bank serving the UK SME market. Having regard to on-going changes in the banking sector, the Board decided to accelerate Recognise Bank's digital capability by reallocating capital and resources and setting up an Innovation Hub within Recognise Bank. The Innovation Hub will build on Recognise Bank's existing technology infrastructure to develop new and existing products and services and create new revenue streams and enhanced customer satisfaction. Recognise Bank will then be well-placed to deliver the growth anticipated in its business plan, so benefiting stakeholders.

Culture

The Board is committed to a culture of openness in relation to all its stakeholders, including its staff, and has put in place a number of key policies to promote a healthy corporate culture.

The benefits derived from the inclusive culture the Board seeks to foster across the Bank were seen when Recognise Bank achieved full authorisation as a bank in September 2021, only ten months after the PRA had granted AwR in November 2020. This achievement is a tribute to the efforts of staff and executives, who worked together to satisfy the stringent conditions set by the PRA.

With the delivery of this important element of the Bank's strategy, the focus has moved to implementing the next phase of the strategy by facilitating the growth in line with its business plan.

Recognise Bank will develop its business in such a way that it maintains reputation for fairness and high standards of business conduct and, as at present, it will operate as a digitally enabled relationship-led SME bank that concentrates on meeting its customers' needs and surpassing their expectations.

Information on KPIs used by the Bank is included in the business reviews in the Strategic report on pages 13 to 15.

Stakeholder engagement

The Board recognises the importance of building strong relationships with its stakeholder in order to help deliver its strategy and promote the development of the business over the long term. The members of the executive team report to the Board on the effectiveness of and outputs from stakeholder engagement so that the Board can take the views of stakeholders into account when making decisions.

The key stakeholders are considered to be the shareholder, regulators (in particular the PRA and FCA), customers and employees, as well as the wider community and environment.

Given the size of the business and the small number of employees, the Board does not consider it appropriate to adopt the suggested methods outlined within the UK Corporate Governance Code 2018 to engage with its employees. Employee engagement continues to be undertaken by business heads, with any issues being escalated to the Board. The Board will continue to keep this under review to ensure that the mechanisms in place remain effective and appropriate.

Information about induction and ongoing training and development for the directors in relation to their statutory duties and other matters where appropriate is given in the Corporate governance statement on page 30.

The importance of each stakeholder group and some ways in which the Board has engaged with the Bank's stakeholder during the year are outlined below.

Shareholder

The shareholder is essential to the Bank's ability to access capital to support its strategic objectives and ensure the long-term success of the business.

The Board maintains an open dialogue with its shareholder. Through the Chair and Bank executives, the Board has also maintained a dialogue throughout the year in the context of increasing future capital base to enable the long-term development of Recognise Bank.

The Bank also communicates with its shareholder through:

- annual reports;
- regulatory announcements; and
- its website.

Regulators

The Bank only operates with the support and approval of its regulators.

The Board continued to support Recognise Bank in its dealings with both of its regulators, the PRA and FCA, before and after it was granted full authorisation in September 2021. Both the Board and Recognise Bank seek to maintain an open and active dialogue with the regulators: this is a fundamental premise underlying Recognise Bank's Regulatory Reporting Policy.

Recognise Bank is operating under the Senior Managers and Certification Regime.

Customers

The Bank can operate successfully only if it provides a consistently high level of service to its customers.

The Board endorses Recognise Bank's commitment to providing a customer-focused service to the SME market through its relationship-led business model, which enables it to respond more easily to customers' requirements. The four customer stories on page 6 show how Recognise Bank was able to respond to and support businesses with differing requirements. The recent setting up of the Innovation Hub continues its on-going commitment to enhance and extend services provided to both savers and borrowers.

Employees

The Board believes in creating an open culture where all colleagues can thrive, feel supported and valued, and are able to develop and grow their careers. Recognise Bank receives regular feedback on employee engagement through a bespoke platform which allows management to respond promptly to any issues as they arise. Recognise Bank's Recruitment Strategy and Emerging Talent Programme act as the catalyst for positive cultural change by developing and strengthening our internal talent pipeline.

Our Responsible Business Group proactively reports on all aspects of our Diversity and Inclusion strategy as well as the specific targets that we set for the Environment and Corporate Social Responsibility. This year the Board approved a new strategy for Diversity and Inclusion which clearly sets out our approach as well as a number of challenging key targets that we are seeking to achieve. This year the Group also joined the Women in Banking & Finance network.

The Bank has adopted a balanced hybrid working model which enables employees to work part of the time from home each week.

Environment

The Bank recognises climate change as a serious global issue with significant implications for the business, its customers, employees, suppliers and partners.

The Bank has an Environment and Sustainability Policy that it applies within its business. As stated in the section on Climate Change on page 21, Recognise Bank further developed its lending risk assessment processes in relation to climate-related financial risk during the year and is in the process of extending these to allow for Transition risk.

The Bank intends to set targets to reduce its own energy consumption during the year and continues to consider how it may promote positive environmental and sustainability activity.

Preparation of Strategic report

This Strategic report has been prepared to allow the shareholder to assess the Bank's strategy and the potential for that strategy to succeed. The Strategic report contains certain forward-looking statements. These statements are made by the directors in good faith based on the information available to them up to the time of their approval of this report and such statements should be treated with caution due to the inherent uncertainties underlying such forward-looking statements.

Signed on behalf of the Board

Philip Jenks
Chair
31 October 2022

Governance

Board of Directors

Philip Jenks, Independent Non-executive Chair – Appointment 01 May 2019

Philip has a long and successful career in banking, including as a Non-executive Director for Leeds Building Society between 2011 and 2020. He was an Independent Non-executive Director and then Chair at Chartercourt FS Group during its successful banking licence application. In 2015 Philip was involved in the launch of Charter Savings, followed by it's successful IPO in 2017. In 2020 he became Chair of Auden Group Ltd, a 'for profit' Social Enterprise intent on changing the face of UK consumer finance.

In addition to being Chair of Recognise Bank Limited, Philip chairs the Nomination Committee and is a member of the Remuneration and Asset and Liability Committee (ALCO). He is also Chair of City of London Group plc.

Moorad Choudhry, Independent Non-executive Director – Appointment 17 June 2019

Moorad was latterly Treasurer, Corporate Banking Division at The Royal Bank of Scotland, and is Honorary Professor at University of Kent Business School. During a 30-year career in the City of London, Moorad's positions included Head of Treasury at KBC Financial Products, Vice President in structured finance services at JPMorgan Chase and government bond primary dealer at ABN Amro Hoare Govett Limited.

Moorad is a Fellow of the Chartered Institute for Securities and Investment, and a Freeman of the Worshipful Company of International Bankers. He is author of The Principles of Banking (John Wiley & Sons 2012).

Moorad chairs the ALCO Committee and is a member of the Audit, Risk and the Remuneration Committee. He is also a non-executive director of City of London Group plc.

Richard Gabbertas, Independent Non-executive Director - Appointment 01 February 2019

Richard studied economics and law before qualifying as a chartered accountant and joining KPMG in 1980, becoming a partner in 1995. He spent 23 years in the Financial Services Practice and led the Regional Financial Services Practice, providing audit and advisory services to a range of household names, from established FTSE 100 banks and building societies, through to new entrants. He has extensive knowledge of financial services and a deep understanding of banking regulation. Richard is Chairman of the Audit Committee at Arbuthnot Latham.

Richard is Chair of the Audit Committee and is also a member of the Risk Committee. He is also a non-executive director of City of London Group plc.

Louise McCarthy, Independent Non-executive Director – Appointment 01 April 2019

Louise is a highly qualified CIO and business change leader with over 35 years' experience in large private and public sector organisations, embracing complex technology and digital transformation strategies. In recent years Louise has been IT Transformational/Change Director at HM Revenue and Customs, followed by contractor roles as Transformational Director/CIO at Aviva and Specsavers, then CIO Digital Transformation at the European Bank for Reconstruction and Development. Latterly she was contracted to HSBC as COO, Global Group Digital Transformation. Louise was a '2017 CIO Women in IT' finalist, Nominated Leading UK Female CIO in 2016 and 2017, and is a speaker on Digital Transformation. Louise is a Fellow of Association of Chartered Certified Accountants.

Louise is Chair of the Remuneration Committee and a member of the Audit Committee. She is also a non-executive director of City of London Group plc.

Simon Wainwright, Independent Non-executive Director – Appointment 10 June 2021

Simon has 40 years' experience in global banking and insurance. He is Executive Vice President and Head of Europe, Middle East and Africa at global reinsurer Reinsurance Group of America (RGA). Prior to this role Simon held several senior positions at HSBC, including CEO, HSBC Ireland; Head of Business Banking, UK; and COO, Commercial, Corporate and Structured Finance. Simon is also a non-executive director of National Counties Building Society. He holds degrees from The London Institute of Banking and Finance, Oxford Brookes Business School and Henley Business School, and is also a Chartered Director, IOD.

Simon is a chair of Risk Committee and is a member of the Nomination Committee. He is also a non-executive director of City of London Group plc.

Ruth Parasol, Non-Independent Non-executive Director – Appointment 09 October 2020

Ruth is a successful entrepreneur and one of the world's most successful self-made businesswomen. She currently advises over £1B AUM within her own private family office with international businesses active in Real Estate, Asset Management and Private Equity. A female pioneer in male-dominated industries, Ruth was the first woman to IPO her company, Party Gaming Plc, onto the LSE FTSE in 2005 for $8.46B.

The Parasol Foundation Trust, of which Ruth is principal benefactress, has awarded over £35m to a series of ambitious projects in Gibraltar, UK, US, Israel and further afield. The Foundation focuses on creating opportunity and advancing women in science and arts. Recent initiatives include the Parasol Foundation Women in Photography Project at the V&A, and The Parasol Foundation Center Women's Health and Cancer Research, which is researching advanced treatments for women's cancers and exploring approaches for reducing the likelihood of premature birth.

Ruth is also a Non-executive Director of City of London Group.

Bryce Glover, Executive Director – Appointment 16 February 2018

Bryce is a law graduate and career banker who has operated at executive and board level for the past two decades. The majority of this time has been spent in corporate and commercial banking. Bryce's recent roles have included Managing Director of Commercial Banking at Alliance & Leicester / Santander UK followed by a 9-year tenure at Nationwide Building Society where he was Commercial Director responsible for a £22bn lending portfolio. He also helped launch the Society's business savings products, followed by three years as Director, Corporate Affairs. As well as being Interim CEO of Recognise, Bryce is also a Non-executive director of Newcastle Building Society where he is Chair of the Risk Committee (SMF 10). Bryce is ACIB qualified.

David Jenkins, Executive Director – Appointment 23 January 2020

As deputy to the Business Finance MD at Aldermore, David's role ranged from developing enterprise wide strategic plans, through to execution of individual project streams, development and launch of new product and service propositions alongside technological and process enhancements. The role included defending, protecting and extending Aldermore's offering across all product lines in business finance (asset finance, wholesale funding, commercial mortgages and property development, and invoice and specialist finance).

Jean Murphy, Executive Director – Appointment 04 August 2022

Jean has over 25 years' experience of banking and capital markets for several leading global institutions as well as being an experienced investor and entrepreneur. Most recently she founded a successful wealth management business catering to wealthy families and individuals in Europe and the US investing across multiple asset classes globally. She previously held senior roles at a number of international banks, including Director of Private Banking at Morgan Stanley and Executive Director of Goldman Sachs Wealth Management Division and was also involved in building a wealth management business founded by former partners of Goldman Sachs. Jean is also on the board of Barts Charity, a 900 year old charity supporting care excellence in East London and world-leading medical research, and on the board of the Old Vic Endowment Trust. Jean graduated from Cambridge University with a degree in Computer Science and Philosophy.

Governance statement

Recognise Bank has followed the group practice and adopted Code of Corporate Governance as applicable to the Bank.

