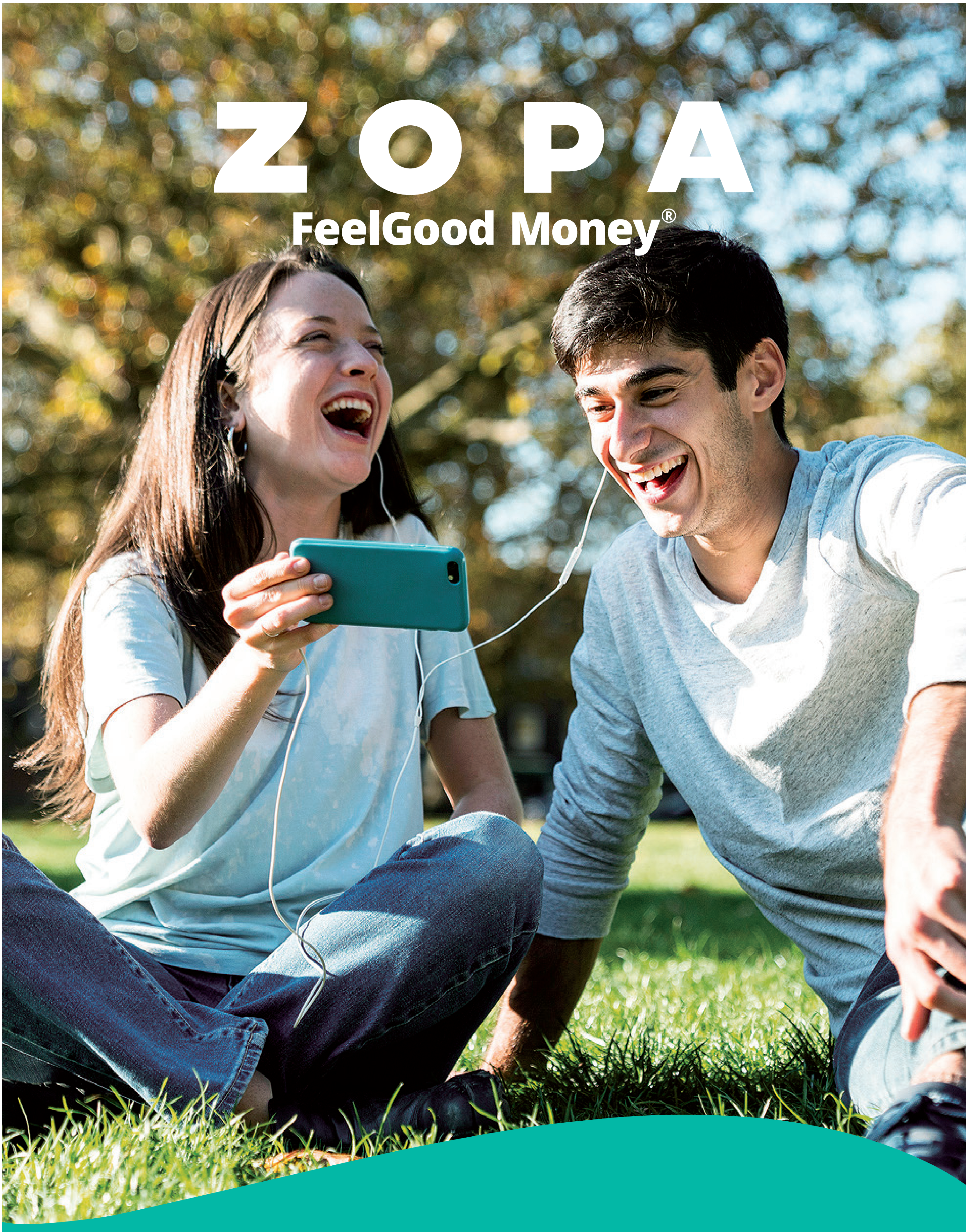
ZOPA

FeelGood Money®



ZOPA GROUP LIMITED
ANNUAL REPORT 2021

What's in this report

Strategic report

Financial statements

Award winning

Awards in 2021

Best Credit Card Provider,
British Bank Awards

Best Personal Loans Provider,
British Bank Awards

Personal Credit Cards Innovation,
Finder Lending Innovation Awards

Best Online Savings Provider,
Moneynet

Best Use of IT in Consumer Finance,
FStech Awards

Top Tech Employer (2021),
Hired

Best Internet Savings Provider,
MoneyComms

Awards in 2022

Best Fixed-Rate Bond Provider; Best Short-Term Rate Bond Provider; Best New Savings Product, Savings Champion

Banking Brand of the Year,
Moneynet

Who we are, and what our mission is

We make **money work better** for UK customers.

At Zopa, we believe that everyone deserves the chance to build a secure financial future. That's why our mission is to change the way money works for our customers and improve their financial health.

That mission has rarely been more critical – as the cost of living continues to rise into 2022 and beyond, millions of households will be impacted. By putting people in control of their finances and making money work better for them, we put people in control of their futures.

That's why we've chosen to start our journey by focusing on borrowing and savings products. Those two categories arguably have the most significant impact on consumers' financial health, so we've created products which better meet their needs for affordable, accessible and fairly structured credit, and easy, flexible and rewarding ways to save.

Trustpilot

4.8 score based
on 15k reviews
as at 31 December 2021.

Getting a fair deal as standard

Managing money is no sweat

Going beyond 'good enough'

Zopa Group at a glance

Growing faster than ever

£1.1bn
Gross new lending[1]

567,000
Total customers

74%
Gross new lending in 2021 YoY growth

75%
Total customers YoY growth

180,000
Credit cards issued in 2021

Delivering on our financial goals

£114m
Annualised revenue run-rate[2]

£60.5m
Total operating income

186%
Total operating income YoY growth

10.6%
Net interest margin

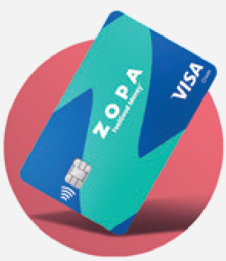
£41.6m
Loss before tax

All enabled by tech and data, supported by a best-in-class service

74%
Instant decisions[3]

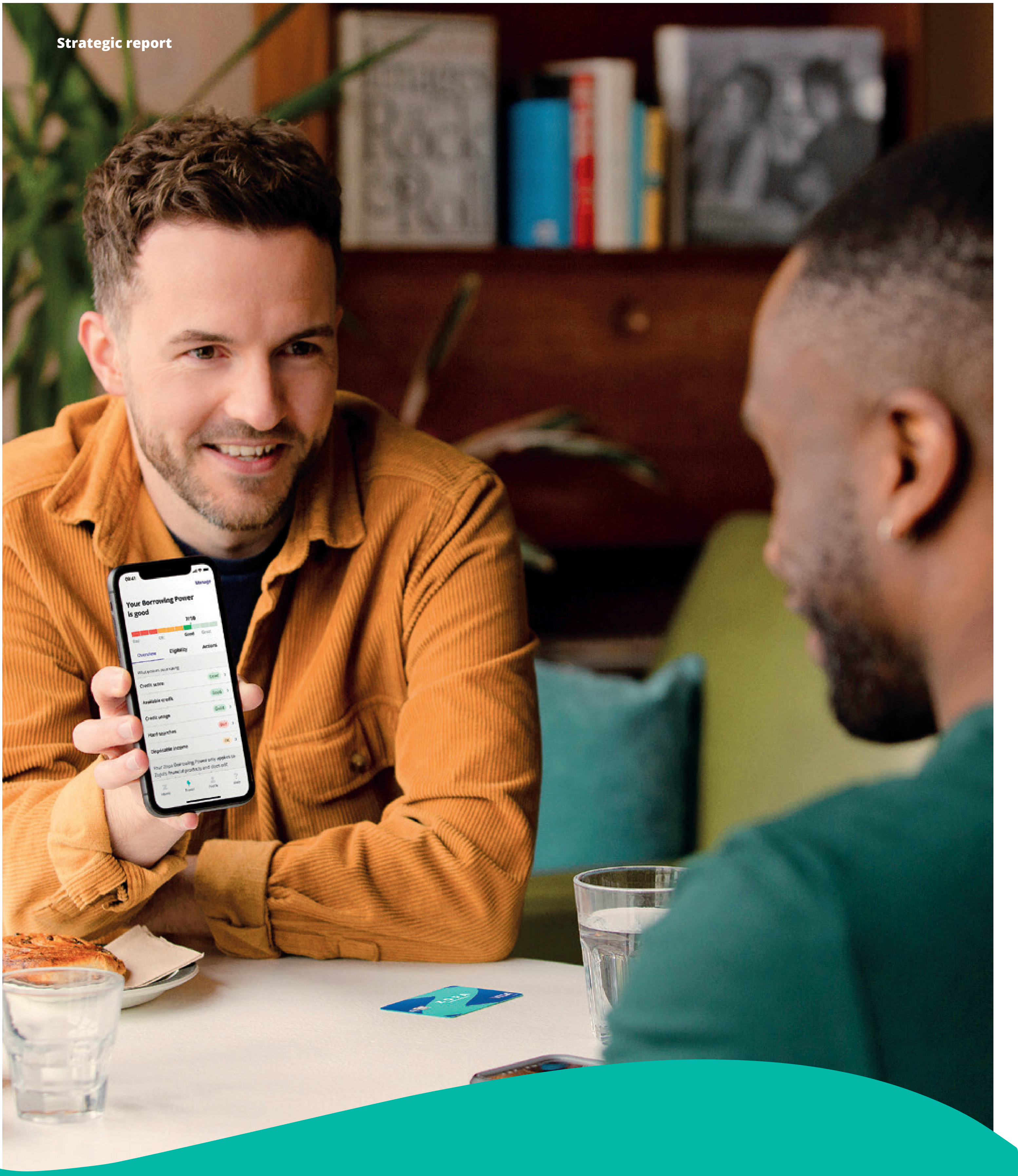
With strong customer advocacy

86%
Active card users



75+
Net promoter score[4]

1. Gross new lending include P2P originations of £283m unsecured personal loans in 2021. It excludes P2P loans acquired by the Group in December 2021.
2. Refer to Alternative Performance Measures on page 124.
3. 74% of applications that were automatically approved without being referred to underwriting or were referred and went through an automated proof of identity journey. Blended figure for both unsecured personal loans and car finance in 2021.
4. Blended NPS as of 31 December 2021.



Our history

Zopa Bank becomes the main business,
focused on expanding its range of products, following the exit from the retail P2P business

2021

Zopa Bank obtains its
banking licence
and **launches**
Credit Cards
Savings
Secured Auto
all on proprietary technology

2020

Borrowing Power launches,
giving actionable insights that directly link behaviours to lending outcomes – a first for a UK lender

2019

Zopa starts providing instant decisioning on digital aggregators.

Today, 98% of applicants receive an instant, automated decision

2017

Three successful securitisations
on behalf of institutional investors in 2016, 2017 and 2019, with the last of those being the first pure P2P securitisation globally to be rated AAA

2016-19

First mainstream lender to deploy machine learning
models for credit decisioning

2015

World's First peer-to-peer (P2P) lender
to connect borrowers and investors

2005

Our products

Our mission is to change the way money works for our customers – so that they can improve their financial health.

Borrow

Unsecured Personal Loans (UPLs)

87 NPS

Car Finance

83 NPS

- Real and guaranteed rates
- Three minutes to complete an application
- 74% of customers receive an instant decision

Spend

Credit Cards

68 NPS

- Transparency on acceptance, rate and credit limit
- Credit Cushion for emergencies
- Real-time spend and balance alerts for builder segment

Save

Fixed Term Savings

Award-winning way to save

Smart Saver

A hybrid approach for flexible savings

- Just six steps to apply
- Digital experience with market-leading interest rates

Be in control

App

Rated 4.9 stars, the hub of Zopa

- 55% of customers maintain or improve their credit score

Chief Executive Officer's letter

In our first full year as a bank, we've grown our total operating income by 186% to £60.5m and our number of customers by 75%.

Jaidev Janardana
Chief Executive Officer

Zopa aims to make money work better for UK consumers. We chose to start this journey by focusing on the savings and borrowing needs of our customers. In a world of rising income inequality, high inflation and low savings rates, we believe that we can have the greatest impact on customers' finances by helping them to make better credit choices and giving them stronger returns on their savings.

Our strategy since inception has been to pioneer the use of technology, data, and artificial intelligence to provide fair and transparent products that solve key customer needs. We do this by being a market leader in online digital distribution to provide instant decisioning, with pre-approved offers, and fast disbursals. As more and more people are turning online to understand their borrowing or savings options, Zopa is well positioned to welcome customers with great value products at their fingertips, at speed. That's why over half a million customers used us last year.

Our most established product, UPLs, has continued to gain market share and far exceeded our pre-COVID-19 volumes to exit the year at an annual run rate of over £1.4bn[1]. Meanwhile, our car finance business more than quadrupled in monthly volumes during 2021, and we remain the only provider with a fully digital journey for secured car finance.

Our focus on innovation and execution enabled us to achieve growth in our newly launched products. We issued 208,000 new credit cards within 16 months of launch, with 180,000 in 2021. That 86% of our cards are active demonstrates strong customer advocacy and allowed us to win Best Credit Card Provider at the British Bank Awards in our first year. Our fixed-term savings product brought just under £1bn in deposits, and that success was also recognised through receiving multiple awards.

Our growth hasn't been achieved at the expense of credit quality. During the pandemic, we reacted quickly by adjusting our credit and pricing models immediately. As a result, we achieved stronger underlying credit performance than expected, with stronger margins than pre-pandemic, demonstrating the power of our expertise in lending and data. COVID-19 has proven our artificial intelligence models to be reliable during periods of stress, so our pricing is more accurate than our competitors, and we achieve higher yields with lower loss rates. That allowed us to exit the year having strengthened our track record of achieving positive returns on every lending vintage.

A unique aspect that sets us apart from the industry is how we leverage data, technology and artificial intelligence in acquiring and underwriting customers. People in the UK tell us that, when looking for financial products, they value speed and certainty as much as value. All our products meet these needs through pre-approvals, real rates and instant decisioning through deep integration with distribution channels. Our proprietary platform handles more than 7m credit applications every month and drives 74% of personalised, instant and fully automated decisions for our customers.

As a result, in 2021, our total customer base grew to 567,000, and the consistently high net promoter score (NPS) of 78 from our customers shows their love for the Zopa experience.

1. UPL annualised run rate (disbursals) is based on November 2021 volumes due to December being seasonally lower.

Exiting the year on a very strong trajectory

In 2021, we increased our total operating income by 186% to £60.5m (2020: £21.2m). Our statutory loss after tax of £41.5m in 2021 reflects that we have grown loans on our balance sheet by 433%, resulting in an increased International Financial Reporting Standards (IFRS) 9 impairment charge for expected credit losses. We are exiting the year with a strong capital position, with £240m in new equity raised from new and existing investors to continue supporting growth and innovation.

We also strengthened our people by welcoming over 300 more Zopians, including Graham Robinson and Helen Beurier, who joined our leadership team as Chief Risk Officer and Chief People Officer, respectively.

In 2021, we also took the very difficult strategic decision to close our P2P business. As the world's first P2P lender, that business has been crucial in shaping the Zopa of today, and I'm proud of all it has achieved. Zopa investors received positive and near target returns every year they invested with us. Zopa Bank has purchased that portfolio to ensure a smooth exit and to safeguard historic returns.

Supporting our people and our community

As we continue to work through the pandemic, I'm reminded of just how much Zopa has achieved during these most unusual of times. We were able to do that because of the support of our shareholders and the hard work of Zopians, who care deeply about our customers and our mission. To all our Zopians, I thank you for the commitment and passion you bring every day, and I thank our shareholders for the tremendous support.

In 2021, one of our top priorities was supporting the health and well-being of our people. During both this year and last, we've continued to operate a distributed working model which gives our employees the freedom to choose to work from home or from the office. Our employee engagement surveys show that this has been a successful way of working for Zopa.

Being there for our customers was also critical during COVID-19. We reacted quickly to the situation by moving our operations team to a work-from-home model to ensure service continuity, creating new customer journeys and forbearance options and integrating new Financial Conduct Authority (FCA) guidance. We rapidly deployed digital journeys to help customers understand their options and self-serve where possible. In this way, we were able to support over 30,000 customers during that difficult time. This period also gave me great confidence in our servicing capability as we scale to handle more customers than ever before.

I'm proud of the work we've done to enhance our community and social impact. We created a partnership with Code First Girls to nurture female talent in tech. We've also established a partnership with the Black Young Professionals Network to open more recruitment routes and ensure that we're reaching a diverse candidate pool: in 2021, 21% of our engineering hires were female.

Our ambition for 2022 is high

We exited the year in a very strong position, but the way ahead of us is still long. Over the next year, we're aiming to more than double our business in terms of total revenue and balance sheet size to create a profitable business. The UK consumer lending market is very large, with nearly £200bn in assets. However, customers are not being well served.

Nearly one in every two UK adults admit regularly worrying about money, and one in five UK adults have less than £100 in savings. UK banks continue to profit immensely from customer inertia, with customers paying on average £267 in interest after the promotional period expires on very long credit card 0% offers.

We're driven by the belief that we can continue to make a huge positive change in customers' lives. We're a bank like no other in the UK, and we're here to give customers the experience they deserve. By combining our lending experience with our technology and deep understanding of our customers, we can make money work better.

On behalf of the Board of Directors,

Jaidev Janardana
Chief Executive Officer

26 April 2022

Our business model and strategy

During 2021, we focused on meeting the borrowing and savings needs of our customers.

Those are the two main areas where we know can have the most impact on peoples' finances and where we can make the biggest difference. Our model allows us to differentiate ourselves from other neobanks by focusing on products with strong unit economics and driving profitable growth. Our deep expertise in credit risk management and experience in navigating a wide range of economic conditions allows us to do that rapidly, successfully and responsibly.

The support from new and existing equity investors this year gives us the capital and firepower to reach more customers and achieve further growth. Our products are on an upward trajectory driven by innovation and broader distribution strategy, including partnerships.

Our strategy focuses on further penetrating the UK consumer lending market by creating products that successfully meet customer needs. We then combine this with our lending expertise, technology and data to deliver a better product at a lower cost. As the unit economics of our lending is profitable, this means as we continue to scale our balance sheet, we will be able to deliver a profit and a sustainable business for the future.

Over the last 17 years, we've established a competitive advantage across three core areas. These areas form the foundation of our business and our subsequent strategy.

How we do things differently

Lending expertise

Unlike other neobanks, we benefit from a long lending history and through-the-cycle data, including from the financial crisis and the COVID-19 pandemic. Throughout this period, our loans have achieved positive returns while delivering positive outcomes to our borrowers. We are market leaders in data science, becoming the first mainstream lender to deploy machine learning models for credit decisioning in 2015. This allows us to make more nuanced decisions and price more accurately than other lenders, with more predictable loss rates.

In 2021, we also became first in the industry to use an open banking risk model to issue more credit cards. This was another example of how our expertise allows us to be more selective in our lending while expanding our acceptance region to customers who would've been mispriced or declined using traditional credit models.

We're experts in lending and, to date, we've lent over £6bn, with positive returns achieved across each origination vintage.

Use of technology and data

Our proprietary technology has been primarily developed in-house and allows us to offer market leading experiences in an efficient, scalable and resilient way. We now process 7m credit applications each month, and 74% of customers receive an instant, automated decision. As a result, we're one of the market leaders in open market digital distribution.

Our technology also provides us with control over the end-to-end experience and allows us to respond quickly to customer needs with innovative features. In Cards, we decided to build our own billing engine which not only lowers our costs but also means we can deliver on customer needs by providing features such as real-time balance updates.

With our product features all built in-house by our own technologists, our destiny is firmly in our hands.

Customer-centric culture

Meeting customer needs is what we do. We're laser focused on providing the best borrowing and saving experience in the market. To do this, we start with customer insight. Consumer research shows that ease, certainty and speed are the most important factors to consumers when choosing credit. As a result, our products are built around those principles.

In UPL and Cards, we provide instant decisioning with pre-approvals, real (guaranteed) rates and, in the case of Cards, a pre-approved initial credit limit. We know that consumers also find credit scores out of 1,000 confusing and difficult to understand. That's why we built the Borrowing Power feature in our app to provide a simple score that offers a more holistic view of the customer's finances. A credit score like no other that's linked directly to credit outcomes with pre-approved offers or showing consumers what their cost of credit would be if they took actionable steps to strengthen their credit score.

Across Zopa, innovation based around customer insight is core to our purpose and can be seen in all our products.

Combining those three critical ingredients is our recipe for success in differentiating us from the competition and in melding the very best of both legacy banks and modern neobanks into a compelling customer proposition.

Our business model and strategy continued

We use these foundations of our business to pursue our three key goals of equal importance

We'll grow sustainably while delivering strong customer outcomes

Over the next year, we're aiming to more than double our business in terms of total revenues and balance sheet size. We believe that's only achievable by delivering strong customer outcomes. All our products adhere to those principles, with short and transparent customer journeys, pre-approvals and guaranteed rates backed by a fast approval process leveraging soft credit checks with rapid disbursals. In 2022, we'll continue fuelling our growth by scaling our existing products, launching new adjacent products and leveraging our lending technology to support the growth through partnerships.

In 2022, we will also look to deepen the customer relationship with Zopa through providing seamless ways for our customers to explore and use other Zopa products.

Closure of the peer-to-peer lending business

At the end of 2021, we took the difficult strategic decision to close our P2P lending business. As the world's first P2P lender, that business has been crucial in shaping the Zopa of today, but the market environment has changed substantially since we first launched back in 2005. While we're proud of our track record of delivering positive investor returns, customer trust in P2P investing has been damaged by the approach adopted by several small businesses leading to material losses for retail investors. The regulatory changes which followed raised the operational costs of running a P2P business, as well as the cost of attracting new investors to the Zopa platform. That made it challenging to grow and remain commercially viable. Zopa Bank has purchased P2P loans held by retail investors to ensure a smooth exit for them and to safeguard their historic returns.