Role of the Board

The Board's role is to ensure the long-term success of the business by implementing the Bank's strategy and business plan, overseeing its affairs and providing constructive challenge to management as they do this. In addition, the Board oversees governance, internal controls and risk management. The Board has clearly defined responsibilities set out in a formal schedule of matters reserved for its decision which includes:

- setting the Bank's strategy;
- approving any major changes to the Bank's structure or share capital;
- approving the annual report and accounts and shareholder communications;
- ensuring a sound system of internal controls and risk management;
- approving major contracts;
- determining the remuneration policy (on the recommendation of the remuneration committee); and
- making appointments to the Board and other offices.

To assist the Board in carrying out its functions, the Board has delegated certain responsibilities to its audit, risk, remuneration and nomination committees all of which operate within a scope and remit defined by specific terms of reference determined by the Board and reviewed regularly. Further details including the composition and role of each of these committees are provided on pages 31 to 34.

The Strategic Report contains a Section 172 statement which summarises the Board's engagement with the Bank's stakeholder and the ways in which these have been taken into account in the Board's decision-making.

The role of the Chair

The Bank's executive director, Jason Oakley, stepped down from his role as Chief Executive Officer in March 2022. Jean Murphy, Chief Executive Director of Recognise Bank, Bryce Glover, Deputy Chief Executive Director and David Jenkins, the Chief Financial Officer of Recognise Bank, support the Chair and are responsible for managing day-to-day operations and implementation the strategy.

The Chair is responsible for setting the board's agenda and ensuring that adequate time is available for discussion of all agenda items. The Chair promotes a culture of openness and debate by facilitating the effective contribution of non-executive directors in particular and ensuring constructive relations non-executive directors and Bank executives.

Philip Jenks is deemed to be independent.

The Board

The Board currently comprises nine directors of whom five are independent. Biographical details of directors together with details of their significant commitments are set out on pages 28 to 29 of this report. The Board therefore has a majority of independent non-executive directors.

The Directors

The directors possess a wide range of skills, knowledge and experience relevant to the leadership of the Bank, including banking, financial, legal, regulatory, technology and industry experience as well as the ability to provide constructive challenge to the views and actions of executive management in meeting agreed goals and objectives.

Board Procedures

Board meetings are an important way in which the directors discharge their duties, particularly under section 172 of the Companies Act 2006. The Board meets at least six times each year with additional meetings scheduled when required.

At each meeting, the Board receives regular business updates as well as financial, strategic, performance, investor relations and governance updates.

Following each committee meeting, the Chairs of the audit, risk, remuneration and nomination committees provide updates to the Board on the key issues and topics discussed, as well as any matters for escalation or the Board's approval.

Ahead of each board and committee meeting, agendas are agreed in advance by the relevant chair, and papers are circulated to provide Board and committee members with sufficient time to consider the matters to be discussed.

There is an agreed procedure for directors to take independent professional advice, if necessary, at the Bank's expense. This is in addition to them having access to advice from the company secretary.

Conflict of Interest

Directors' declarations of interest is a regular Board agenda item. A register of directors' interests (including any actual or potential conflicts of interest) is maintained and reviewed regularly to ensure all details are kept up to date. Authorisation is sought prior to a director taking on a new appointment or if any new conflicts or potential conflicts arise.

Board Evaluation

An evaluation was conducted in November 2021 and no concerns were found. The Board has put in place a longer-term succession plan for Board and senior executives as the Bank.

Appointment, Tenure and Reelection

The Board may appoint a director as it thinks fit. The appointment of any new director is made on the basis of assessing the candidate's merits and measuring his or her skills and experience against the criteria for the role.

The Bank adopted a Diversity and Inclusion Policy during the year, and this will be followed when any future appointments to the Board are made. The Bank is committed to ensuring that the Bank's directors bring a wide range of skills, knowledge, experience, backgrounds and perspectives. The Board will always look to appoint the best candidate for the role advertised and will not discriminate on any grounds including gender, race, ethnicity, religion, sexual orientation, age or physical ability.

As mentioned above, the Chair Philip Jenks is deemed to be independent and the Board believes he remains independent in character, mindset and judgement. All non-executive directors continue to dedicate sufficient time to meet their Board responsibilities.

It is the intention of the Board that the Chair should not remain in post beyond nine years from the date of first appointment to the Board.

The Board has considered and reviewed the effectiveness of each non-executive director, taking into account the results of previous Board evaluations and any factors that may affect, or could appear to affect, a director's judgement and independence. The Board confirms that each non-executive director continues to demonstrate the necessary commitment and to be a fully effective member of the Board.

The Bank considers the annual re-election of directors to be good corporate governance and has therefore chosen to follow this practice. On the basis of the effectiveness review of the Board and individual directors, noted above, the Board endorses the re-election of all directors.

Audit Committee Report

The current members of the audit committee are Richard Gabbertas (Chair), Louise McCarthy and Moorad Choudhry. Richard Gabbertas has relevant experience as a chartered accountant and as a senior auditor at a top four Audit firm.

Other individuals, including the other directors and representatives from the finance function, are invited by the committee to attend meetings from time to time.

Financial Results

The audit committee reviewed the full year financial results before they were considered by the Board for release to the market, including the going concern and the information to support them. The committee is responsible for considering and reporting on any significant issues that arise in relation to the audit of the financial statements and considered the following significant issues that it had identified with the auditors:

- Recognition of revenue (interest income), where there is a risk that revenue may be overstated. Testing confirmed income had been recognised in the correct accounting period.

- Provision for impairment on loans in accordance with IFRS 9, which requires the impact of future events on expected credit losses to be assessed in determining the provision for impairment. The uncertainties of the future direct and indirect economic consequences of the war in Ukraine on the SME sector increase both the level of judgement required and the inherent subjectivities.

- Impairment of carrying value in subsidiary, which would reduce the net asset value of the Bank. The review of future projections and cash flow forecasts concluded that no further provisions were required in addition to those already included in the financial statements.

- Going concern, having regard to the assumptions made by the Bank in preparing detailed cash flow forecasts on both “most likely” and “worst case” scenarios for the period of at least 13 months from October 2022, and the main risk factors that apply, including those flowing from the war in Ukraine. The auditors confirmed they had reviewed the cash flow forecast and supporting information and were content that the directors had concluded that the going concern basis could be adopted in the financial statements.

The above risks were discussed with the auditors at the audit committee.

External Auditors

The audit committee considered the scope and findings of the external audit as well as the independence and objectivity of the external auditors. Recognise Bank Limited has been a public interest entity (“PIE”) since 10 November 2020, the external auditors ceased providing non-audit services to the Bank in February 2021. The audit fees for the year under review appear in note 9 on page 63.

The audit committee normally meets with the external auditors without management being present, at least once a year at the time of the approval of the full year results.

BDO LLP has been the external auditor for the parent company since 2013, continuing as auditor after a retender exercise in 2018. Following the receipt of a full UK banking licence by Recognise Bank in September 2021, the directors decided it would once again be appropriate for the Company to undertake an audit retendering exercise with the objective of appointing an auditor for a period of up to 10 years, with the first year of appointment being in respect of the year ending 31 March 2023.

Following completion of this re-tendering exercise, the directors have decided to appoint PricewaterhouseCoopers LLP as auditors of the Bank and its subsidiary. We should like to take this opportunity of thanking BDO LLP for the services they have provided during their tenure as auditors.

As part of its deliberations, the committee considered the effectiveness of the audit process for the current year by discussing the results of the external audit, including BDO LLP’s views on material accounting issues and key judgements and estimates. The committee was satisfied with the effectiveness of the external audit process.

Internal Audit

Recognise Bank Limited has appointed Deloitte to provide its internal audit function.

In addition to providing quarterly updates on the status of the Internal Audit Plan, Deloitte prepares an annual report summarising internal audit findings and identifying themes and areas for future focus in respect of governance, risk management and culture. In the Audit Committee's opinion there were no material adverse findings that arose from Internal Audit's work. The Audit Committee has reviewed the work of the Internal Auditors and believe it to be effective.

Board review of internal controls and risk management

There is an ongoing process, which is kept under regular review by the Board, for identifying, evaluating and managing, rather than eliminating, significant risks faced by the Bank. The Board believes that the Bank's system of internal controls outlined below continues to be sufficient for the business.

The directors acknowledge their responsibility for the Bank's system of internal and financial controls, including suitable monitoring procedures, in order to provide reasonable, but not absolute, assurance of the maintenance of proper accounting records and the reliability of the financial information used within the business. The Board has reviewed the effectiveness of the system of internal controls which operated during the period covered by this directors' report and accounts.

The key controls are:

- Clearly defined organisational responsibilities and limits of authority.
- Established procedures for authorisation of capital expenditure and investment of cash resources.
- Production of monthly management accounts which are compared to budget together with a review of detailed KPIs and explanation of key variances.
- Monthly bank and key control account reconciliations.
- Payment authorisation controls.
- The maintenance of detailed risk registers which include analysis of all the key risks facing the Bank, including emerging risks. These are reviewed and assessed by the risk committee and the full Board.
- The monitoring and control of credit risks by a central credit committee that sets loan sanctioning limits for the Bank's lending businesses.

The respective responsibilities of the directors and the auditors in connection with the financial statements are explained on pages 76 and 77. The directors' statement on going concern is on page 23.

The Section 172 statement is on pages 24 to 26.

The directors confirm that they consider the annual report and accounts, taken as a whole, to be fair, balanced and understandable and provide the information necessary for shareholders to assess the Bank's position and performance, business model and strategy.

Remuneration Committee

The remuneration committee is responsible for developing the policy on remuneration for executive directors and senior management and for determining specific remuneration packages for executive directors.

No director is involved in discussions or decisions on their own remuneration. The remuneration of the non-executive directors is determined by the Board.

Nomination Committee

The nominations committee comprises Philip Jenks (Chair) and Simon Wainwright. Other non-executive directors are invited to attend meetings of the committee.

The role of the Nomination committee is to:

- review the structure, size and composition of the Board and its committees, ensuring there is a balance of skills, experience and knowledge;
- conduct the evaluation of the performance of the Board and committees as well as that of individual directors;
- manage the process for the appointment of new directors to the Board; and
- monitor succession planning for both the Board and management, taking into account the challenges and opportunities facing the Company and the skill and expertise likely to be needed in future.

Directors' report

This is the Directors' report for the year to 31 March 2022.

Results and Dividends

The results for the Bank are set out on page 3.

No dividends were declared during the year (2021: nil).

Events since the year end

Information on post balance sheet events is set out in note 30.

Future developments in the business

Information on future developments is included in the Strategic report.

Financial Risk

Risk management, including financial risk management, is set out on pages 57 to 62 of this annual report.

Principal activity

Recognise Bank focuses on providing banking and associated financial services to the UK SME market. The Bank has no branches.

Directors and their interests

Details of directors who served during the year are as follows:

- S M S Choudhry
- R K Gabbertas
- J S Oakley – resigned on 31 March 2022
- P A Jenks
- L N McCarthy
- R M Parasol
- S Wainwright
- B P Glover
- D Jenkins
- J Murphy – appointed on 04 August 2022

Biographical details of the current directors are given on pages 28 to 29.

Share capital

Details of the share capital of the Bank in issue during the financial year and changes to it can be found in note 25.

Directors' indemnities and insurance

The Bank has directors' and officers' liability insurance in place.

Political donations

No political donations were made in the year

Statement of directors' responsibilities

The statement of directors' responsibilities is set out on page 76 of this annual report.

Section 172 statement

The Section 172 statement is set out on pages 24 and 26 of this annual report.

Financial instruments

Details of the financial instruments to which the Bank is a party are included in note 15 to the financial statements.

Audit information

In accordance with section 418 Companies Act 2006, each of the directors confirms that:

i. so far as they are aware, there is no relevant audit information of which the Bank's auditors are unaware; and

ii. they have taken all steps they ought to have taken to make themselves aware of any relevant audit information and to establish that the Bank's auditors are aware of such information.

Auditors

Following the receipt of a full UK banking licence by Recognise Bank in September 2021, the directors decided it would once again be appropriate for the Bank to undertake an audit re-tendering exercise with the objective of appointing an auditor for a period of up to 10 years, with the first year of appointment being in respect of the year ending 31 March 2023.

Following completion of this re-tendering exercise, the audit committee and the board of directors have decided to recommend the appointment of PricewaterhouseCoopers LLP as auditors of the Bank and its subsidiary.

Philip Jenks

Chair

On behalf of the Board

31 October 2022

FINANCIAL STATEMENTS

Consolidated income statement and statement of other comprehensive income

for the year ended 31 March 2022

	Notes	2022 £'000	2021 £'000
Interest income		2,380	435
Interest expense		(824)	(71)
Net interest income	6	1,556	364
Fee and commission income	7	16	-
Fee and commission expense	7	(16)	(4)
Net operating income		1,556	360
Operating expenses			
Staff costs	8	(8,405)	(5,373)
Other operating expenses	9	(4,831)	(2,490)
Depreciation and amortisation	10	(307)	(144)
Net impairment loss on financial assets	11	(149)	(4)
Loss before tax		(12,136)	(7,651)
Tax credit for the year	12	-	-
Loss after tax		(12,136)	(7,651)
Other comprehensive expense reclassified to profit or loss		-	(1)
Total comprehensive loss for the financial year, attributable to equity shareholders		(12,136)	(7,652)

Consolidated statement of changes in equity

	Ordinary Share Capital	**Share Premium**	**Deferred Share Capital**	**Accumulated Losses**	**Other Reserves**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Balance at 1 April 2021	21,210	18,931	-	(12,790)	55	27,406
Issue of deferred shares	-	-	-	-	-	-
Reclassification of deferred shares	-	-	-	-	-	-
Issue of ordinary shares	9,368	13,582	-	-	-	22,950
Total comprehensive loss for the year	-	-	-	(12,136)	-	(12,136)
Share based payments	-	-	-	-	171	171
Other comprehensive income - Debt securities	-	-	-	-	-	-
Balance at 31 March 2022	30,578	32,513	-	(24,926)	226	38,391

	Ordinary Share Capital	**Share Premium**	**Deferred Share Capital**	**Accumulated Losses**	**Other Reserves**	**Total**
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2020	10	-	5,545	(5,139)	-	416
Issue of deferred shares	-	-	2,600	-	-	2,600
Reclassification of deferred shares	8,145	-	(8,145)	-	-	-
Issue of ordinary shares	13,055	18,931	-	-	-	31,986
Total comprehensive loss for the year	-	-	-	(7,651)	-	(7,651)
Share based payments	-	-	-	-	56	56
Other comprehensive expense - Debt securities	-	-	-	-	(1)	(1)
Balance at 31 March 2021	21,210	18,931	-	(12,790)	55	27,406

Company statement of changes in equity

	Ordinary Share Capital £'000	Share Premium £'000	Deferred Share Capital £'000	Accumulated Losses £'000	Other Reserves £'000	Total £'000
Balance at 1 April 2021	21,210	18,931	-	(12,950)	55	27,246
Issue of deferred shares	-	-	-	-	-	-
Reclassification of deferred shares	-	-	-	-	-	-
Issue of ordinary shares	9,368	13,582	-	-	-	22,950
Total comprehensive loss for the year	-	-	-	(12,444)	-	(12,444)
Share based payments	-	-	-	-	171	171
Other comprehensive income - Debt securities	-	-	-	-	-	-
Balance at 31 March 2022	30,578	32,513	-	(25,394)	226	37,923

	Ordinary Share Capital £'000	Share Premium £'000	Deferred Share Capital £'000	Accumulated Losses £'000	Other Reserves £'000	Total £'000
Balance at 1 April 2020	10	-	5,545	(5,138)	-	417
Issue of deferred shares	-	-	2,600	-	-	2,600
Reclassification of deferred shares	8,145	-	(8,145)	-	-	-
Issue of ordinary shares	13,055	18,931	-	-	-	31,986
Total comprehensive loss for the year	-	-	-	(7,812)	-	(7,812)
Share based payments	-	-	-	-	56	56
Other comprehensive income - Debt securities	-	-	-	-	(1)	(1)
Balance at 31 March 2021	21,210	18,931	-	(12,950)	55	27,246

Consolidated balance sheet

as at 31 March 2022

	Notes	2022 £'000	2021 £'000
ASSETS			
Cash and cash equivalents	14	36,233	11,225
Debt securities	15	-	6,500
Loans and advances to customers	16	98,941	12,128
Property, plant and equipment	18	70	58
Intangible assets	19	980	1,028
Right-of-use-assets	20	100	25
Other assets	21	516	263
Total assets		136,840	31,227
LIABILITIES			
Deposits from customers	22	94,994	2
Deposits from bank	23	-	862
Lease liabilities	20	103	25
Other liabilities	24	3,352	2,932
Total liabilities		98,449	3,821
EQUITY			
Share capital	25	30,578	21,210
Share premium		32,513	18,931
Other reserves	26	226	55
Accumulated losses		(24,926)	(12,790)
Total equity		38,391	27,406
Total equity and liabilities		136,840	31,227

The notes on pages 45 to 75 are an integral part of these financial statements.

The financial statements were approved by the Board and authorised for issue on 31 October 2022.

They were signed on its behalf by

Philip Jenks

Chair

Company balance sheet

as at 31 March 2022

	Notes	2022 £'000	2021 £'000
ASSETS			
Cash and cash equivalents	14	36,233	11,225
Debt securities	15	-	6,500
Loans and advances to customers	16	98,941	6,485
Loans and advances to subsidiary	29	-	4,572
Property, plant and equipment	18	70	58
Intangible assets	19	980	1,028
Right-of-use-assets	20	100	25
Other assets	21	516	240
Total assets		136,840	30,133
LIABILITIES			
Deposits from customers	22	94,994	2
Loans and advances from subsidary	29	468	-
Lease liabilities	20	103	25
Other liabilities	24	3,352	2,860
Total liabilities		98,917	2,887
EQUITY			
Share capital	25	30,578	21,210
Share premium		32,513	18,931
Other reserves	26	226	55
Accumulated losses		(25,394)	(12,950)
Total equity		37,923	27,246
Total equity and liabilities		136,840	30,133

The company's loss after tax for the financial year amounts to £12,444,887 (2021: loss £7,811,461). The notes on pages 45 to 75 are an integral part of these financial statements.

The financial statements were approved by the Board and authorised for issue on 31 October 2022.

They were signed on its behalf by

Philip Jenks

Chair

Consolidated statement of cash flows

for the year ended 31 March 2022

	2022 £'000	2021 £'000
Cash flow from operating activities		
Loss for the year	(12,136)	(7,651)
Adjustments for:		
Depreciation and amortisation	307	144
Interest earned during the year	(2,380)	(435)
Interest expense during the year	824	71
Interest received	3,882	467
Interest paid	(457)	-
Impairment allowance	149	4
Increase in loans and advances	(88,463)	(12,958)
Decrease/(Increase) in debt securities	6,500	(6,500)
Increase in deposits from customers	94,646	2
(Increase)/Decrease in other assets	(253)	299
Increase in other liabilities	429	2,425
Share based incentive plan	171	56
Net cash generated from/ (used in) operating activities	3,219	(24,076)
Cash flow from investing activities		
Purchase of property, plant and equipment	(53)	(41)
Disposal of property, plant and equipment	1	
Acquisition of property, plant and equipment	-	(2)
Purchase of intangible assets	(156)	(536)
Net cash used in investing activities	(208)	(579)
Cash flow from financing activities		
Proceeds received from deposits from banks'	-	862
Repayment of deposits from banks'	(862)	-
Interest paid on deposit from banks'	(31)	(33)
Interest paid on leases	6	-
Finance lease related payments and deposits	(66)	(68)
Proceeds from the issue of ordinary shares	22,950	34,586
Net cash generated from financing activities	21,997	35,347
Net increase in cash and cash equivalents	25,008	10,692
Cash and cash equivalents brought forward	11,225	533
Net cash and cash equivalents	36,233	11,225
Composition of cash and cash equivalents		
Cash at bank	36,233	11,225

Company statement of cash flows

for the year ended 31 March 2022

	2022 £'000	2021 £'000
Cash flow from operating activities		
Loss for the year	(12,444)	(7,812)
Adjustments for:		
Depreciation and amortisation	305	142
Interest earned during the year	(2,136)	(186)
Interest expense during the year	803	28
Interest received	3,608	43
Interest paid	(457)	-
Impairment allowance	148	5
Increase in loans and advances	(93,780)	(11,269)
Increase/ (Decrease) in debt securities	6,500	(6,500)
Increase in deposits from customers	94,646	2
(Increase)/Decrease in other assets	(276)	70
Increase in other liabilities	492	2,171
Share based incentive plan	171	56
Net cash used in operating activities	(2,420)	(23,250)
Cash flow from investing activities		
Purchase of property, plant and equipment	(53)	(41)
Disposal of property, plant and equipment	1	-
Loans repaid by group companies	5,017	-
Loans advanced to group companies	(271)	-
Purchase of intangible assets	(156)	(536)
Net cash used in investing activities	4,538	(577)
Cash flow from financing activities		
Interest paid on customer deposits	6	-
Finance lease related payments and deposits	(66)	(68)
Proceeds from the issue of ordinary shares	22,950	34,587
Net cash generated from financing activities	22,890	34,519
Net Increase in cash and cash equivalents	25,008	10,692
Cash and cash equivalents brought forward	11,225	533
Net cash and cash equivalents	36,233	11,225
Composition of cash and cash equivalents		
Cash at bank	36,233	11,225

Notes to the financial statements

1 General information

Recognise Bank is a Company incorporated in the United Kingdom under the Companies Act 2006. The address of its registered office is 6th Floor, 60 Gracechurch Street, London EC3V 0HR.

Recognise Bank is a parent company of a subsidiary that was involved in banking and financial services. Recognise Bank Limited ("Recognise Bank" or "Company" or "Bank") became fully authorised in September 2021 when restrictions set by the PRA were lifted after all mobilisation conditions were met, allowing the Bank to accept savings deposits.

These consolidated and separate financial statements have been approved for issue by the Board of Directors on 31 October 2022.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated and separate financial statements have been prepared in accordance with UK-adopted international accounting standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards.

On 31 December 2020, IFRS as adopted by the European Union at that date was brought into the UK law and became UK-adopted international accounting standards, with future changes being subject to endorsement by the UK Endorsement Board. The group transitioned to UK-adopted international accounting standards in its consolidated financial statements for the year commencing on 1 April 2021. There was no impact or changes in accounting from the transition.

The consolidated and separate financial statements have been prepared under the historical cost convention, as modified by financial assets at fair value through profit or loss or other comprehensive income.

These consolidated and separate financial statements have been prepared in accordance with and in compliance with the Companies Act 2006. The Company has taken advantage of section 408 of the Companies Act 2006, and the Statement of Income and the Statement of Comprehensive Income of the parent company are not presented.

Functional and presentational currency

The consolidated and separate financial statements are presented in sterling, which is also the Bank's functional currency, with amounts rounded to the nearest thousand, unless otherwise stated. Foreign currency transactions are translated into the functional currency using the spot exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income.

Going concern

The financial statements of the Group have been prepared on a going concern basis.

The directors consider the going concern basis to be appropriate following their assessment of the Bank's financial position and its ability to meet its obligations as and when they fall due. The Bank's going concern position is further discussed in the Strategic report on page 11.

In making their going concern assessment the directors have considered the following:

- the capital structure and liquidity of the Bank over the period of 12 months from the signing of these accounts;
- the principal and emerging risks facing the Bank and its systems of risk management and internal control;
- uncertainties in the UK economic outlook and actions the Bank could take to mitigate the impact on Recognise Bank;
- the raising of capital by the parent company COLG to support the growth of Recognise Bank in serving the SME market: and
- stress scenarios which included not raising further capital and incurring greater losses from loan defaults during the period of 12 months from the signing of the accounts.

The directors have also considered mitigating actions that could be taken by the Bank and the Board if there were a delay in raising additional capital to support the growth of the Bank or if the amount raised was less than forecast.

In addition to the stress scenarios referred to above, Recognise Bank has carried out a reverse stress test as part of the ICAAP. This proved to be satisfactory.