We'll scale resiliently with an efficient cost structure

To be there for our customers, our business needs to be both resilient and efficient. The first part of our resilience comes from the strong credit discipline that we maintain. Throughout 2021, the performance of our assets was a testament to our best-in-class approach to credit risk, with performance being better than expectations. In 2022, we'll do more work with data and open banking to ensure that we maintain our strategic advantage in credit risk management. Secondly, to support our customers, we need to be operationally resilient. In 2021, we strengthened our information security practices and the resilience of our cloud infrastructure, improving our business continuity position. We also onboarded an outsourcing provider for our customer services to allow us to improve our cost structure as we scale.

In 2022, we'll look to diversify our funding sources to include our new easy access product, our existing fixed-term savings product and explore wholesale funding sources. We'll also look to improve efficiencies by deploying further automation through areas such as self-serve tools and doing more with technology and data.

525 permanent employees in 2021. Excludes eight contractors and 66 outsourced headcount.

We'll build an engaged, inclusive and diverse talent base

If we want to grow and serve more customers, we also need more Zopians to help us to achieve those big ambitions. We grew our talent base in 2021 to reach 525 (+28%) Zopians and hired a new Chief People Officer to lead our efforts. We've successfully adopted a remote working model and made significant progress on diversifying our workforce. That success is shown in our employee engagement survey, which this year returned 70%, our highest score since 2017. We'll continue building an inclusive and diverse culture to ensure that we have the very best Zopians during 2022.

Our people

We're proud of Zopa's unique culture, which has played a huge part in our growth story.

Our values drive collaboration and community to engage and inspire all our people in our journey to deliver a better, fairer financial future for the diverse communities we serve.

We care deeply about creating a supportive workplace where our people can be their authentic selves, release their potential to foster fresh thinking and develop new ways of serving our customers for the better. 2021 was a pivotal period for Zopa as we completed our first full year of operation as a bank.

Zopa is led by an experienced management team which, along with the ingenuity and dedication of our people, firmly positions it for successful execution of our longer-term growth strategy. The circumstances we found ourselves in 2021 have continued to be challenging for our people and our customers. Like many other businesses in our sector, Zopa has experienced unprecedented change driven by the effects of the pandemic and our own growth.

Today, we have a community of bold, brave and brilliant minds focused on Zopa's success at the centre of our ambitions. Employee engagement scores, at 70%, are at their highest levels since 2017. That's a significant accomplishment in the circumstances and a strong reflection of how well supported our people have felt in a time of ongoing adaptation to change.

With a rating of 4.1[1] out of 5 on Glassdoor:

- 9 out of 10 people would recommend Zopa as a great place to work;
- over 40% of our employees are women; and
- our high culture score (80%) illustrates the alignment of our people with our mission and values – putting our customers first, acting honestly and transparently, collaborating cross-functionally to deliver innovation.

Moving forward, our focus is to continue to develop and evolve the people practices that will enable us to attract and retain a balanced workforce that continues to uphold our values and act as a positive force for greater transparency, honesty and simplicity in the market.

The section on employee engagement on page 36 provides further examples of how we have engaged with our people.

9/10
People would recommend Zopa

Over 40%
Female employees

80%
High culture score

1. As at 31 December 2021.

We have a community of bold, brave and brilliant minds

Business review

Loans

Key highlights:

	2021	2020	Change
Gross new lending[1] (UPLs and car finance)	**£1.1bn**	£633m	+74%
Volume of new credit cards issued in the year	**180,298**	27,957	+545%
Number of credit card customers	**198,524**	27,411	+624%
Number of UPLs and car finance customers	**290,113**	236,069	+23%

1. Gross new lending includes £283m (2020: £445m) UPL and £0m (2020: £11m) Car Finance P2P originations. Gross new lending excludes P2P retail loans acquired in December 2021.

Unsecured Personal Loans (UPLs)

We've been providing personal loans since 2005 and have developed a deep-rooted understanding of lending to become one of the biggest digital lenders in Europe. To date, we've lent over £6bn. Our UPL product puts customers first by delivering ease of application, certainty and speed, which research shows to be the most important factors for consumers when choosing credit.

Through deep and seamless integrations with digital aggregators (such as ClearScore), we price customers in real time and offer pre-approvals with guaranteed rates. As a result, these aggregators, repeat customers and word of mouth make up most of our distribution. In 2021, we remained the market leader in online open market digital distribution and continued gaining market share from the incumbent banks.

We originated £1bn of new UPLs in 2021, representing £416m of additional lending from the 2020 level. This was driven not only by a substantial recovery from COVID-19 as consumer demand improved but also our ability to expand and underwrite credit resilient lending accurately. We continued to grow monthly volumes, with November seeing the highest level of disbursals at £121m. The year ended with our best December on record despite it being a seasonally lower month for disbursals.

Car Finance

We launched our hire purchase car finance product at the end of 2017. We took our capabilities in UPLs, based on the principles of ease, certainty and speed, and applied them to a car finance market stuck in the past. Today, we're one of the only providers of an end-to-end digital journey. In car finance, customers find us through our direct-to-consumer model, either organically or through our partners such as brokers and dealers.

Car finance lending was a stand-out product in 2021, with volumes quadrupling across the year due to the digital acceleration caused by the COVID-19 pandemic. Car finance lending grew 374% year-on-year, with £107.6m originated in 2021 (2020: £22.7m). That growth is expected to continue in 2022.

Credit Cards

We launched our credit card product in 2020 to reach those customers who need credit but have been traditionally very poorly served by their incumbent providers. We've applied our technical sophistication to credit cards too – all our cards have transparency on acceptance, rate and credit limit when applying as well as features such as payment notifications and real-time balance updates. Our card is an app-only proposition and customers are typically looking to build their credit score. Our credit card proposition leverages our strong distribution capabilities in loans to attract customers.

By year end, our credit cards product had reached over 208,000 total cards issued to make us a top five issuer in the UK. By the end of 2021, that product had contributed £43.1m to net loans and advances to customers (2020: £3.4m).

Savings

Key highlights:

	2021	2020	Change
Value of deposits taken in the year[1]	**£835m**	£177m	+372%
Number of depositors	**26,205**	4,955	+429%
Average deposit per customer	**£36,939**	£35,888	+3%

1. This excludes re-savers and withdrawals.

Fixed-Term Savings

Our fixed-term savings product offers customers with over £1k to deposit features such as attractive rates, an easy online journey and only a few minutes needed to complete an application.

Our fixed term savings product attracted £835m in 2021 and provided a stable source of funding for our lending.

Smart Saver

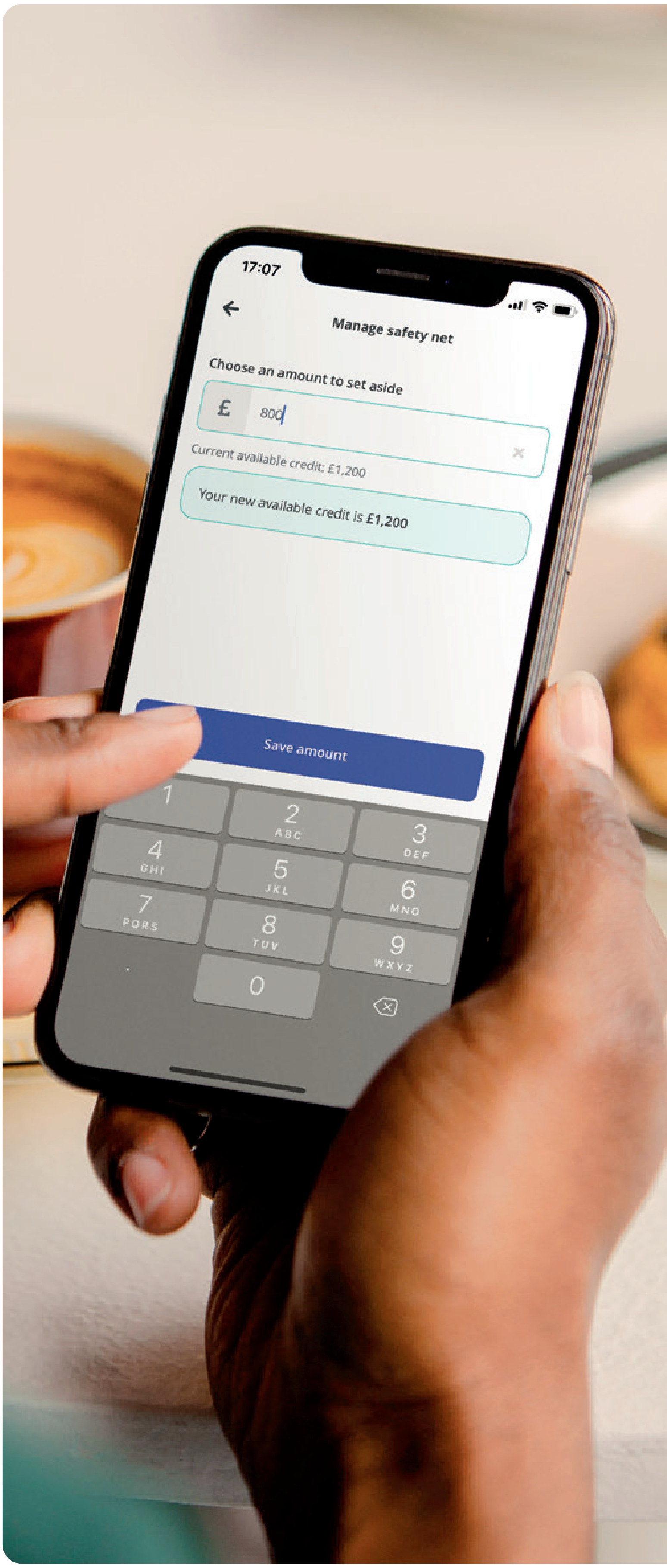
Launched in Beta in December 2021, Smart Saver is a new, innovative easy access product, providing customers with access to different 'pots' of their choosing, at a frequency and interest rate that works for them. Our Smart Saver is an app-only proposition aimed at younger savers who are looking to build their savings for specific goals such as a housing deposit.

With its full launch early in 2022, Smart Saver is expected to provide a valuable, diversified funding source for the business which will lower our cost of funding relative to fixed-term savings.

App, Including Borrowing Power

From our app, customers can access useful financial management tools, such as Borrowing Power to improve their credit, a debt calculator, products and self-serve tools. Today, 60% of customers actively use the app.

The app continues to become a powerful origination source for the business. On average, in 2021, 10% of new loans in UPL were originated through the app. This feature was recently deployed for our card product and is expected to scale over the next year.



Financial review

In 2021, our net loans on balance sheet grew to £1.2bn, funded mainly through £968m of retail customer deposits.

Steve Hulme
Chief Financial Officer

The financial review provides a summary of our results and performance. In assessing financial performance, we use a range of key performance indicators (KPIs) and alternative performance measures (APMs)[1] focusing on growth, financial strength, cost management and resilience.

The financial year saw the Group capitalising on strong customer growth, investor confidence, a strong economic rebound and newly raised capital to grow its balance sheet. That, coupled with investment in technology to support operational efficiency and robust cost control, provides the foundations for future growth. Relative to 2020, the Group saw an increase in net interest income and balance sheet size, all driven by higher disbursals. This meant the Group also had to grow its funding sources, predominantly retail customer deposits significantly over the year. Zopa Group's announcement of the closure of the P2P lending business led to Zopa Bank purchasing £346m of loans from retail investors on the P2P platform in December 2021. This contributed to accelerating the growth in the Bank's net loans on balance sheet to £1.2bn at year end.