2.2 Adoption of new standards and interpretations

The following new standards and interpretations were adopted for the first time in these financial statements:

- Interest Rate Benchmark Reform – Phase 2 introduces amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 and is mandatorily effective for periods beginning on or after 1 April 2021
- IFRS 16 Leases: Covid-19-Related Rent Concessions beyond 30 June 2021*

There was no impact on the Bank following the adoption of the above.

Standards in issue but not yet effective

At the date of authorisation of these financial statements, the following standards which have not been applied in these financial statements were in issue but not yet effective. These standards, which are effective for annual periods beginning on or after 1 January 2022 unless otherwise stated.

- Amendments to IAS 1: Classification of liabilities as current or non-current
- Amendments to IAS 1 and IFRS Practice Statement: Disclosure of Accounting Policy
- Amendments to IAS 8: Definition of Accounting Estimate
- Annual Improvements 2018–2020
- Amendments to IFRS 3: Business

- Combinations, reference to the Conceptual Framework
- Amendements to IAS 37 : Provisions, Contingent Liabilities, Contingent Assets

The Bank is currently assessing the impact of these amendments to the accounting standards.

2.3 Consolidation

2.3.1 Subsidiary

Where the Bank has control over an investee, it is classified as a subsidiary. The Bank controls an investee if all three of the following elements are present: power over the investee, exposure or rights to variable returns from its involvement with the investee, and the ability to use its power over the investee to affect the amount of the investor's returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

2.3.2 Intercompany transactions

Inter-company transactions, balances and unrealised gains on transactions between the Bank and its subsidiary are eliminated. Unrealised losses are also eliminated but are considered an impairment indicator of the asset transferred.

2.3.3 Loss of control and change in ownership

When the Bank loses control over the subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interests and other components of equity. Any interest retained is measured at fair value when the control is lost.

2.4 Business Combinations

The Bank uses the acquisition method of accounting to account for business combinations, including those of businesses under common control. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Bank in exchange for control of the acquiree. Acquisition related expenses are expensed as incurred. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair value at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Bank's interests in the fair value of the net identifiable assets, liabilities and contingent liabilities recognised.

On an acquisition-by-acquisition basis, the Bank recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportional share of the acquiree's net assets. The Bank treats transactions with the non-controlling interest as transactions with equity owners of the Bank. For purchases from non-controlling interests the difference between the consideration paid and the relevant share of net assets acquired is recorded in equity.

2.5 Intangible assets

Software licence and development costs are third party costs incurred in relation to the core banking platform developed by Recognise Bank Limited. Core banking platform costs include the development of software, application development and implementation costs.

Costs to establish feasibility or to maintain existing performance are expensed as are internal costs incurred on developing the core banking platform. Costs capitalised for the core banking platform will be amortised using the straight-line method over its useful life. Amortisation begins from the date when the asset is released in a live environment after it has been fully tested. For most elements of the core banking platform amortisation began in December 2020. For the savings banking platform amortisation began in October 2021 after Recognise Bank became fully licensed in September 2021. Further elements of the core banking platform will be released at a later date.

Software licence and development costs are stated at historical cost less accumulated amortisation and impairment losses. Amortisation is provided to write off the cost by equal annual instalments over their estimated useful economic lives as follows:

- Core banking platform 5 years straight-line
- Software licenses 5 years or the period of the software licence if less, straight-line

2.6 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. Depreciation is provided to write off the cost less the estimated residual value of property, plant and equipment by equal annual instalments over their estimated useful economic lives as follows:

Fixtures, fittings & equipment 3 years straight-line

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

2.7 Other assets

The carrying value of other assets is reviewed on an on-going basis to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised as the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount of property, plant and equipment is the greater of its fair value less costs to sell and value in use.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

2.8 Investment in subsidary – separate financial statements

Investment in subsidary are accounted for at cost less impairment.

2.9 Financial assets and liabilities

- **Initial recognition and measurement**

The Bank recognises financial assets and liabilities when it becomes a party to the contractual provisions of the instrument. All financial assets and liabilities are recognised at fair value on initial recognition. The fair value of a financial instrument at initial recognition is generally its transaction price. Transaction costs that are directly attributable to the acquisition or issue of financial assets and liabilities, are added to the fair value on initial recognition.

- **Classification and business model assessment**

Management determines the classification of its financial instruments at initial recognition.

A single classification and measurement model is used by the Bank for financial assets and liabilities, which is based on the business model for managing financial assets and the purpose for which the financial assets were acquired.

Under IFRS 9, financial assets and liabilities fall into one of three principal classification categories: (i) amortised cost, (ii) fair value through profit and loss ('FVTPL') or (iii) fair value through other comprehensive income ('FVOCI'). Equity investments in scope of IFRS 9 are measured at fair value with gains and losses recognised in profit or loss unless an irrevocable election is made to recognise gains or losses in other comprehensive income.

The financial assets of the Bank and the basis of measurement are set out below.

(a) Cash and balances at central bank

Cash and cash equivalents comprise cash in hand and call deposits with maturity of three months or less from the date of inception, which are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in values.

(b) Debt securities

Debt securities are UK government bonds and Treasury Bills which are held by Recognise Bank Limited as high-quality liquid assets. These are debt instruments which are acquired under a "Hold to collect and sell" business model whose contractual cashflows are solely payments of principal and interest ("SPPI") and are measured at fair value through other comprehensive income ('FVOCI').

(c) Loans, trade and other receivables

Loans advanced by the Bank are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for impairment under IFRS 9 which is recognised in the consolidated income statement.

(d) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost: any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest rate method.

(e) Deposits from customers

Financial liabilities at amortised cost are non-derivative financial liabilities with fixed or determinable payments. These liabilities are recognised when cash is received from the depositors and carried at amortised cost using the effective interest rate method. The fair value of these liabilities repayable on demand is assumed to be the amount payable on demand at the balance sheet date.

(f) Other liabilities

Liabilities are recognised as trade payables when an invoice is received. Expenses incurred for which an invoice has not yet been received are included in accruals. Trade payables are initially measured at fair value and are subsequently measured at amortised cost using the effective interest rate method.

(g) Intra-group balances – separate financial statements

In the Bank, intra-group loans and similar balances between group companies are held at amortised cost.

The Bank has considered individual balances when assessing whether it is necessary under IFRS 9 to recognise lifetime expected losses on these intra group balances.

(h) Loan commitments

A loan commitment is a commitment to make a loan in the future at a specified rate. These commitments represent agreements to lend in the future subject to terms and conditions of the agreement, so the amount and timing of the future cashflows are uncertain.

- **Derecognition - Financial assets and liabilities**

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or when the Bank has transferred substantially all risks and rewards of ownership. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Bank is recognised as a separate asset or liability in the Statement of Financial Position.

In transactions where the Bank neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset and it retains control over the asset, the Bank continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset. There have not been any instances where assets have been only partially derecognised.

The Bank derecognises a financial liability when its contractual obligations are discharged, cancelled, expire, are modified or exchanged.

2.9.1 Identification and measurement of the impairment of financial assets and liabilities

The Bank assesses all financial assets for impairment. Under IFRS 9, entities are required to account for expected credit losses (‘ECL’) at the time of initial recognition of the financial asset and to account for changes in ECL at each reporting date to reflect changes in credit risk since initial recognition. The provisions for impairment under IFRS 9 are disclosed in note 11.

(a) Loans:

The general approach in IFRS 9 has been used with the Bank using the IFRS 9 three-stage expected credit loss (‘ECL’) approach for measuring impairment – Stage 1, Stage 2 and Stage 3.

The Bank recognises ECLs from default events expected within 12 months of the reporting date if there has not been a significant increase in credit risk (‘SICR’) since the initial recognition of the financial instrument (Stage 1) and lifetime ECLs for financial instruments where there has been a SICR since initial recognition (Stage 2) or which are credit impaired (Stage 3). Where financial instruments are credit impaired, as determined from the quantitative and qualitative criteria set out below, specific provisions are made on an individual basis in accordance with laid-down policies.

Specific provisions on individual financial instruments are assessed by reference to information available on the recoverability of amounts owed. This may include a change in the credit quality of the debtor and an assessment of expected likely cash flows as well as consideration of the strength of personal guarantees or other security held.

When assessing ECL, entities are required to consider both information about current conditions and reasonable forecasts about future expectations.

This process includes, inter alia, the estimation of probabilities of defaults, the exposures at default, the losses given default and the assessment of increases in credit risks, in the context of the future economic scenarios that may apply to the financial assets.

Relevant factors include:

- Whether there has been a SICR since the inception of an agreement;
- Definition of default and credit-impaired assets; and
- Forward looking information to be used in calculating ECLs.

The Bank considers both quantitative and qualitative information when considering if there has been a SICR. The receipt of information on existing or future adverse changes affecting a customer, in conjunction with an expert credit risk assessment, would result in such an assessment, which is made at individual agreement level.

A financial instrument is defined to be in default when it meets one or more of the following criteria:

- Quantitative criteria: an agreement is in default when contractual payments are more than 90 days past due.

- Qualitative criteria: contractual payments are less than 90 days past due but, having regard to known circumstances such as an insolvency arrangement, it is judged unlikely that future payments will be made in full.

The definition of default is applied consistently to model the items used in the calculation of ECLs – the probability of default ('PD'), exposure at default ('EAD') and loss given default ('LGD'). Expert judgement is applied to assess the LGD of an agreement.

Under IFRS 9, the Bank is required to consider other forward-looking scenarios in addition to the base economic scenario. The final ECL is calculated by applying a weighted probability of the results of each scenario.

The Bank currently uses a model for assessing the IFRS 9 provisions, which has been developed with a third party managed service provider for the credit portfolio held by Recognise Bank.

(b) Property bridging loans in PFS:

In view of their short-term nature, property bridging loans in PFS are considered individually when assessing lifetime expected losses to be recognised under IFRS 9. A property bridging loan is secured over the property for which the loan is advanced with the directors/ sponsors also providing personal guarantees. The amount made available to a borrower, which is based on an independent valuation of the property, is restricted to a conservative percentage of that valuation.

(c) Intra-group loans and similar balances:

Loans and similar balances between the Company and its subsidiaries are considered individually when assessing their expected credit losses under IFRS 9.

2.10 Leases

At inception of a contract the Bank assesses whether a contract is, or contains, a lease. A contract contains a lease if the contract conveys the right to control the use of an identified asset for at period of time in exchange for consideration.

At commencement or modification, the Bank recognises right-of-use assets and lease liabilities, except for lease terms less than 12 months or leases of low value items.

Right-of-use assets and lease liabilities are initially recognised at the net present value of future lease payments, discounted at the rate implicit in the lease or, where not available, the Bank's incremental borrowing cost.

Subsequent to initial recognition, the right-of-use asset is depreciated on a straight-line basis over the term of the lease.

Future rental payments are deducted from the lease liability, with interest charged on the lease liability using the incremental borrowing cost at the time of initial recognition. The Bank recognises lease liability payments within financing activities on the Statement of Cash Flows.

The Bank assesses the likely impact of early terminations in recognising the right-of-use asset and lease liability where an option to terminate early exists.

Leases of low value assets or with terms of 12 months or less are recognised on an accruals basis directly to profit or loss.

2.11 Share capital

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

2.12 Dividends

Dividends declared on the Bank's equity share capital are recognised as a liability when an irrevocable obligation to pay the dividends is established. In the case of interim dividends this arises when the dividend is paid. In the case of final dividends this is the date at which the dividends are approved at a shareholders' general meeting.

2.13 Interest income and expense

Interest income and expense is recognised using the effective interest rate method. Interest income reflects the Banks loan products where the interest rate is contractually set at a fixed or variable (floating) interest rate throughout the term of the loan. Also included in interest income are fees that are integral to the underlying creation of the financial instrument and interest on debt securities.

Broker expense fees which are an integral part of generating the loans receivable are therefore shown as a deduction from interest income.

Interest expense comprises funding costs and interest expensed on customer deposits.

2.14 Commission and fees

Other fees mainly relate to transaction and service fees, if any. These are expensed as the service is received.

2.15 Operating expenses

Operating expenses are recognised in profit or loss upon utilisation of the service or as incurred.