In 2021, Zopa Group also raised £240m of capital from new and existing investors, with £220m raised in October 2021, our largest capital raise to date. This will be used to support growth in lending volumes including new products. As a result, we're in a strong capital position and are able to support planned growth until 2023 with the equity available. As well as any future equity raises, we can also support growth through optimising our capital resources. Overall, this forms a solid foundation for the future growth and success of the business.

1. APMs and key ratios are disclosed on page 124.

£60.5m
Up 186%
Total operating income

£1.2bn
Net loans

5x
Deposit growth

Our total operating income reached £60.5m

Group	2021	2020	Change
Interest income	**£61.2m**	£7.3m	+738%
Interest expense	**£5.4m**	£0.6m	+800%
Net interest income (NII)	**£55.7m**	£6.6m	+744%
Fee and commission income	**£14.8m**	£22.5m	-34%
Fee and commission expense	**£7.8m**	£8.0m	-3%
Net fee and commission income	**£7.0m**	£14.5m	-52%
Total operating income	**£60.5m**	£21.2m	+186%
Net interest margin (NIM)	**10.6%**	10.3%	+30 bps

Total operating income of the business improved, reflecting the exciting range of products we have to offer our customers. All lending products contribute positively from day one by exhibiting strong unit economics and fast payback.

2021 saw growth in all our products as more customers chose Zopa to meet their borrowing and saving needs. As a result, total net interest income increased year-on-year to £55.7m in 2021 from £6.6m in 2020. That reflected the growth in our interest-bearing assets, primarily through net loans rising to £1.2bn in 2021 from £225m in 2020. This reflects our best-in-class distribution, products and service, which continue to attract increasing numbers of new customers and product growth. In line with the growth of our fixed-term savings product, which scaled by 444% over the course of the year, interest expense increased to £5.4m in 2021 from £0.6m in 2020. Our competitive rates mean more customers choose to save with us, allowing us to fund our lending at a very low cost of funds. Those trends resulted in a year-on-year increase in our net interest margin to 10.6% in 2021 from 10.3% in 2020. That increase was in part due to the Group continuing to access low-cost funding while our new lending was at higher-than-average pricing during the first half of 2021 to account for expected increases in credit risk that at the time had not materialised.

Our net fee and commission income decreased to £7.0m in 2021, down from £14.5m in 2020. That was driven by Zopa Bank taking a larger share of originations than the P2P lending platform to capture the full cycle of lending economics. Our strategy continues to be focused on interest-bearing assets, so we expect most of the Group's revenue to continue to be from growth in net interest income as our products scale. Fee and commission income for the Group mainly comes from the very limited fees on our lending products such as cash withdrawals from ATMs or late-payment fees. During 2021, some servicing fees were also generated by our P2P lending platform. We expect the share of fee and commission income to decrease relative to total operating income over 2022. However, further supplementary fee and commission income may be earned from partnership activities, which are a key pillar of our future strategy.

Loans and advances grew to £1.2bn

Group	2021	2020	Change
Loans and advances to customers	**£1.2bn**	£225m	+433%
Cost of risk	**7.9%**	19.3%	-1,140 bps

2021 saw growth of 433% in our loan assets on balance sheet, capitalising on our bank launch to offer our products to more customers than ever before. Loans and advances to customers increased to £1.2bn, from £225m at the end of 2020, as part of the Group's strategy to scale the balance sheet. As part of the P2P lending platform closure the Bank purchase of £346m of loans from retail investors in December 2021 substantially accelerating balance sheet build. This allowed Zopa to offer a smooth exit experience to P2P retail investors while also enhancing our longer-term profitability profile, by moving more loans to the Bank's balance sheet.

Financial review continued

Deposits saw 5x growth in 2021

Group	2021	2020	Change
Deposits from customers	**£968m**	£178m	+444%
Cost of funds	**1.1%**	1.2%	-10 bps
Loan-to-deposit ratio	**121%**	127%	-600 bps

The Group used its attractive pricing and strong brand to attract a further £835m into its fixed-term savings product. Our one-to-five-year fixed-term product offers some of the most competitive rates on the market. Those deposits have an average term of around 1.5 years. As our UPL product also has an average duration of around 1.5 years, minimal asset and liability mismatch risk is ensured.

Since its launch, the Group has developed a strong understanding of price elasticity in the deposit market and is therefore able to price accurately based on its funding needs. During 2021, the Group was able to decrease its cost of funds slightly to 1.1%. Each new saver deposits an average of £37,000, which creates very low acquisition costs per unit of funding. The Group will support efficient funding costs further in 2022 through the launch of an innovative easy access product and continue to complement its funding mix using low-cost central bank funding.

At the end of 2021, the loan-to-deposit ratio was 121% (2020: 127%), which was in line with the strategic plan adopted by the Group.

Operating expenses increased to support growth but cost to income is falling rapidly

Group	2021	2020	Change
Operating expenses	**£60.6m**	£49.7m	+22%
Net interest, fee and commission income	**£62.8m**	£21.2m	+196%
Cost-to-income ratio	**96.5%**	234.7%	-13,790 bps

Total operating expenses increased during the year by 22% to £60.6m, reflecting the growth of the business. The main drivers were an increase in staff costs to support growth, as more Zopians joined us in 2021 than ever before, and further investment in brand and marketing. The Group continues to focus on delivering cost efficiency balanced against growth of the business. In 2021, to reflect new ways of working, we reduced our office space in central London. We also launched, with our outsourcing partner for customer services, operations in South Africa which will fully scale during 2022. To ensure that we can provide outsourced human-based customer service at scale, the Group will always ensure any cost initiatives retain strong operational resilience and high levels of customer service.

Over 2022, we expect our automated underwriting, proprietary technology platforms and digital servicing to contribute to a rapid fall in the cost-to-income ratio in line with best-in-class peers. That will be driven by revenue growth following expansion of our balance sheet, with costs only growing gradually to drive that growth.

Expected Credit Losses (ECL) increased in line with our balance sheet growth

Group	2021	2020	Change
ECLs charge (£m)	**£41.8m**	£12.8m	+227%
ECLs allowance (£m)	**£53.4m**	£12.7m	+320%
Coverage ratio (%) (including POCI loans)	**4.4%**	5.3%	-90 bps
Cost of risk (%)	**7.9%**	19.3%	-1,140 bps

The ECLs charge for the year was £41.8m (2020: £12.8m) due to 433% growth in our loan assets. IFRS 9 requires that we immediately recognise ECLs for newly originated assets. In a fast-growing balance sheet scenario, this results in a large impairment building through the income statement.

The ECLs allowance at year end was £53.4m (2020: £12.7m), which represents a coverage ratio of 4.4% of our total gross loans and advances to customers (2020: 5.3%). That improved coverage ratio was driven by better-than-expected current macroeconomic conditions and forward-looking macroeconomic scenarios.

Our cost-of-risk ratio was impacted by the immediate recognition of credit losses, as noted above, rather than actual write-offs. The ratio reduced during the period to 7.9% (2020: 19.3%), and we expect it to continue to reduce over the next year.

Net operating loss improved in 2021 as the Group scaled

As a scaling business focused on balance sheet growth, the Group's profitability is materially impacted by a build-up of ECLs. As we grow our balance sheet, we're required to recognise ECLs immediately upon origination, while only recognising interest income on those loans each month over the term of the loan. The more we grow our balance sheet, the more credit impairments our income statement has, thus impacting profitability. The net operating loss excludes credit impairments and thus removes the impact of this accounting adjustment. In 2021, net operating income improved while overall losses increased because of higher impairments from the growing balance sheet.

Group	2021	2020	Change
Net operating loss	**£0.1m**	£28.5m	+100%
Loss before tax	**£41.6m**	£41.5m	+1%
Loss after tax	**£41.5m**	£41.7m	+1%

Financial review continued

Capital position remains very strong

Group	2021	2020 (Zopa Bank)	Change
Risk-weighted assets (RWAs)	**£1,050.1m**	£390.5m	+168%
Common equity tier 1 ratio (CET1)	**25%**	29%	-400 bps
Leverage ratio	**21%**	38%	-1,700 bps

The Group's[1] capital position remained strong throughout the year. In March 2021, Zopa Group received investment of £20m from existing investors. In October 2021, Zopa Group signed a further £220m capital raise with new and existing investors. This was invested in three tranches, with two of those tranches (total of £160m) completed in 2021. The remaining third tranche (£60m) was received into Zopa Group in February 2022. This makes us extremely well capitalised for the future. Our capital runway now extends through to 2023 at expected growth levels, and this can be extended further through additional capital optimisation. At year end, the common equity tier 1 (CET1) ratio stood at 25% (2020: 29%) despite the strong growth in risk-weighted assets of 168%. The Group measures capital resources in line with regulatory requirements. To manage capital resources appropriately, reports on the current and forecast level of capital are considered by the Bank Board, the Bank Board Risk Committee (BRC) and the Asset and Liability Committee (ALCO). That includes conducting stress testing on an ongoing basis. The internal capital adequacy assessment process (ICAAP) is used to assess the adequacy and efficiency of our capital resources required to support our business model and the key stress assumptions that drive that requirement.

Liquidity

Group	2021 (Zopa Bank)	2020 (Zopa Bank)	Change
High Quality Liquid Assets (HQLA)/ Deposit Ratio	**21%**	27%	-600 bps
Net Stable Funding Ratio	**136%**	152%	-1,600 bps
Liquidity Coverage Ratio	**9,360%**	13,597%	-423,700 bps

1. In December 2021, Zopa Group Limited became a PRA-regulated financial holding company of Zopa Bank Limited and is now required to hold regulatory capital.
2. Zopa Group Limited doesn't have minimum regulatory liquidity requirements. Zopa Bank Limited accounts for 97% of the combined liquidity resources. For this reason, the Group manages its liquidity position and metrics at Zopa Bank level.

The Group[2] maintained a strong liquidity position throughout the year against both regulatory metrics and internal risk appetite. That included £191m (2020: £35m) in the Bank of England reserve account at year end, providing same-day access to liquidity should it be required. Given the nature of the Group's balance sheet, the Group maintains and monitors a minimum liquid assets-to-deposit ratio, as well as the regulatory metrics, the liquidity coverage ratio and net stable funding ratio, as this currently provides a more useful indicator of the Group's liquidity position. Liquidity metrics at the end of 2021 were significantly above internal risk appetite, which itself is well above regulatory minimums. The reductions from year end 2020 reflected the maturing balance sheet and improved optimisation of our liquidity position, in line with our plans when we launched the Bank. The Group regularly stresses its liquidity position against several scenarios. The internal liquidity adequacy assessment process (ILAAP) provides an assessment of the adequacy of Zopa Bank's liquidity resources and of the key assumptions that drive that requirement.

Looking ahead to 2022

Despite the Bank being launched at the height of lockdown, Group performance to date has been according to plan and remained resilient during the pandemic. Our trajectory to date has been impressive and continues to be so as more customers than ever before choose Zopa to manage their borrowing and saving needs.

However, we're not complacent. During 2022, we'll be looking to do even more for our customers and, to do that, we'll need to invest more in our people and our technological capabilities.