2.16 Employee benefits

The Bank (under the parent company City of London Group) operates three equity-settled share-based payment compensation plans under which the entity receives services from employees as consideration for equity instruments of the Group.

The fair value of the employee services received by the Group is recognised as an expense by the employing company of employees granted share options. The total value of the expense is determined by reference to the fair value of the equity award granted including any market performance conditions but excluding non- market conditions such as continued employee service periods. Non-market conditions are included in the assumptions about the number of equity awards that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all the specified vesting conditions are to be satisfied.

At each reporting date the Group updates its estimate of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the income statement with a corresponding adjustment to equity.

Where relevant the social security contributions payable in connection with the grant of equity awards are considered an integral part of the grant itself and are charged to the income statement at the time of vesting of the awards.

2.17 Corporation tax

Tax on the result for the period comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in other comprehensive income and equity.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous periods.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

Deferred income tax assets are recognised to the extent that it is likely that future taxable profits will be available against which the temporary differences can be utilised.

3 Judgements and estimates

The preparation of financial information in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The basis of the estimates and judgements on key items are given below.

(a) Assessing impairment of investment in subsidiary

Investments in subsidiary are valued at cost less impairment. The directors consider the fair valuation of each underlying operating business to be an important measure of the current position of that business.

(b) Provisions for impairment of financial assets

The IFRS 9 model that is being used by Recognise Bank to calculate the provision under IFRS 9 has been developed with a third party managed service provider. Calculations within the model are performed at an account level using a bottom-up approach, which facilitates the best estimate of the provision required. A scenario-based approach is used to forecast the probability weighted unbiased expectation of future losses.

Forward looking macro-economic scenarios

As IFRS 9 is a forward-looking measure of impairment, economic scenarios were used to build economic models. Economic Scenarios, obtained from a third-party supplier, are combined with econometric models to forecast the Credit Cycle Index (CCI) over the next 15 years. Data from the third party was used to create suitable indices that most closely represent the types of customers that Recognise Bank will serve.

Multiple economic variables including GDP, Unemployment, HPI, BoE interest rates and household disposable income were tested, and it was found that only GDP was a significant driver for both the cyclical and non-cyclical models.

Four macroeconomic scenarios were modelled as follows:

- Forecast
- Moderate
- Severe
- Upside

The GDP path in the four scenarios vary across the future periods. In the Moderate scenario the GDP path is relatively flat across the period with little growth in the early years and with a long run average GDP of 0.42%. The Forecast and Upside GDP paths shows a recovery in the economy until 2023 and then in the long run returns to the average GDP of 0.42%. In the Severe scenario, there is initially a large fall in GDP, followed by a recovery and eventually a return to long run average. The effect of these scenarios on the ECL is shown below.

	March 2022 £'000
Forecast	105.9
Moderate	153.3
Severe	630.6
Upside	97.5

Assumptions in the model components

Assumptions were made for each component within the model (Probability of default (PD), Loss Given Default (LGD) and Exposure at Default (EAD)) to ensure the model produces results that are plausible and reliable. The assumptions were calibrated in workshops with expert input from management and supported by benchmarking data from industry peers.

Probability of Default (PD)

Through-the-Cycle (TtC) PD, which refers to the long-run default rate across the economic cycle or under average economic conditions, and asset correlation (p), which describes how sensitive the portfolio is to a change in the economic cycle, serve as input in calculating the Forward-in-Time (FiT) PD. These parameters were calibrated with expert input from management to best suit the characteristics of Recognise Bank's portfolio. The key area of judgement impacting the PD is the assignment of a credit rating. It is management judgement that a one notch down grade in the credit ratings of the portfolio would not result in a material misstatement.

Loss Given Default (LGD)

LGD measures the loss that will be incurred if a loan defaults. Separate LGD models are being used for secured and unsecured loans. To calculate the LGD for the products secured by property, a forecast of the value of the underlying collateral is determined.

Exposure at Default (EAD)

A categorised schedule that considers interest, fees and arrears is used for amortising elements of the credit portfolio while the periodic payments on interest only loans are assumed to equal the interest charge. The model assumes no prepayments on loans will be made. It is also assumed that the probability of instantly repaying the loan in full and closing the account in a non-default state is 0%.

Expected Credit Losses (ECL)

IFRS 9 rules require that the ECL for each scenario is risk weighted to provide an overall weighted ECL figure. The ECL figure varies depending upon the weightings applied and determines the provision to be recognised at the balance sheet date. The following weightings were used to obtain the overall risk ECL.

- Forecast (45%)
- Moderate (45%)
- Severe (5%)
- Upside (5%)

The credit portfolio as at 31 March 2022 was £98.9m (2021: £6.5m). Application of the model generated a Stage 1 IFRS 9 impairment provision as at 31 March 2022 of £153k (2021: £4k).

Intra-group loans and similar balances

Intra-group loans and similar balances between the Bank and its subsidiary have been assessed individually to determine whether it is necessary under IFRS 9 to recognise lifetime expected losses. It was determined that, having regard to the terms of each loan, no provisions were required.

4 Financial instruments and risk management

4.1 Financial instruments

The Bank's financial instruments are listed in the tables below. The following tables analyse the financial assets and financial liabilities in accordance with the categories of financial instruments in IFRS 9.

	2022			2021		
Group (see note 4.3)	**Current assets**	**Non-current assets**	**Total**	**Current assets**	**Non-current assets**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Financial assets						
Measured at amortised cost						
Cash and cash equivalents	36,233	-	36,233	11,225	-	11,225
Loans to customers	8,525	90,416	98,941	6,154	5,974	12,128
Other debtors	12	-	12	14	-	14
Measured at fair value through other comprehensive income						
Debt securities	-	-	-	6,500	-	6,500
Total	44,770	90,416	135,174	23,893	5,974	29,867
Financial liabilities						
Measured at amortised cost						
Deposits from customers	62,671	32,323	94,994	2	-	2
Deposits from banks	-	-	-	863	-	863
Lease liabilities	67	36	103	25	-	25
Other liabilities	3,057	-	3,057	2,713	-	2,713
Total	65,795	32,360	98,154	3,578	-	3,578

	2022			2021		
	Current assets	**Non-current assets**	**Total**	**Current assets**	**Non-current assets**	**Total**
Company (see note 4.3)	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Financial assets						
Measured at amortised cost						
Cash and cash equivalents	36,233	-	36,233	11,225	-	11,225
Loans to customers	8,525	90,416	98,941	511	5,974	6,485
Loans and advances to subsidiary	-	-	-	4,572	-	4,572
Other debtors	12	-	12	14	-	14
Measured at fair value through other comprehensive income						
Debt securities	-	-	-	6,500	-	6,500
Total	44,770	90,416	135,186	22,822	5,974	28,796
Financial liabilities						
Measured at amortised cost:						
Deposits from customers	62,671	32,323	94,994	2	-	2
Loans and advances from subsidary	469	-	469	-	-	-
Lease liabilities	67	36	103	25	-	25
Other liabilities	3,057	-	3,057	2,641	-	2,641
Total	66,264	32,359	98,623	2,668	-	2,668

At 31 March 2022 and 31 March 2021, the carrying amounts of debt securities, cash at bank, receivables, payables, accrued expenses and short-term borrowings reflected in the financial statements are reasonable estimates of fair value in view of the nature of these instruments or the relatively short period of time between the origination of the instruments and their expected realisation. The fair value of advances and other balances with related parties which are short term or repayable on demand are equivalent to their carrying amount.

The fair value of other non-current financial instruments for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Bank for similar financial instruments. The carrying amount of the Bank's non-current advances to related parties fairly approximates the estimated fair value of these assets based on discounted cash flows. The fair value of the Bank's non-current fixed interest rate advances and customer deposits at the end of the reporting periods is not significantly different from the carrying amounts. The current market interest rates utilised for discounting purposes, which were almost equivalent to the respective instruments' contractual interest rates, are deemed observable but other significant inputs are not observable and accordingly these fair value estimates have been categorised as Level 3 within the fair value measurement hierarchy required by IFRS 7, 'Financial Instruments: Disclosures'.

4.2 Financial risk management

The financial risks faced by the Bank include credit risk, liquidity risk and market risk (including price risk, foreign exchange risk and interest rate risk). The Board reviews and agrees policies for managing each of these risks. The Bank does not use derivative financial instruments for trading purposes.

Credit risk

Credit risk is the risk of the financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The scale of risk to the Bank is set out in the table below:

	2022	
Credit risk exposures (all Stage 1, unless otherwise stated)	**Group £'000**	**Company £'000**
On-balance sheet		
Cash and balances at central banks	36,233	36,233
Loans and advances to customers (net of ECLs)		
Stage 1	98,941	98,941
Stage 2	-	-
Stage 3	-	-
Other assets	12	12
Off-balance sheet		
Loan commitments and other credit related liabilities	19,700	19,700
As at 31 March	154,886	154,886

	2021	
Credit risk exposures (all Stage 1, unless otherwise stated)	**Group £'000**	**Company £'000**
On-balance sheet		
Cash and balances at central banks	11,225	11,225
Debt securities	6,500	6,500
Loans and advances to customers (net of ECL)		
Stage 1	12,128	6,485
Stage 2	-	-
Stage 3	-	-
Loans and advances to subsidiary	-	4,572
Other assets (see note 4.3)	14	14
Off-balance sheet		
Loan commitments and other credit related liabilities	6,159	5,445
As at 31 March	36,026	34,241

The Bank's exposure to credit risk is influenced mainly by the individual characteristics of each customer loan, or receivable. Each new customer is analysed individually for creditworthiness before payment is made. The conduct of customer accounts is reviewed regularly.

Exposure to credit risk is managed in part by obtaining collateral security and corporate and personal guarantees, as management considers necessary. Property bridging loans are secured over the property for which the loan is advanced and personal guarantees are also obtained.

The Bank establishes an allowance for impairment on the basis set out in note 3.

	2022		2022	
	Group		Company	
	Loan balance £'000	Collateral £'000	Loan balance £'000	Collateral £'000
Loans and advances under IFRS 9				
Stage 1	98,941	200,577	98,941	200,577
Stage 2	-	-	-	-
Stage 3	-	-	-	-
As at 31 March	98,941	200,577	98,941	200,577

	2021		2021	
	Group		Company	
	Loan Balance £'000	Collateral £'000	Loan Balance £'000	Collateral £'000
Loans and advances under IFRS 9				
Stage 1	12,128	21,043	6,485	10,678
Stage 2	-	-	-	-
Stage 3	-	-	-	-
As at 31 March	12,128	21,043	6,485	10,678

The table below represents an analysis of the loan to values of the exposures secured by property for the Bank:

	2022		2022	
	Group		Company	
	Loan balance	Collateral	Loan balance	Collateral
	£'000	£'000	£'000	£'000
Less than 60%	53,260	132,652	53,260	132,652
Stage 1	53,260	132,652	53,260	132,652
Stage 2	-	-	-	-
Stage 3	-	-	-	-
60%-80%	44,478	67,925	44,478	67,925
Stage 1	44,478	67,925	44,478	67,925
Stage 2	-	-	-	-
Stage 3	-	-	-	-
80%-100%	-	-	-	-
Stage 1	-	-	-	-
Stage 2	-	-	-	-
Stage 3	-	-	-	-
Individually assessed	-	-	-	-
As at 31 March	97,738	200,577	97,738	200,577

	2021		2021	
	Group		Company	
	Loan balance	Collateral	Loan balance	Collateral
	£'000	£'000	£'000	£'000
Less than 60%	5,531	11,485	4,070	7,420
Stage 1	5,531	11,485	4,070	7,420
Stage 2	-	-	-	-
Stage 3	-	-	-	-
60%-80%	6,395	9,557	2,213	3,258
Stage 1	6,395	9,557	2,213	3,258
Stage 2	-	-	-	-
Stage 3	-	-	-	-
80%-100%	-	-	-	-
Stage 1	-	-	-	-
Stage 2	-	-	-	-
Stage 3	-	-	-	-
As at 31 March	11,926	21,042	6,283	10,678

The table below show the concentration in the loan book based on the type of and collateral held for each loan.