Our priority over the next year will be to keep working on building a financial profile that will continue to be attractive to investors and the wider market. Zopa's lending expertise is built upon an outstanding and experienced team of people who leverage our data and technology, allowing us to respond to market conditions fast and accurately, as proven most recently during the pandemic. For that reason, I'm confident about the path ahead and look forward to continuing to build the best place for money over the next year.

Steve Hulme
Chief Finance Officer

26 April 2022

Empowering people to FeelGood about their money

Board of Directors

Gordon McCallum

Appointed: 14.02.2019

Roles: Chair of the Zopa Group Board, Chair of the Audit Committee until February 2022

Committees: until February 2022

As the architect of Virgin Group's strategy from the mid-1990s until 2012, Gordon brings over four decades' worth of professional, executive and non-executive experience to Zopa.

He was responsible, in particular, for the creation and development of Virgin's Mobile and Money businesses around the world. Prior to that, he held roles at McKinsey and Baring Brothers, and non-executive roles across many Virgin companies.

He is currently a Senior Adviser to private equity group, Searchlight Capital and a Non-Executive Director at a number of companies, including Argent Energy (a major European producer of biodiesel from wastes) and Global Risk Partners (one of the UK's leading independent insurance intermediaries).

Gaenor Bagley

Appointed: 12.01.2022

Roles: Independent non-executive director, Appointed Chair of the Audit Committee in February 2022

Committees: appointed in February 2022

Gaenor has 30 years' experience in the professional services industry. She's held a variety of leadership and board positions, including five years on the PwC UK board as Head of People, followed by 18 months as Head of Corporate Purpose for PwC UK. Gaenor currently holds a range of other non-executive appointments, including with Octopus Titan VCT plc and the National Audit Office.

Richard Goulding

Appointed: 06.09.2017

Roles: Independent non-executive director

Committees: appointed in February 2022

As we look to scale our business, having guidance and oversight from experienced risk experts is critical. Richard provides us with this. He spent 10 years at Standard Chartered Bank as Group Risk Officer. Before Standard Chartered, Richard held executive positions at Old Mutual Financial Services, UBS Warburg/SBC Warburg, Astra Holding plc, Bankers Trust Company and Midland Bank Group. Richard is also on the board of Bank of Ireland Group.

Paul Cutter

Appointed: 12.01.2022

Roles: Independent non-executive director

Committees: appointed in February 2022

A technology leader, Paul is the Chief Information Officer at Flutter Entertainment plc, where he sets the global strategic direction for over 5,000 technologists. His role is to share technology and expertise between the different brands in the Flutter group to deliver a better experience for customers. He's also spent nearly 10 years in senior tech roles at BSkyB and AOL.

Peter Herbert

Appointed: 22.02.2018

Roles: Independent non-executive director

Committees: until February 2022

Peter has 40 years' experience in the financial services industry. As former CEO at Tandem he knows a thing or two about creating a new bank. He's also held many leadership roles at Barclays including Group Head of Strategy and MD of Barclaycard. Plus, he was CEO of the global mortgage, consumer lending and credit cards business at GE Capital. Peter is also on the board of Bank of Ireland in the UK.

Michael Woodburn

Appointed: 15.10.2020

Roles: Independent non-executive director

Committees:

Michael is the Chief Data Officer at ClearScore and is also working with the VC consultancy, Blenheim Chalcot. Previously, Michael was Chief Executive Officer at Oakbrook Finance, Chief Marketing Officer and Chief Operating Officer in a 14-year career at Capital One UK, and also a manager at Schroders.

The above are the Directors who held office as at 26 April 2022.

The list of Directors who resigned from office is on page 56 of the Directors' Report.

Giles Andrews OBE

Appointed: 17.02.2017

Roles: Co-founder and non-executive director

Committees:

Giles was one of five people who dreamed up Zopa in 2004. By 2007 he was CEO and became Chair in 2015. Giles resigned as Chair in 2019 and became a non-executive director at Zopa.

Giles acts as non-executive Chair at MarketFinance, the FinTech platform where businesses have raised over £2.5bn in working capital and carwow, the marketplace with over 7% of the UK new car retail market. He is an independent non-executive director and member of the risk, remuneration and transformation committees of Bank of Ireland Group plc in Dublin and Chair of the Governing Council of the Centre for the Study of Financial Innovation (CSFI), an independent think tank where financial services professionals and observers can share ideas about the challenges and opportunities facing the sector.

Scott Christopher Jones

Appointed: 11.06.2020

Roles: Non-executive shareholder director

Committees:

Chris is a director of the Zopa shareholder IAG Silverstripe, an investment arm of IAG Capital Partners. Chris leads the acquisition and oversight of IAG Capital Partner's European portfolio companies. Previously Chris was with Sherman Financial Group and Credit Suisse. He served for 14 years on the Boards of Credit One Bank NA, a multi-billion Dollar US bank specialising in credit cards and Consubanco SA, a Mexican bank focused on consumer lending.

Nick Aspinall

Appointed: 11.06.2020

Roles: Non-executive shareholder director

Committees:

Nick is an investment director of the Zopa shareholder IAG Silverstripe, an investment arm of IAG Capital Partners. Nick is responsible for IAG Capital Partners' legal and regulatory affairs, corporate structuring and governance of its European portfolio. Previously Nick was a partner with Cambridge Place Investment Management Group and at Aon and Norton Rose Fulbright. Nick is a European Board Member for Kroll Bond Rating Agency.

Andrew Cassin

Appointed: 09.02.2022

Roles: Non-executive shareholder director

Committees:

Andrew is a director in the Investment Risk group at SoftBank Investment Advisers. Prior to joining SoftBank three years ago, Andrew was in the Prime Brokerage risk team at Bank of America.

Jaidev Janardana

Appointed: 31.03.2017

Roles: Group CEO and executive director

Committees:

Devoted to creating simple and fair financial products and services, Jaidev joined Zopa Group in October 2014 and became the CEO of Zopa Bank in 2019. Since then, Zopa has secured its banking licence to offer its customers a wider range of financial products and enjoyed significant customer, balance sheet, and revenue growth.

Before Zopa, Jaidev held senior leadership positions for Capital One Europe Ltd including Chief Credit Officer and Chief Marketing Officer and he has almost 20 years of experience in consumer financial services and lending.

Stephen Hulme

Appointed: 12.01.2022

Roles: Group CFO and executive director

Committees:

Steve leads Zopa's finance and legal teams. Steve joined Zopa at the start of 2018, having spent over two decades in financial roles with a range of innovative financial services companies. Prior to joining Zopa, Steve was Chief Finance Officer at Tandem Bank, and previously he was Chief Finance Officer of PayPal's Credit division. Prior to PayPal, Steve spent 14 years with Capital One, completing his tenure there as Chief Finance Officer, International. More recently, Steve led Zopa's largest fundraise to date.

Key

- Audit Committee
- No appointments to Board committees

Our executive team

Jaidev Janardana

Chief Executive Officer

Devoted to creating simple and fair financial products and services, Jaidev joined Zopa Group in October 2014 and became the CEO of Zopa Bank in 2019. Since then, Zopa has secured its banking licence to offer its customers a wider range of financial products and enjoyed significant customer, balance sheet, and revenue growth.

Before Zopa, Jaidev held senior leadership positions for Capital One Europe Ltd including Chief Credit Officer and Chief Marketing Officer and he has almost 20 years of experience in consumer financial services and lending.

Steve Hulme

Chief Finance Officer

Steve leads Zopa's finance and legal teams. Steve joined Zopa at the start of 2018, having spent over two decades in financial roles with a range of innovative financial services companies. Prior to joining Zopa, Steve was Chief Finance Officer at Tandem Bank, and previously he was Chief Finance Officer of PayPal's Credit division. Prior to PayPal, Steve spent 14 years with Capital One, completing his tenure there as Chief Finance Officer, International. More recently, Steve led Zopa's largest fundraise to date.

Helen Beurier

Chief People Officer

Helen has joined Zopa as its first Chief People Officer. Helen leads the design and delivery of Zopa's people experience, strengthening Zopa's unique culture as we grow our team and expand our strategic capabilities, solidifying our leading position as a key competitor in the banking sector.

Helen held progressively senior HR Executive roles at household names M&S, PepsiCo and GSK, leading the delivery of HR and transformational change initiatives across the globe. Helen has also partnered with founders and investors to develop people strategies for accelerated growth in the challenger brand space.

Merve Ferrero

Chief Strategy Officer

Merve leads strategy, savings products, partnerships and operational resilience.

She has over 15 years' experience in strategy, business development and equity markets. Before joining Zopa in 2015, Merve was in China building and scaling tech companies and previously, in Istanbul in investment banking at both Credit Agricole, and Credit Suisse.

Graham Robinson

Chief Risk Officer

With over 20 years' experience of leadership across credit risk, operations and digital, Graham leads on all risk management at Zopa as its Chief Risk Officer. Prior to Zopa, Graham worked at Capital One for over 18 years across various senior risk positions, and more recently built the credit risk management capability at Monzo Bank to support its growing lending operation.

Graham ensures that Zopa's risk management differentiates it from its peers and develops and scales at pace with its operations.

Clare Gambardella

Chief Customer Officer

Clare joined Zopa in 2018. She is responsible for growing Zopa's brand and ensuring outstanding customer experience. Clare leads the Zopa brand marketing team, operations, product design and product tribes focused on customer channels such as App and Web.

Clare has close to 20 years of experience across multiple industries. Prior to Zopa, Clare was the Group Chief Marketing Officer at Virgin Active overseeing brand and marketing for the group's international health club network. She began her career at Procter and Gamble and has also worked in Strategy Consulting at The Boston Consulting Group

Tim Waterman

Chief Commercial Officer

Tim leads Zopa's lending products which include unsecured personal loans, credit card and secured car finance. He is responsible for customer acquisition, credit and fraud strategy, pricing and the growth of the lending products.

Tim has over 16 years' experience in consumer lending businesses specialising in data, analytic and technology led innovation. Before Zopa, Tim was Chief Marketing Officer at Lendable where he led the growth of its unsecured personal loan product and evaluation of new product opportunities. Prior to Lendable, Tim was Chief Analysis Officer at Oakbrook finance. Tim started his career at Capital One.

Corporate governance

Governance structure

The Group is a private limited company and, given its size, it isn't currently required to disclose compliance with any corporate governance codes. However, the Board of Directors recognises that as the financial holding company of a public interest entity authorised by the PRA and regulated by the FCA and the PRA, the Group should adhere to the highest standards of corporate governance. Without voluntarily applying and disclosing compliance with the principles of the UK Corporate Governance Code (the Code) (as published by the Financial Reporting Council (FRC) and available on its website at www.frc.org.uk), the directors are committed to following the Code's principles in a manner that's proportionate and practical given the company's current circumstances and future plans.

Board roles and responsibilities

The Board's responsible for ensuring that the company delivers against its financial and business objectives, as set out in its Business Plan, with regard to the risk appetite and interests of all stakeholders. The Board is also responsible for the oversight and control of the management of risk in the company and for setting risk appetite, culture, values and standards. The Board ensures that the company and the Board itself comply with its Articles of Association and all relevant legal, regulatory and governance requirements.

The Board directs the company by setting its strategy and risk framework while ensuring that its culture, values and behaviours meet or exceed the standards required of a leading, regulated bank.

Chair and Chief Executive Officer roles

The roles of Chair of the Board and of Chief Executive Officer are held by separate individuals. The roles are defined clearly in writing and have been agreed by the Board.

Company Secretary

Directors have access to the Company Secretary's advice and services at all times, as well as independent professional advice when needed, to assist them in carrying out their duties.

Board and executive committees

In December 2021, Zopa Group Limited was approved by the Prudential Regulation Authority (PRA) as a financial holding company of Zopa Bank Limited. Following that approval, in February 2022 the Board established the Audit Committee. Prior to the establishment of a separate Audit Committee, relevant activities were conducted by the Board. There are plans to establish a Risk Committee later in 2022.

The committees work within their remits to support and advise the Board to facilitate the execution of the corporate vision, goals, strategy and culture. The committees' written terms of reference include their objectives and the authority delegated to them by the Board. The Board and its committees have access to independent expert advice and the services of the Company Secretary. The Chair of each committee reports to the Board. The constitution and terms of reference of each committee are reviewed annually to ensure that the committees are operating effectively. Any changes considered necessary are recommended to the Board for approval.

The Board delegates daily management responsibility for the Group to the ExCo, which meets monthly. The ExCo is responsible for developing the business and delivering against a Board-approved strategy, putting in place effective monitoring and control mechanisms, and setting a framework of reporting to the Board.

Board and Board level committees

Board of Directors

Board Audit Committee

Group Board
Responsible for strategy and culture, determining risk appetite, delegation of powers and monitoring performance

Responsible for oversight of accounting policies and judgements; control environment (systems and procedures); internal and external activities

Group Board Audit Committee (BAC)

	No of individual	
Composition of the Board as at:	26.04.22	31.12.21
Number of independent directors	6	4
Number of non–independent directors	6	4
of which executive directors	2	1
Total number of directors	**12**	**8**

Management committees[1]

Board and Board Committees

Executive Committee

Implement strategy, operational performance, financial performance, monitoring and control of risk exposure

Executive Committee (ExCo)

Risk Management Committee

Oversight of the Bank's risk management framework and reviewing risk management issues with regard to its risk appetite

Risk Management Committee (RMC)

Asset & Liability Committee

Responsible for liquidity, capital, funding, market and interest rate risk management

Asset and Liability Committee (ALCO)

1. Management committees operate at Bank level.

Corporate governance continued

The Board and its activities

The Board includes individuals with a wide range of relevant skills and experience. The directors consider the balance of skills and experience to be appropriate to the company's requirements. The balance between executive and non-executive directors allows the Board to exercise objectivity in decision-making and proper control of the business. Each Board member has access to all information relating to the Group, the advice and services of the Company Secretary (who is responsible for ensuring that Board procedures are followed) and, as required, external advice.

The Board has reviewed the structure, size and composition of the Board, and evaluated the balance of skills, knowledge and experience, and the expected time commitment throughout the year.

The Board has reviewed the criteria for the independence of directors and is satisfied with the designation of those serving on the Board. The terms of appointment of the non-executive directors specify the amount of time they're expected to devote to the company's business.

Summary of Board activities in 2021

Area of focus	Actions taken by the Board and outcomes
Budget & Strategy	• Approved the revised strategy for Zopa Limited • Approved two fundraisings to support asset growth
Governance	• Reviewed, discussed and approved the rationalisation of Zopa's corporate structure

2021 attendance	Total meetings attended/meetings eligible to attend
Gordon McCallum (chair)	11/11
Richard Goulding	10/11
Peter Herbert	8/11
Michael Woodburn	8/11
Christine Farnish (resigned on 31.12.2021)	9/11
Jeppe Zink (resigned on 29.11.2021)	7/9
Giles Andrews	10/11
Chris Jones	11/11
Nick Aspinall	11/11
Jaidev Janardana	11/11

The Group Audit Committee and its activities

The role of the GAC is to assist the Board in discharging its duties and responsibilities for financial reporting, corporate governance and internal control. The GAC is also primarily responsible for making recommendations to the Board in relation to the appointment, re-appointment and removal of the external auditor and to approve the auditor's remuneration and terms of engagement. The GAC duties include keeping under review the scope and results of the audit work, its cost effectiveness and the auditor's independence and objectivity. The GAC also monitors the volume and nature of non-audit services provided by the auditor.

The other key areas that the GAC oversees are:

- quality and appropriateness of financial reporting; and
- external audit.

Following the PRA's approval of Zopa Group Limited as the financial holding company of Zopa Bank Limited in December 2021, membership of the Group Audit Committee was restructured in February 2022 to mirror that of Zopa Bank Limited. The GAC met twice in 2022 before the publication of this Annual Report.

GAC membership during 2021	GAC membership since February 2022
Gordon McCallum (GAC chair until February 2022)	Gaenor Bagley (GAC chair since February 2022)
Christine Farnish (resigned 31.12.2021)	Richard Goulding
Peter Herbert	Paul Cutter

Training and induction

New Board members are offered comprehensive induction training and meet with relevant members of staff to support the transition into their new role. The Board also reviews and approves the Board training programme on an annual basis, by considering the strategy and any collective and individual development. Directors are encouraged to attend external seminars on areas of relevance to their role.

Conflicts of interest

All directors have a duty to avoid situations that may give rise to a conflict of interest. Formal procedures are in place for dealing with any conflicts of interest. Directors are responsible for notifying the Chair and the Company Secretary as soon as they become aware of any actual or potential conflict of interest for discussion by the Board members, who consider the circumstances of the conflict when deciding whether or not to waive the potential conflict or impose conditions on the director in the company's interests. Directors are also required to seek the Board's approval for any new appointments or changes in commitments.

The Chair ensures that any conflicts of interest are declared, recorded in the Conflicts Register and managed in accordance with legal requirements. Zopa's governance framework has been developed to ensure that conflicts of interest between the different entities are minimised and managed appropriately.

Diversity policy

The Board's committed to improving diversity in its membership and recognises the importance of diversity as a key consideration in new appointments, in addition to skill, experience and knowledge.

Our culture, values and standards

The Board is responsible for setting the company's values and standards and for ensuring that it's managed with integrity. As part of that responsibility, the Board monitors the diversity of the company's workforce. The Board monitors the embeddedness of the company's culture and values in the business and whistleblowing while reviewing the dedicated conduct risk reports presented regularly to it and the senior management.

The company's long-term success is centred on the commitment of its employees to its purpose and the demonstration of the company's values on a daily basis. The company aims to ensure that employees are well informed on the company's strategy and decisions that impact them. That's achieved through regular company meetings, written communications and town halls.

Employee engagement is one of the company's key objectives, and it conducts an employee opinion survey twice a year. Team engagement scores form part of manager assessments. The survey results provide the opportunity for the Board and Executive management team to gain a perspective of the employees' view of strategy, leadership, culture and values. Management assesses the results of the surveys and takes appropriate actions.

Stakeholder engagement

s.172 disclosure

When making decisions, the directors of the Group must act in a way that they consider, in good faith, to be most likely to promote Group success for the benefit of its members as a whole while also considering the broad range of stakeholders who interact with and are impacted by our business. Throughout the year, while discharging their duties, the directors have had regard to the matters set out in Section 172(1) of the Companies Act 2006, including among other things the:

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

The Group strives to understand the views and needs of its broad range of stakeholders. The directors recognise that conflicting needs may arise across the Group's stakeholders and that not every decision made will create the desired outcomes for all stakeholders. All decisions taken by the directors are intended to promote the long-term success of the Group in a manner that's consistent with its purpose, values and strategic priorities.

UK Modern Slavery Act

Pursuant to the UK Modern Slavery Act, we produce a Modern Slavery Statement on an annual basis. The Statement outlines the steps we take to combat modern slavery and human trafficking in our business and supply chains and the steps we take to respond and support survivors and is available on our website.

Our stakeholders

The Group engaged with key stakeholders throughout the past year to understand the matters of significance to them. As a result of that engagement, a number of actions were taken, as described in the following sections.

1 Identify

we identify our stakeholders based on mutual influence and impact.

2 Assess

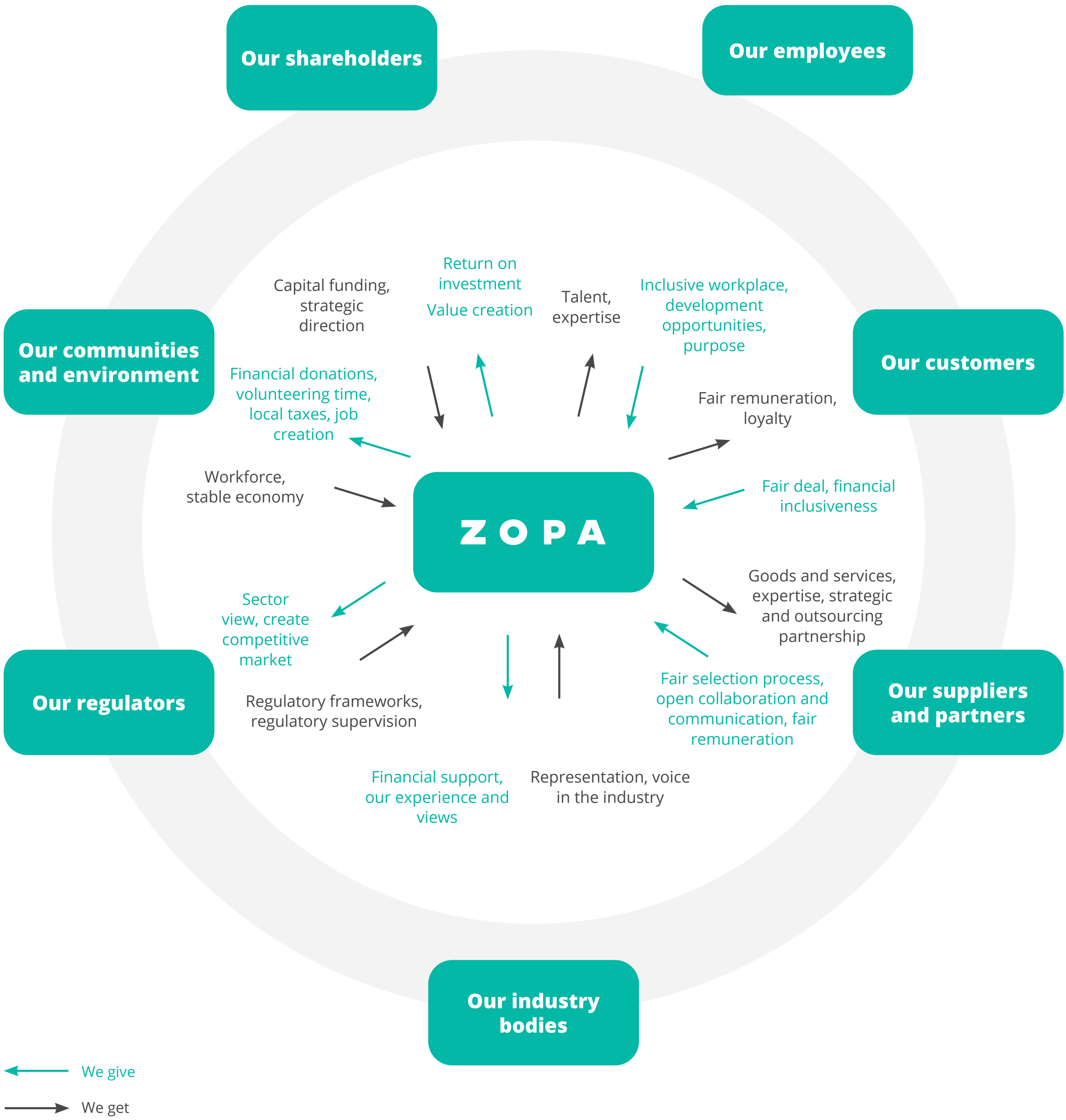
we assess which issues we can influence, both now and in the future, and we share our plans.