	2022		2022	
	Group		Company	
	Loan balance	Collateral	Loan balance	Collateral
	£'000	£'000	£'000	£'000
Concentration by Product				
Bridging	9,757	23,361	9,757	23,361
Commercial	63,268	135,522	63,268	135,522
Professional buy-to-let	24,713	41,694	24,713	41,694
Working Capital	940	-	940	-
Professional Practice	263	-	263	-
As at 31 March	98,941	200,577	98,941	200,577
Concentration by Location				
East Midlands	3,838	10,855	3,838	10,855
East of England	6,020	16,790	6,020	16,790
London	20,290	43,325	20,290	43,325
North East	3,298	5,325	3,298	5,325
North West	21,340	38,378	21,340	38,378
South East	35,746	72,890	35,746	72,890
South West	662	1,190	662	1,190
Wales	1,476	3,303	1,476	3,303
West Midlands	215	395	215	395
Yorkshire & Humberside	4,853	8,126	4,853	8,126
Unsecured loans	1,203	-	1,203	-
As at 31 March	98,941	200,577	98,941	200,577

In addition to the loan exposures in the table above there is unsecured loan for £1,203k (2021 £202k).

	2021		2021	
	Group		Company	
	Loan balance	Collateral	Loan balance	Collateral
	£'000	£'000	£'000	£'000
Concentration by Product				
Bridging	5,792	10,695	149	330
Commercial	6,134	10,348	6,134	10,348
Professional Practice	202	-	202	-
As at 31 March	12,128	21,043	6,485	10,678
Concentration by Location				
London	6,697	12,032	4,356	7,810
South East	4,045	6,563	1,346	1,948
South West	175	320	175	320
North West	1,009	2,128	406	600
Unsecured loans	202	-	202	-
As at 31 March	12,128	21,043	6,485	10,678

Foreign exchange risk

The foreign exchange risk for the Bank is immaterial as the financial instruments held by the Bank are denominated in sterling.

Liquidity risk

The Bank has sufficient cash to meet its current requirements. At 31 March 2022 and 31 March 2021, the Bank did not have a bank overdraft facility.

The total gross contractual undiscounted cash flows of financial liabilities, including interest payments are:

At 31 March 2022	On demand	Less than 3 months	3 to 12 Months	1 to 5 years	> 5 years	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Group						
Deposits from customers	107	4,721	58,741	34,824	-	98,393
Lease liabilities	-	15	52	36	-	103
Other liabilites	-	3,057	-	-	-	3,057
Company						
Deposits from customers	107	4,721	58,741	34,824	-	98,393
Loans and advances from subsidary	-	-	469	-		469
Lease liabilities	-	15	52	36	-	103
Other liabilites (see note 4.3)	-	3,057	-	-	-	3,057

At 31 March 2021	On demand	Less than 3 months	3 to 12 Months	1 to 5 years	> 5 years	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Group						
Deposits from customers	-	2	-	-	-	2
Deposits from bank	-	863	-	-	-	863
Lease liabilities	-	17	8	-	-	25
Other liabilities	-	2,713	-	-	-	2,713
Company						
Deposits from customers	-	2	-	-	-	2
Lease liabilities	-	17	8	-	-	25
Other liabilities (see note 4.3)	-	2,641	-	-	-	2,641

Interest rate risk

The Bank has interest-bearing assets and liabilities at fixed interest rates. The Bank may make loans on either a fixed or variable (floating) interest rate basis. Changes in the interest on variable (floating) loans will arise from changes in the underlying Bank of England base rate or market rate. The Bank mitigates interest rate risk through its Asset and Liability Committee which is responsible for identifying, managing and controlling all balance sheet risks in accordance with Recognise Bank's chosen business strategy. With this exception, the Bank had no floating rate borrowings at either 31 March 2022 or 31 March 2021.

In line with regulatory reporting requirements, as set by the EBA, the Bank considers a parallel 200 basis points (bps) movement to be appropriate for evaluating sensitivity to interest rate risk. As at 31 March 2022 the Bank estimates that a +/- 200bps movement in interest rates would have impacted the economic value of equity as +£26k/-£20k respectively (2021 +£184k/-£178k).

Valuation of financial instruments

The Bank measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions. In the Bank this applies to Gilts and Treasury Bills which are held at fair value and will be determined on a monthly basis by recalculating the nominal value of each holding against the close-of-business market price for each relevant instrument.

The Bank measures fair value using the following fair value hierarchy that reflects the significance of the inputs used in making measurements:

- Level 1: inputs are quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date
- Level 2: inputs are inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3: inputs are unobservable inputs for the asset or liability

No financial assets at fair value were held at 31 March 2022 (2021: Level 1 Debt securities £6,500,000).

4.3 Changes in financial instruments disclosure:

The table 4.1 above provides disclosures on the Group's and the Bank's financial instruments by category. This table was inadvertently omitted in prior year.

In the Group's and the Bank's credit risk disclosure of the prior year, other assets amount included prepayments, property plant and equipment, intangibles and right-of-use assets which were not financial assets. The 2021 disclosure has been restated to exclude these amounts.

In the Group's and the Bank's liquidity risk disclosure, the other liabilities amount included liabilities on account of taxation and social security which were not financial liabilities. The 2021 disclosure has been restated to exclude liabilites on account of taxation and social security.

The above restatements do not impact the results and net assets of the Group and the Bank for the previous year.

5. Capital Management

The Bank maintains an actively managed capital base to cover risks inherent in the business. The primary objectives of the capital management is to ensure that the Bank complies with both external and internal capital requirements and that the Bank maintains healthy capital ratios in order to support its business and maximise shareholders' value.

The Bank has prepared detailed budgets which includes an assessment of its future capital requirements and is also developing plans to meet these by accessing funds from Group. The funds will be used to build the infrastructure for the Bank with further capital raising from Institutional investors planned in the future.

The Bank manages its capital structure and makes adjustments to it in the light of changes in economic conditions, risk characteristics of its activities and regulatory requirements. The adequacy of the Bank's capital is monitored using, amongst others, the rules and ratios established by the PRA.

During the past year, the Bank complied in full with all its externally imposed capital requirements. The table below shows the Bank's CET1 capital ratios.

Capital Ratios (unaudited)	**2022** **£'000**	**2021** **£'000**
CET 1 Capital Instruments	38,392	27,424
Deductions - Intangible Assets	(981)	(1,028)
CET 1 Capital after Deductions	37,411	26,396
Own Funds	37,411	26,396
CET1 Capital Ratio	42.89%	78.92%
Total Capital Ratio	42.89%	78.92%

6 Net interest income

	2022 **£'000**	**2021** **£'000**
Cash and cash equivalents	24	-
Debt securities	254	21
Loans and advances to customers	2,102	414
Interest income	2,380	435
Deposits from customers	545	-
Wholesale funding	21	39
Debt Securities amortisation	258	27
Balances with parent Company	-	5
Interest expense	824	71
Net interest income	1,556	364

All revenue arises in the United Kingdom.

7 Fees and commission

	2022 **£'000**	**2021** **£'000**
Lending income	16	-
Fee and commission income	16	-
Lending expense and arrangement fees	10	-
Regulatory fees	4	3
Debt security fees	2	1
Fee and commission expense	16	4
Net fees and commission	-	(4)

8 Employee numbers and costs

The average number of persons employed by the Bank (including directors) during the year, analysed by category, was as follows:

Group	2022	2021
Recognise Bank	70	36
Property & Funding Solutions	-	2
Total	70	38

The aggregate payroll costs of these employees were as follows:

	2022 £'000	2021 £'000
Wages and salaries	7,050	4,729
Social security	906	454
Pensions	257	115
Other payroll related costs	192	76
	8,405	5,374

The key management personnel of the Bank are the Directors, whose emoluments in respect of services to the Bank were as follows:

	2022 £'000	2021 £'000
Wages and salaries	1,386	918
Social security	181	118
Pensions	14	13
	1,581	1,049

The total emoluments of the highest paid director (including compensation costs for termination) was £408,300 (2021: £263,606), in addition to social security costs of £55,125 (2021: £34,856).

9 Other operating expenses

	2022 £'000	2021 £'000
Consultancy Charges	1,201	943
Irrecoverable VAT	577	358
Rent	612	391
Group management charges	138	93
IT and software expenses	940	324
Outsourced costs	909	28
Other miscellaneous costs	454	353
	4,831	2,490

Auditor's remuneration

	2022 £'000	**2021 £'000**
Fees payable to the Bank's auditor for the audit of the Bank's annual financial statements	142	90
Fees payable to the Bank's auditors for other services:		
The audit of subsidiary pursuant to legislation	23	19

10 Depreciation and amortisation

	2022 £'000	**2021 £'000**
Depreciation on tangible fixed assets	40	24
Amortisation of intangible assets	204	52
Amortisation on right of use assets	63	68
	307	144

11 Net impairment loss on financial assets

	2022 £'000	**2021 £'000**
Provisions for bad and doubtful debts under IFRS 9	149	4
	149	4

12 Tax expense

	2022 £'000	**2021 £'000**
UK Corporation Tax		
Current tax on the result for the year	-	-
Factors affecting the tax charge for the year		
Loss on ordinary activities before taxation	(12,136)	(7,651)
At standard rate of corporation tax in the UK of 19% (2021: 19%)	(2,306)	(1,454)
Effects of:		
Short term timing differences	(106)	(13)
Permanent timing differences	56	2
Movement on deferred tax asset	2,356	1,465
Tax charge for the year	-	-

13 Dividends

No dividends were paid and recognised during either the current or prior year. The directors do not recommend payment of a final dividend (2021: nil)

14 Cash and cash equivalents

	Group		Company	
	2022	**2021**	**2022**	**2021**
	£'000	**£'000**	**£'000**	**£'000**
Cash at bank	36,233	6,325	36,233	6,325
Money market	-	4,900	-	4,900
As at 31 Mar	36,233	11,225	36,233	11,225

There was £50,000 restricted cash (2021: £50,000) within the Bank cash balance of £36.2m (2021: £6.3m).

15 Debt Securities

Debt securities represent Gilts and T-bills. The movement in debt securities may be summarized as follows:

	Group		Company	
	2022	**2021**	**2022**	**2021**
	£'000	**£'000**	**£'000**	**£'000**
At 01 April	6,500	-	6,500	-
Additions	59,058	42,028	59,058	42,028
Redemptions/ Maturities	(65,300)	(35,500)	(65,300)	(35,500)
Amortisation of premium	(259)	(27)	(259)	(27)
Changes in FV through OCI	1	(1)	1	(1)
As at 31 Mar	**-**	6,500	**-**	6,500

The table below presents an analysis of debt securities using the Fitch national short term credit ratings.

	Group		Company	
	2022	**2021**	**2022**	**2021**
	£'000	**£'000**	**£'000**	**£'000**
F1+	-	6,500	-	6,500
As at 31 Mar	**-**	6,500	**-**	6,500

16 Loans and advances to customers

	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
Gross loans and advances at 01 April 2021	12,132	-	-	12,132
Originations	98,096	-	-	98,096
Repayments	(11,134)	-	-	(11,134)
Write-Offs	-	-	-	-
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Gross loans and advances at 31 March 2022	99,094	-	-	99,094
Less: Allowances for ECLs during the year	153	-	-	153
Net loans and advances at 31 March 2022	98,941	-	-	98,941

	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
Allowances for ECL at 01 April 2021	4	-	-	4
New financial assets originated	149	-	-	149
Allowances for ECL at 31 March 2022	153	-	-	153

	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
Gross loans and advances at 01 April 2020	-	-	-	-
Originations	13,424	-	-	13,424
Repayments	(1,292)	-	-	(1,292)
Write-Offs	-	-	-	-
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Gross loans and advances at 31 March 2021	12,132	-	-	12,132
Less allowances for ECLs	(4)	-	-	(4)
Net loans and advances at 31 March 2021	12,128	-	-	12,128

	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
Allowances for ECL at 01 April 2020	-	-	-	-
New financial assets originated	4	-	-	4
Allowances for ECL at 31 March 2021	4	-	-	4

17 Investment in subsidiary

Company	Investment at Cost £	Impairment Provision £	Total £
At 01 April 2021	100	-	100
Additions during the year	-	-	-
Disposals during the year	-	-	-
As at 31 March 2022	100	-	100

Company	Investment at Cost £	Impairment Provision £	Total £
At 01 April 2020	-	-	-
Additions during the year	100	-	100
Disposals during the year	-	-	-
As at 31 March 2021	100	-	100

Details of investment is as follows:

Company subsidiary undertaking	**Nature of business**
Property & Funding Solutions Ltd	Bridging & development finance

The subsidiary undertakings are wholly owned.