3 Engage

we engage with our stakeholders to understand their views and needs, and what matters to them.

4 Review

we perform an ongoing review of our assessment and change our plans when that's in the best interest of the Bank and our stakeholders.


Our shareholders
Our employees
Our communities and environment
Our customers
Our regulators
Our suppliers and partners
Our industry bodies
ZOPA
Capital funding, strategic direction
Return on investment
Value creation
Talent, expertise
Inclusive workplace, development opportunities, purpose
Financial donations, volunteering time, local taxes, job creation
Fair remuneration, loyalty
Workforce, stable economy
Fair deal, financial inclusiveness
Goods and services, expertise, strategic and outsourcing partnership
Sector view, create competitive market
Regulatory frameworks, regulatory supervision
Fair selection process, open collaboration and communication, fair remuneration
Financial support, our experience and views
Representation, voice in the industry
We give
We get

Stakeholder engagement
continued

Our shareholders

Directors and senior management engage in regular and fair dialogue with the company's shareholders to share strategic and financial updates and to seek feedback. During 2021, those discussions covered a broad range of topics, including the medium- and long-term strategic direction of the Group, financial performance and plan, market dynamics, regulatory areas of focus (such as the operational resilience agenda), succession planning, diversity and engagement with other stakeholders.

The growth experienced by the Group over the last year wouldn't have been possible without the support and confidence of new and existing shareholders. In 2021, we completed two major capital raises to accelerate the growth of the business.

Both those capital raises resulted in significant changes to our shareholder composition. The Board keeps abreast of the changing needs and expectations of our various shareholders.

All our shareholders' legal rights and obligations are set out in the company's Articles of Association, Master Shareholders' Agreement and Individual Shareholder Agreements (which are in place for our larger investors). The Board ensures that any decisions are taken in the best interests of all shareholders, regardless of their shareholding size. Although the Group's not currently required to hold an Annual General Meeting, the Board sought to engage with all types of shareholders during the past year.

1. Corporate strategic direction
2. Product growth
3. Financial performance
4. Strong management and aligned incentives
5. Market perception
6. Impact of future dilution
7. Valuation outcomes and exit
8. Liquidity events
9. Long-term business performance

Stakeholder	How we engaged	What matters to them	How the Board considers it
Board-level investors These are our largest shareholders, with representation on the Board.	• Discussions in Board and Board Committee meetings • Provision of quarterly investor reports • Submission of investor-specific information packs	1 Corporate strategic direction 2 Product growth 3 Financial performance 4 Strong management and aligned incentives 5 Market perception 6 Impact of future dilution 7 Valuation outcomes and exit	Our largest shareholders currently sit on the Board and therefore have direct input into key dimensions. The Board considers those dimensions through: 1) An Annual Strategy and Budget Process. The Board considers the likely capital needs and valuation outcomes as part of this process. 2) Product growth and financial performance is monitored through the receipt and discussion of regular MI cadence. 3) Management performance is assessed against an annual scorecard agreed at the start of the year. Short-term management incentives are aligned to that scorecard, while longer-term incentives are aligned to overall long-term business and share price performance. 4) Where required, the Board also receives external advice on key topics such as management incentives, market outlook, valuation, strategy and growth.
Major investors These shareholders own a higher percentage of our business than regular shareholders.	• Quarterly and ad-hoc meetings between investors and senior management • Provision of quarterly investor reports	1 Corporate strategic direction 2 Product growth 3 Financial performance 4 Strong management and aligned incentives 5 Market perception 6 Impact of future dilution 7 Valuation outcomes and exit	
Regular investors These shareholders are mostly our early-stage investors, founders and members of senior management.	• Ad-hoc meetings with senior management at investors' requests • Provision of quarterly investor updates • Provision of a secondary market for investors to sell their shares to other existing investors in the company	8 Liquidity events 9 Long-term business performance	In 2021, the Board provided the opportunity for eligible existing shareholders as well as current and ex-employees to participate in a secondary share sale process to sell their shares. The Board considers long-term business performance as part of the Annual Strategy and Budget process, and it considers likely capital needs and valuation outcomes as part of that process.
Existing and former employees These shareholders are employees whose share options have already vested and been retained by the employees.	• Quarterly and ad-hoc meetings between investors and senior management • Provision of quarterly investor updates	7 Valuation outcomes 8 Liquidity events 9 Long-term business performance	In 2021, the Board provided the opportunity for eligible existing shareholders as well as current and ex-employees to participate in a secondary share sale process to sell their shares. The Board considers long-term business performance as part of the Annual Strategy and Budget process, and it considers likely capital needs and valuation outcomes as part of that process.

Stakeholder engagement
continued

Our employees

Our people are key to the success of our business model. We're proud of the contribution our people make to our business through innovation, excellent customer service and dedication. The Board's committed to embedding a culture where high performance, accountability and doing the right thing are celebrated and rewarded.

The Board agreed early in the pandemic that safeguarding the health and well-being of our people would remain central to our response. Consequently, the vast majority of employees have continued to benefit from our workplace flexibility policy in 2021 by supporting the delivery of work from alternative locations outside of the traditional office environment, including the option to work from abroad for up to 90 days a year. That approach has been underpinned by our rapid response in providing the right tools and technology to support our people and underpin our values. 84% of our people consider that our approach to workplace flexibility has impacted positively on our culture and on their lives. Our engagement survey scores on work–life balance are consistently high, which speaks to our culture of respect and the trust we have in our people to deliver their work in the way that's most effective for them.

The pandemic continues to teach us that looking after our mental and physical well-being has never been more important than it is now. Zopa has invested significantly in our mental health and well-being proposition through our employee benefits programme, learning curriculum and people engagement events, as well as on-site well-being activities that make best use of our space and meditation room. We've introduced numerous initiatives such as training sessions on the value of sleep, resilience, and emotional intelligence for all Zopians, as well as mental health training for managers. We will continue to further expand our well-being programme in 2022.

Zopa strives to provide a fair and inclusive working environment that embraces individuality, across race, ethnicity, faith, sexual orientation, class, disability and gender. Building on our inclusive, collaborative culture, a balanced and diverse workforce with equal opportunities and fair compensation that cuts through seniority and gender is important to Zopa.

As part of the applications and onboarding process, new employees are asked whether they require any special adjustments to be made to ensure their needs are met. The company employs people with disclosed disabilities and makes suitable adjustments to create an inclusive and safe working space for them. For example, our offices are fully wheelchair accessible.

We believe that growth in tech capability is a shared accountability across our business, and the broader UK business community, to enable our ability to grow, thrive and create exceptional career memories. Achieving tangible progress in this area requires clear commitments that are promoted horizontally across the business, including our commitment to diverse and inclusive shortlists, and our targets for Women in Finance Charter female representation.

We've made considerable progress in our levels of female representation in critical capability groups. In 2021, 21% of our engineering hires were female.

Although we have more women in our business than ever before, we recognise the importance of developing more female talent over the coming years as the way in which Zopa and the UK as a whole will address female representation in tech.

D&I has been mandated as part of the Board and Management Committees' agendas. Progress with the Women in Finance Charter targets has been included as a factor for deciding the leadership team's bonus element. Overall female representation across all levels at 31 December 2021 was 41%, and 31% in senior positions. Zopa is committed to achieving 44% of headline senior management being held by women by mid-2023.

In 2021, we introduced a mentoring programme which we believe will serve to develop leaders within Zopa and ensure that people break out of functional silos. That programme runs alongside our leadership development programmes. Zopa also implemented D&I training across the business in 2021 to build awareness of unconscious bias and align in a shared focus to combat it. Our most recent engagement survey responses were analysed by gender, race and sexual orientation, with double-digit increases recorded in satisfaction with our D&I agenda and investments this year.

We're proud that Zopa's growth story has opened doors to a whole variety of development and career progression opportunities for our people. By encouraging internal career mobility, we allow people to develop their careers in a variety of ways. For example, we've trained customer service agents to go on to become compliance officers, developers, lawyers and HR specialists. In fact, 16% of our open roles in the second half of 2021 were filled by internal candidates. That not only makes Zopa a great place to work but also starts to break down some of the systemic pipeline issues that we see in STEM professions.

1 Gender pay gap
2 Fair remuneration
3 Flexible working
4 Well-being
5 Sense of belonging
6 Working hours
7 Diversity, inclusion and equality
8 Learning and development

Stakeholder	How we engaged	What matters to them	How the Board considers it
Employees	• Employee engagement, measured bi-annually • Townhall meetings • Regular company-wide announcements	1 Gender pay gap 2 Fair remuneration 3 Flexible working 4 Well-being 5 Sense of belonging 6 Working hours 7 Diversity, inclusion and equality 8 Learning and development	For example, the Board evaluated results relating to the employee engagement surveys and management's plans for addressing areas requiring improvement. For example, the Board evaluated the results gender pay gap and diversity, inclusion and equality results and how management plans to close those gaps.

Stakeholder engagement
continued

Our customers

At Zopa, we aim to put the customer at the heart of our decision-making, whether it's in relation to product design or customer service. We believe that by focusing on product areas where there are unmet consumer needs, and delivering products which better meet those needs, we can improve the banking experience and, ultimately, the financial health of our customers.

Critical to our understanding of our customers is having both regular and varied touchpoints with them through research, servicing and social media engagement. We also take a quantitative approach by using analytics to better understand customer behaviour and any issues they may face using our products, as well as market level data to understand trends or macroeconomic changes which may impact them.

Generating such understanding is critical in all customer groups, but we apply a special focus to identifying customers who may be vulnerable and to ensuring that we take their needs into account.

We're proud that, as a result, Zopa's blended NPS score is industry leading and our customer service teams consistently deliver leading customer-satisfaction levels.

The Board's involved in setting the customer strategy for our business and is updated regularly via management information and supporting commentary on both the experience and outcomes that we deliver.