Subsidiary is registered in England and Wales and have a 31 March year end. The registered office address of each is 6th Floor, 60 Gracechurch Street, London EC3V 0HR.

18 Property, plant and equipment

	Group		Company	
	2022 £'000	**2021 £'000**	**2022 £'000**	**2021 £'000**
Cost				
At 01 April	98	52	93	52
Additions - acquisitions	-	5	-	-
Additions	53	41	53	41
Disposals	(1)	-	(1)	-
At 31 March	150	98	145	93
Depreciation				
At 01 April	40	13	36	13
Additions - acquisitions	-	3	-	-
Charge in year	40	24	38	23
Disposals	(0)	-	(0)	-
At 31 March	80	40	74	36
Net book value				
At 31 March	70	58	70	57

Property, plant and equipment comprises largely office furniture and equipment.

19 Intangible assets

	Group		Company	
	2022 £'000	**2021 £'000**	**2022 £'000**	**2021 £'000**
Cost				
At 31 March	1,081	545	1,081	545
Additions	156	536	156	536
At 31 March	1,237	1,081	1,237	1,081
Amortisation				
At 31 March	53	1	53	1
Charge in year	204	52	204	52
At 31 March	257	53	257	53
Net book value				
At 31 March	980	1,028	980	1,028

20 Leases

Right-of-use asset

The changes in the carrying value of Right-of-use asset were as follows:

	Group		Company	
Property lease	**2022 £'000**	**2021 £'000**	**2022 £'000**	**2021 £'000**
At 1 April	25	93	25	93
Additions	138	-	138	-
Amortisation	(63)	(68)	(63)	(68)
At 31 March	100	25	100	25

The lease liability has been measured at the present value of the contractual payments due over the period of the lease, using a discount rate of 6%.

All other premises leased by Bank during the year were occupied under leases that were for a period of less than one year or were categorised as low value leases. The Bank opted to recognise the lease expense for these on a straight-line basis as permitted by IFRS 16.

Lease Liabilities

	Group		Company	
Property lease	**2022 £'000**	**2021 £'000**	**2022 £'000**	**2021 £'000**
At 1 April	25	-	25	-
Additions	138	93	138	93
Interest Expense	6	-	6	-
Lease payments	(66)	(68)	(66)	(68)
At 31 March	103	25	103	25

The break-up of current and non-current lease liabilities is as follows:

	Group		Company	
Property lease	**2022 £'000**	**2021 £'000**	**2022 £'000**	**2021 £'000**
Current	67	25	67	25
Non-Current	36	-	36	-
At 31 March	103	25	103	25

The Bank does not face a significant liquidity risk with regard to its lease liabilities as the current assets are sufficient to meet the obligations related to lease liabilities as and when they fall due.

21 Other assets

	Group		Company	
	2022	**2021**	**2022**	**2021**
	£'000	**£'000**	**£'000**	**£'000**
Amount owed by parent Company	12	14	12	14
Prepayments	504	249	504	226
As at 31 Mar	516	263	516	240

22 Deposit from customers

	Group		Company	
	2022	**2021**	**2022**	**2021**
	£'000	**£'000**	**£'000**	**£'000**
Notice accounts	37,380	1	37,380	1
Term deposits	57,614	1	57,614	1
As at 31 Mar	94,994	2	94,994	2

23 Deposit from Banks

	Group		Company	
	2022	**2021**	**2022**	**2021**
	£'000	**£'000**	**£'000**	**£'000**
Wholesale funding	-	862	-	862
As at 31 Mar	**-**	862	**-**	862

24 Other liabilities

	Group		Company	
	2022	**2021**	**2022**	**2021**
	£'000	**£'000**	**£'000**	**£'000**
Trade creditors	171	195	171	195
Amount due to parent company	260	688	260	688
Other taxation and social security	296	219	296	219
Accruals	2,556	1,805	2,556	1,743
Other	69	25	69	15
As at 31 Mar	3,352	2,932	3,352	2,860

25 Called-up share capital

Allotted, called up and fully paid	2021 Number	2022 Number	2021 £000's	2022 £000's
Ordinary shares of £1 each	21,210,363	30,577,708	21,210	30,578
			21,210	30,578

The following changes in the share capital in issue arose during the year ended 31 March 2022:

1. On 13 May 2021, Recognise Bank issued 612,244 shares for £2.45 per share
2. On 01 September 2021, Recognise Bank issued 1,102,040 shares for £2.45 per share
3. On 14 September 2021, Recognise Bank issued 4,224,489 shares for £2.45 per share
4. On 14 October 2021, Recognise Bank issued 3,020,408 shares for £2.45 per share
5. On 24 March 2022, Recognise Bank issued 408,163 shares for £2.45 per share

Movement in total share capital including share premium is as follows:

	No.	**£'000**
Ordinary shares	9,637,189	10
Deferred shares	5,545,000	5,545
As at 31 March 2020	15,182,189	5,555
Conversion of £0.001 shares to £1 shares	(9,627,552)	-
Issuance of ordinary shares	15,655,726	34,586
At 31 March 2021	21,210,363	40,141
Issuance of ordinary shares(a)	9,367,345	22,950
At 31 March 2022	30,577,708	63,091

(a) Amount includes share premium of £13,582,651 arising on the issue of the shares was credited to Share premium (2021: £18,930,803)

Details of the shareholding and percentage of holding are set out below with COLG holding 100% of the shares of Recognise Bank.

Particulars	**At 31 March 2022**		At 31 March 2021	
	Number of shares held	**% Holding in the class of shares**	Number of shares held	% Holding in the class of shares
Fully paid equity shares				
A ordinary shares of £1 each	30,577,708	100	21,210,363	100
Total	30,577,708	100	21,210,363	100

26 Other Reserves

	Group		**Company**	
	2022	**2021**	**2022**	**2021**
	£	**£**	**£**	**£**
Share based payments	226	56	226	56
Other Comprehensive Income - Debt Securities	-	(1)	-	(1)
As at 31 Mar	226	55	226	55

Share Based Payments

The Bank operates three equity-settled share-based remuneration schemes for employees (in the parent company City of London Group):

- Share Option Plan 2017
- Company Share Option Plan 2019
- Long Term Incentive Plan 2020

Share options may be granted to employees, including executive directors, of the Bank and its subsidiaries and are intended to provide long-term incentives for executives, including executive directors, to deliver long-term shareholder returns. Under each plan, participants are granted options which only vest if certain performance standards are met. Participation in any of the plans is at the board's discretion, and no individual has a contractual right to participate in a plan or to receive any guaranteed benefits.

The exercise price of the fixed price options issued under the Share Option Plan 2017 and Share Option Plan 2019 is equal to the market price of the shares at the date of grant. The initial value of the nil-price options issued under the Long-Term Incentive Plan 2020 is equal to the market price of the shares at the date of grant.

The exercise of options under each plan is conditional on the employee completing three years' service (the vesting period). The number of options that vest is dependent on the Total Shareholder Return (TSR) over the period to vesting. The options have a contractual option term of ten years. The Bank has no legal or constructive obligation to repurchase or settle the options in cash.

No options were granted during the year ended 31 March 2022. The number of options granted during the prior year were as follows:

	Date of grant	Number
Share Option Plan 2017	04/12/2020	131,250
Company Share Option Plan 2019	04/12/2020	262,500
Long Term Incentive Plan 2020	04/12/2020	1,203,126
Total granted in year		1,596,876

No new share options were issued in 2022.

The weighted average exercise price of the share options in issue is:

	2022		2021	
	Weighted average exercise price	Number	Weighted average exercise price	Number
Outstanding at 1 April	39.98	1,596,876	-	-
Granted during year	-	-	39.98	1,596,876
Lapsed during year	-	-	-	-
Outstanding at 31 March	39.98	1,596,876	39.98	1,596,876

The exercise price of options outstanding under the Share Option Plan 2017 and Company Share Option Plan 2019 at 31 March 2022 was between 80p and 145p (2021: 80p and 145p). Options issued under the Long-Term Incentive Plan are nil-cost options. The weighted average remaining contractual life of the outstanding share options was 6.9 years.

City of London Group plc's share price as at 31 March 2022 was 61.0p (2021: 77.5p). The average for the year to 31 March 2022 was 69.4p (2021: 90.3p). Options issued in 2019 and 2020 were valued using the Monte Carlo model while the Black-Scholes model was used for those issued in 2017. Inputs to the models were as follows:

	December 2020 Grant
Exercise price	80.00p
Share price	88.00p
Contractual life (in days)	1095
Volatility	32.00%
Annual risk-free interest rate	0.01%

Volatility is a measure of the amount by which the underlying share price is expected to fluctuate during the life of each option.

The volatility for the options granted in December 2020 is based on the historical observed volatility from trading in the Company's shares over the three-year period to 4 December 2020.

For the Monte Carlo model, the observed median volatility from a basket of listed peers of the Company was used to provide a meaningful proxy for volatility.

The valuations assumed all the options would be exercised.

27 Commitments

As at 31 March 2022, Recognise Bank Limited was contractually committed to make future loan advances of £19,700,378 (2021: £6,159,000) to customers.

28 Deferred tax assets and liabilities

	Group		Company	
	2022	**2021**	**2022**	**2021**
	£'000	**£'000**	**£'000**	**£'000**
Deferred tax is provided as follows:				
Tax losses	6,271	2,429	6,271	2,468
Short-term timing differences	(10)	(11)	(10)	(11)
	6,261	2,418	6,261	2,457
Unrecognised deferred tax asset	(6,261)	(2,418)	(6,261)	(2,457)
	-	-	-	-

No deferred tax assets were recognised in the financial statements at 31 March 2022 or 31 March 2021 due to the unpredictability of the timing of future recovery.

The unrecognised deferred tax assets have been calculated using a UK corporation tax rate of 25% (2021: 19%) on the basis of trading losses carried forward of £25,085,000 (2021: £12,786,316) and timing differences of £ 42,000 (2021: £58,244). There is no time limit for the utilisation of these amounts.

29 Related party transactions

The related parties of the Bank are its holding company, subsidiary, directors of the Bank, and companies where a director has a shareholding.

The below are the ultimate parent company and subsidiary of the Bank:

Company name	**Relation**	**% Holding**
City of London Group Plc	Holding Company	100% of ordinary shares (2021: 100%)
Property & Funding Solutions Ltd	Subsidiary	Investment in subsidiary

At 31 March, the liabilities and assets outstanding to related parties were as follows:

	31-Mar-22	**31-Mar-21**
City of London Group Plc:		
Ordinary Share Capital	30,578	21,210
Premium Share Capital	32,513	18,931
Deferred Share Capital	-	-
Rent payable (other liabilites)	211	578
Group charges payable (other liabilites)	48	106
Other receivables	12	17

Property and Funding Solutions Ltd:		
Intercompany Loan payable by PFS	-	4,572
Intercompany loan payable by COLG	468	-

Transactions during the year with related parties for the year	**31-Mar-22**	**31-Mar-21**
	£	**£**
City of London Group Plc:		
Issue of Deferred Shares	-	2,600
Issue of Ordinary Shares	9,368	13,056
Share premium	13,582	18,931
Group charges paid	535	363
Rent paid	130	111
Acorn to Oaks Financial Services Ltd		
Professional fees paid	-	96
Moorad Choudhry Financial Ltd		
Professional fees paid	-	3
Oakbridge Accountancy Ltd		
Accountancy fees paid	-	1
Property and Funding Solutions Ltd		
Interest Income – Intercompany (see note a))	101	109

Note a)

The table provides an analysis by amounts charged to/by the Group and Company and the year-end amounts owed to the Group/Company in both years.

This previous year disclosure has been restated to include intercompany interest income due to PFS in accordance with IAS 24.

The restatement does not impact the net assets or results of the previous year.

30 Post balance sheet events

On 15 April 2022, Vikrant Vallabhdas Udeshi was appointed as an alternate Director to Ruth Parasol for Recognise Bank.

On 24 May 2022, the net proceeds from the exercise of warrants by two of the parent Company's shareholders, Max Barney Investments Limited ("MBIL" or "Max Barney") and Parasol V27 Limited ("PV27"), of £6,451,250 was used to support Recognise Bank continued growth and invest in technology that will build on the Bank's existing flexible and resilient platform to launch innovative products, continue to drive efficiency and deliver an even better customer experience.

On 03 August 2022, the Board approved the purchase of the entire issued share capital of Credit Asset Management Limited (“CAML”) from the City of London Group (“COLG”). The consideration payable under the sale and purchase agreement is an application for the allotment of 684,489 A ordinary shares of £1 each (for a subscription price of £2.45 per share i.e., a £1.45 premium to their nominal value of £1).

On 4 August 2022, Jean Murphy was appointed as the new CEO. Bryce Glover, who acted as Interim CEO prior to her appointment, continues as the Deputy CEO of Recognise Bank.

On 20 October 2022, the Company announced that David Jenkins, Chief Financial Officer of Recognise Bank Limited, is to leave after three years with the Bank, effective as of 30th November 2022. Whilst a search is undertaken for a new Chief Financial Officer, Prasad Pitale, Head of Finance at Recognise Bank will take responsibility for the Finance team.

Statement of directors' responsibilities

The directors are responsible for preparing the strategic report, annual report and the 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 have elected to prepare the Bank financial statements in accordance with UK adopted international accounting standards.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Bank and of the profit or loss of the Bank for that period. The directors are also required to prepare financial statements in accordance with the rules of the London Stock

Exchange for companies trading securities on the Alternative Investment Market.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with UK adopted international accounting standards, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Bank will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Philip Jenks
Chair

31 October 2022

Independent Auditor's report to the members of Recognise Bank Limited

Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 March 2022 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with UK adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Recognise Bank Limited (the 'Parent Company') and its subsidiary (the 'Group') for the year ended 31 March 2022 which comprise Consolidated income statement, Consolidated statement of changes in equity, Company statement of changes in equity, the Consolidated balance sheet, Company balance sheet, the Consolidated statement of cashflows, the Company statement of cashflows and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards and as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Basis for opinion

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

Independence

Following the recommendation of the audit committee, we were appointed by the directors to audit the financial statements for the year ending 31 March 2018 and subsequent financial periods. The period of total uninterrupted engagement including retenders and reappointments is 5 years, covering the years ended 31 March 2022.

We remain independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services prohibited by that standard were not provided to the Group or the Parent Company.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Group and the Parent Company's ability to continue to adopt the going concern basis of accounting included:

- A detailed risk assessment to identify factors that could impact the going concern basis of accounting, including the effect of global macroeconomic uncertainties, rising inflation and post Covid-19 scenarios;
- A review of all Prudential Regulation Authority (PRA) and Financial Conduct Authority (FCA) correspondence with the entity;
- Evaluating Directors' going concern assessment including the company's capital and liquidity position and financial forecasts over the going concern period;
- a review of the Internal Capital Adequacy Assessment Process (ICAAP) submitted to the PRA and the draft Internal Liquidity Adequacy Assessment Process (ILAAP) by our regulatory team of specialists to evaluate whether the ICAAP and ILAAP are in line with industry standards;
- evaluation of the stress testing performed by management including their severe but plausible downside scenario which included stress on the Group's capital position, in the event that no further capital could be raised during the year by challenging the impact that the stress scenario would have on the company's cash flow forecast and that the consideration is reasonable;

- substantiation of financial resources available to the group by evaluating the recent situations where the Group was able to raise funds; and
- evaluation of the adequacy of the going concern disclosures made in the financial statements with reference to our understanding of the Group's current situation, obtained throughout the audit, and of its forecasts.

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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 Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

Overview

Coverage	100% (2021: 100%) of Group profit before tax 100% (2021: 100%) of Group revenue 100% (2021: 100%) of Group total assets		
Key audit matters		**March 2022**	**March 2021**
	Revenue Recognition	✓	✓
	Loan loss provision	✓	✓
Materiality	*Group financial statements as a whole* £287,000 (2021: £86,000) based on 0.75% of Net Assets (2021: 3-year average of 2% of the Group expenditure)		

An overview of the scope of our audit

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

A full scope audit was undertaken by the Group audit team on the financial information of the Parent Company, being the only significant component in the Group. For the insignificant component entity, Property & Funding Solutions Ltd ("PFS"), material balances were considered and scoped in for testing which was performed by the Group audit team.

Key audit matters

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

Key audit matter		**How the scope of our audit addressed the key audit matter**
Revenue Recognition (Note 2.13 and Note 6)	We considered the revenue recognition for interest income on loans and advances for Recognise Bank Limited and Property Funding Solutions to be a key audit matter. Revenue in Recognise Bank is in the form of interest income and fees on the underlying loan portfolio. PFS revenue relates to interest receivable on loans issued to clients. Revenue is based on the automatic calculation within the loan system of each entity. Given the individual	Our procedures included the following: • With the aid of computer assisted audit techniques we recalculated the total interest income on the full portfolio of loans for Recognise Bank. This included verification of the internal rate of return (IRR) used in the effective interest rate accounting through recalculation of fees income amortisation on the full portfolio and ensuring all relevant fees are included. • We tested the accuracy and existence of data processed through the system using sampling techniques for agreeing sampled data to underlying agreements.

	complexity of each of revenue stream, there is a risk that income could be incomplete or inaccurate if the loan systems have not captured or calculated the revenue correctly.	• For PFS, we manually recalculated the interest income and agreed inputs to underlying loan contracts and supporting documentation for the full population. **Key observations** Based on our audit work performed, we did not identify any matters which would indicate that revenue is incomplete, or the calculation is inaccurate.

Loan loss provisioning (Note 2.9.1 (a) and Note 16)	As of 31 March 2022, the gross carrying value of Loans and advance to customers was £99.09m and the associated allowance for Expected Credit Losses (ECL) was £153k. The Expected Credit Loss provision is subject to management judgement and a high degree of estimation uncertainty which could lead to a material misstatement. For Recognise Bank, we identified areas of key judgements and estimates on ECL in respect of the selection of the modelling methodologies, assumptions used in determining the probability of default, and the inputs and assumptions used relating to the forward-looking macroeconomic variables used in the model. Given the degree of judgement by management in determining the Expected Credit Losses we considered this to be an area of most significance in our audit and therefore a key audit matter.	We tested key controls around the determination of expected credit losses (ECL), including controls relating to: • review of the completeness and accuracy of the data output used by managements expert in the ECL model; • controls over the origination, authorisation and onboarding of new loans and advances to customers which include controls over key data sets pertaining to individual loans like tenor and interest which feed into the ECL model; and • review and approval of the ECL allowance by management to be included in financial statements. In addition, together with our specialists & experts, we performed the following procedures to obtain assurance over accuracy and completeness of expected credit loss allowance. • We understood and critically assessed the appropriateness of the impairment policy (including management's definitions of default and a significant increase in credit risk), by reviewing the policy against the requirements of IFRS 9 *Financial Instruments* (IFRS 9) and industry standards • We critically assessed the conceptual soundness of the methodology applied in the ECL model, to evaluate whether the methodology was compliant with IFRS 9 requirements, and tested the key assumptions and judgements, including, but not limited to, those made by management in determining Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD) used in the calculation of the ECL allowance, by benchmarking to external sources. • We assessed the judgments, concepts and weightings involved in management internal credit rating methodology which is a key driving factor for probability of defaults (PD) used in the model, by reviewing the credit approval process

		for a sample of loans and evaluating whether rating allocated is reasonable; • We assessed the reliability and appropriateness of historic and forward- looking information and macroeconomic variables used in the ECL model to determine the economic scenarios are relevant and reflective of the credit risks faced by the Bank by benchmarking with industry expected criteria; and • We assessed the reasonableness of scenario weightings and internal ratings of a sample of counterparties through independent credit reviews performed by the audit team and evaluating whether the ratings associated are reasonable based on the circumstances of each credit review performed and weighting associated to different scenarios are appropriate. We also assessed the disclosures in financial statements, regarding the critical estimates and judgements involved in determining ECL to assess if it is in line with IFRS 9 and industry standards. **Key observations** Based on the evidence obtained, we concluded that the methodologies, modelled assumptions, and management judgements in determining the ECL allowance for Loans and advances to customers to be appropriate and compliant with the requirements of IFRS 9. Based on the work performed, we have not identified any indicators that the provision for loans and advances to customers is unreasonably estimated in consideration of the key assumptions and judgements made.

Our application of materiality

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

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

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

	Group financial statements		Parent company financial statements	
	March 2022	**March 2021**	**March 2022**	**March 2021**
Materiality	£287,000	£86,000	284,000	£86,600
Basis for determining materiality	0.75% of net assets	2% of 3-year average of gross expenditure	0.75% of net assets	2% of 3-year average of gross expenditure
Rationale for the benchmark applied	The benchmark has changed from 3-year average of gross expenditure (used in the prior year) to net assets in the current year. In the prior year the bank was in still very much in the early stages of its start-up phase and had not obtained its full UK banking licence. In the current year, the bank obtained its full UK banking licence and significantly increased in lending as a result. Net asset is thus a principal consideration for the users of the financial statements in assessing the performance of the Group given that it is loss making.		The benchmark has changed from 3-year average of gross expenditure (used in the prior year) to net assets in the current year. In the prior year the bank was in still very much in the early stages of its start-up phase and had not obtained its full UK banking licence. In the current year, the bank obtained its full UK banking licence and significantly increased in lending as a result. Net asset is thus a principal consideration for the users of the financial statements in assessing the performance of the Group given that it is loss making.	
Performance materiality	£215,000	£65,000	£213,000	£64,000
	Based on 75% of materiality		Based on 75% of materiality	
Basis for determining performance materiality	On the basis of our risk assessment together with our assessment of the Group's and Parent's overall control environment, the level of anticipated errors, and management's attitude towards proposed adjustments, our judgement was that overall performance materiality for the Group and Parent should be 75% of materiality.			

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £5,000 (31 Mar 21: £2,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

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

We have nothing to report in this regard.

Other Companies Act 2006 reporting

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

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

Responsibilities of Directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

We gained an understanding of the legal and regulatory framework applicable to the Group and the industry in which it operates, and considered the risk of acts by the Company which were contrary to applicable laws and regulations, including fraud. These included but were not limited to compliance with the Companies Act 2006, UK adopted International Accounting Standards, Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA), and relevant tax legislation.

We focused on laws and regulations with which non-compliance could give rise to a material misstatement in the company financial statements. Our procedures included:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above,
- enquiring of management regarding their controls and processes in place to ensure compliance with the requirements of the respective authorities,
- made enquiries in respect of any instances of known or suspected fraud and any non-compliance with laws and regulations of management, internal audit, and the audit committee, and
- reading minutes of meetings of those charged with governance, as well as, reviewing correspondence with the FCA and PRA, in order to identify any non-compliance with laws and regulations and any known or suspected fraud.

We assessed the susceptibility of the financial statements to material misstatement, including fraud and considered the fraud risk areas to be within accounting estimates such as the expected credit losses, those applied in raising provisions, as well as, revenue recognition and management override of controls:

- in addressing the risk of fraud through management override of controls, testing the appropriateness of a sample of journal entries and other adjustments, by obtaining an understanding of the journals from management and, where relevant, agreeing these back to supporting documentation,
- Performing relevant controls and substantive tests on interest income in addressing the risk of fraud related to revenue recognition (as documented in our Key Audit Matters above),
- Assessing whether the judgements made in accounting estimates, including but not limited to those identified above in our Key Audit Matters related to Loan loss provisions are indicative of potential bias

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

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

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

Use of our report

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

DocuSigned by:

D Taylor

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Daniel Taylor (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, UK

1 November 2022

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