1. Value (interest rate, fees etc.)
2. Certainty (of rate and acceptance)
3. Speed of disbursal specifically for loans
4. Ease of understanding and managing, and achieve better outcomes for themselves
5. Security of their savings (FSCS coverage)
6. Interest rate
7. Ease of application and management

Stakeholder	How we engaged	What matters to them	How the Board considers it
Borrowers	• Regular NPS surveys • Ad-hoc research – both quantitative and qualitative – on new and existing products • Market research and competitive analysis to understand trends outside of our customer base • Monitoring of public forums such as Trustpilot and social media to understand customer sentiment • Via customer service teams – using data and where possible call recordings to share themes that emerge with the rest of the business	1 Value (interest rate, fees etc.) 2 Certainty (of rate and acceptance) 3 Speed of disbursal specifically for loans 4 Ease of understanding and managing, and achieve better outcomes for themselves	The Board evaluates whether the company's actions and products will benefit Zopa's customers. For example, through regular review of management information packs on customer outcomes, complaints review and customer satisfaction. Similarly, the Board received customer call listening updates highlighting the quality of service that our customers received, which reinforced the Board's desire to continue to invest in those services.
Depositors		5 Security of their savings (FSCS coverage) 6 Interest rate 7 Ease of application and management	The Board assesses whether the Group's actions and products will benefit Zopa's customers, including in 2021 considering the benefits of expanding the product base to include Smart Saver savings.

Our suppliers

In 2021, the Group spent over £43m with suppliers and outsourcing partners on services and goods necessary to the effective running of our operations across the various domains of our business. That included business-critical operations that we manage with the help of our suppliers.

The Group has a well-established procurement process that ensures we select appropriate suppliers who will help us to maintain our high standards of service.

We also have a well-established supplier management process so that suppliers are managed to minimise any risk they could pose to us and to ensure good customer outcomes.

Key outsourcing decisions are made by the subsidiary Boards, including the ongoing monitoring of key suppliers, whereas the Group's Board makes selection decisions regarding key suppliers to provide services to Zopa Group Limited, such as investment advisers.

1. To understand which services can add value to our business model and operations
2. To be remunerated fairly and in a timely fashion for their services
3. To build long-lasting business relationships founded on a deep understanding of each other's strategic priorities
4. To be satisfied that we follow the rule of law, act ethically and are financially sound
5. Open and honest communication where performance is a concern and improvement is required

Stakeholder	How we engaged	What matters to them	How the Board considers it
Suppliers and outsourcing partners	• Work collaboratively to minimise the impact of the COVID-19 pandemic on our people, services and processes • Run fair selection processes, proportionate to the size and risk of the business objective • Ensure that our suppliers and outsourcing partners meet Zopa's minimum standards by performing due diligence assessments before onboarding and throughout a supplier relationship • Conduct ongoing monitoring and oversight of suppliers throughout the business relationship, on both commercial performance and suppliers' continuing adherence to Zopa's minimum standards, including for customer outcomes	1 To understand which services can add value to our business model and operations 2 To be remunerated fairly and in a timely fashion for their services 3 To build long-lasting business relationships founded on a deep understanding of each other's strategic priorities 4 To be satisfied that we follow the rule of law, act ethically and are financially sound 5 Open and honest communication where performance is a concern and improvement is required	• Maintained oversight of supplier performance and risk assessment, including review of regular management reports • Oversaw the selection process for new material suppliers to ensure that the chosen supplier is the best choice for Zopa • Ensured appropriate action is taken where performance is a concern and improvements are required

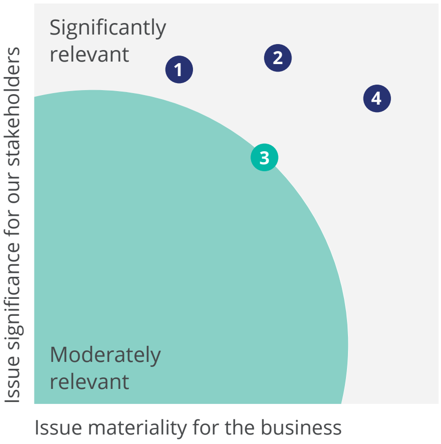
Stakeholder engagement
continued

Our industry bodies

We're a member of industry bodies such as UK Finance. Such membership allows us to participate more effectively in industry initiatives and industry-wide collaboration, and to work with policymakers and UK regulators. We also receive insights into the financial services sector's best practices, research, statistics and analysis.

The two main industry bodies that Zopa interacts with are UK Finance and The Finance and Leasing Association (FLA). We gain from them valuable information, opportunities to engage with peers, management intelligence reports and the ability to provide input into group responses to regulators.

Our focus with the FLA is the Motor Finance Division, while with UK Finance we have wider coverage, including credit cards, regulatory issues and complaints. The interaction between Zopa and the industry bodies is spread across the business, with subject matter experts from Zopa interacting with various forums and working groups as appropriate. We also have a central contact within Zopa who receives copies of all information, agenda, minutes, training and events information, data requests and outputs. From that central point, the information is distributed across Zopa as appropriate. We review membership levels each year to ensure that we have access to all appropriate streams and that we're engaging with the relevant working parties and forums.



1. Creating a single voice for the retail banking sector
2. Enhancing UK financial services market competitiveness
3. Facilitating innovation
4. Supporting customers by promoting safe and transparent banking

Stakeholder	How we engaged	What matters to them	How the Board considers it
Industry bodies	• Attend working party meetings, forums and discussion groups • Contribute to consultation papers/ research MI as appropriate • Engage with additional groups such as the Dedicated Card and Payment Crime Unit and the National Vehicle Crime Intelligence Service through the industry bodies • Attend networking events • Utilise publications for horizon scanning	1 Creating a single voice for the retail banking sector 2 Enhancing UK financial services market competitiveness 3 Facilitating innovation 4 Supporting customers by promoting safe and transparent banking	The Group and the industry bodies share similar views on the matters important to the sector and its customers. Management provided updates to the Board on key industry trends and developments, as well as their interactions with industry bodies. This information is then used when the Board makes strategic decisions regarding the Group.

Our regulators

The Group is subject to regulatory approvals, reviews and regulations as a result of its operations in the financial services sector. Members of the Board of Directors meet with representatives of the PRA and the FCA, the two UK regulators of the financial services sector, on a periodic basis.

1. Governance, Culture and Accountability at Zopa
2. How we treat our customers and the outcomes we deliver for them
3. Operational resilience of our business
4. Whether we're appropriately capitalised and have sufficient liquidity, including during a period of stress

Stakeholder	How we engaged	What matters to them	How the Board considers it
UK regulators	• Periodic meetings between management, directors and the regulators • Participate in sector – or topic – specific reviews • Share copies of our Board and Board Committee papers and reports • Requested approvals as part of the SMCR	1 Governance, Culture and Accountability at Zopa 2 How we treat our customers and the outcomes we deliver for them 3 Operational resilience of our business 4 Whether we're appropriately capitalised and have sufficient liquidity, including during a period of stress	Most regulatory meetings take place at Zopa Bank level. However, in 2021, executive directors met with the PRA and FCA to discuss the interaction between the Group's consumer lending activities through Zopa Bank, the P2P lending platform and the Group's plans for Zopa Limited. In 2021, the Group decided to seek approval from the PRA to become a financial holding company of Zopa Bank Limited, and that was subsequently approved by the PRA in December 2021.

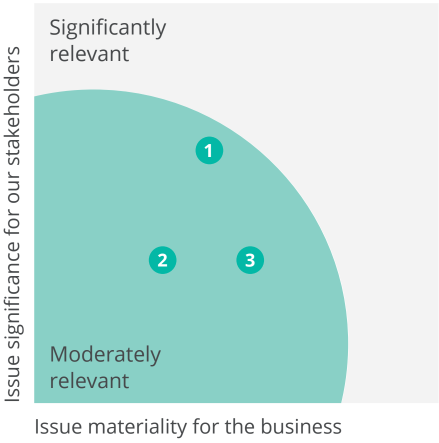
Stakeholder engagement
continued

Our communities, environment, and climate change

During the year, the Group worked with local and national organisations that work for the benefit of our communities and the broader society. We also created a partnership with Code First Girls to nurture female talent in the tech space and to improve our visibility with senior women in tech.

In the medium term, those activities will help to change the gender composition in areas like tech. We've also established a partnership with the Black Young Professionals network to open recruitment routes and ensure that we reach diverse candidate pools.

In 2021, the company made charitable donations totalling £1,400 (2020: £nil).



1 Equality of opportunity

2 How our activities impact the environment – Greenhouse gas emissions

3 Sustainability commitments

Stakeholder	How we engaged	What matters to them	How the Board considers it
Community and environment	• Employee volunteering days • Contribute to the climate change and sustainability debate by publishing blogs and articles on the subject • Financial health and Borrowing Power tool • Promoting financial inclusiveness/budgeting and teaching children about money • How to spot and avoid financial fraud • Supporting women in tech • Partnership with Code First Girls	1 Equality of opportunity 2 How our activities impact the environment – Greenhouse gas emissions 3 Sustainability commitments	During the year, the Board reaffirmed its commitments to responding to climate-related risks and opportunities. Those were specifically considered when deciding the Group's strategy for the coming years. The Board also considered the implications that the recommendations of the Taskforce for Climate-Related Financial Disclosures (TCFD) might have on how the Group thinks about the strategy, governance, risk management and measurement of climate-related risks and opportunities. That's directly linked to the expectations that our stakeholders have regarding the Group's greenhouse gas emissions and sustainability commitments.

Taskforce on Climate–Related Financial Disclosures

At the most recent UN Climate Change Conference (COP26) held in Glasgow, the UK government declared that the UK would be the first major economy to put into law the commitment to reach net-zero carbon emissions by 2050.

As part of its Green Industrial Revolution announced in 2021, together with a suite of other measures and investments, the UK government also reaffirmed its commitment to banning sales of new petrol and diesel vehicles from 2030 and hybrid vehicles from 2035.

The Board's view is that those announcements and commitments, together with any practical steps to be taken over the next couple of decades, will create inherent risks and opportunities for the whole economy, including the banking sector. The Board is acutely aware of the uncertainties posed by those changes and that the Bank's medium- and longer-term strategy must reflect such considerations.

In 2021, in response to the recommendations of the Taskforce on Climate-Related Financial Disclosures (TCFD), the Board of Directors and the BRC reaffirmed their responsibilities in the identification, measurement, management and control of climate-related risks and opportunities. The Group's updated RMF sets out how the Board delegates the execution of those responsibilities to Board and Management Committees.

The RMC and the BRC are responsible for assessing and managing climate-related issues and reporting their findings to the Board. Terms of Reference for each of those committees have been updated to reflect those new responsibilities. The Board considers climate-related issues at least annually, but even more frequently if necessary in response to new announcements, regulations, research or other developments.

As part of the Group's commitment to becoming fully compliant with the TCFD's recommendations, the directors are looking to:

- continue to integrate climate-related information into strategic planning;
- establish governance and risk management practices recommended by the TCFD;
- broaden the metrics and information that the Board monitors in relation to climate-related risks and opportunities; and
- publish the Bank's climate-related goals and targets for achieving net-zero carbon emissions by 2050.

Streamlined Energy and Carbon Reporting

Under changes introduced by The Companies (Directors' report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018, large unquoted companies and large limited liability partnerships (LLPs) are obliged to report their UK energy use and associated greenhouse gas emissions as part of the Streamlined Energy and Carbon Reporting (SECR) requirements. As a minimum, that covers gas, electricity and transport fuel, as well as an intensity ratio and information relating to energy efficiency action. The Bank used a specialist consultancy firm to provide comprehensive SECR compliance services.

Methodology

The following methodology was used in determining our greenhouse gas (GHG) emissions:

- Scope 1 – All direct emissions from the activities of Zopa or under own control. This includes fuel combustion on site such as gas boilers, fleet vehicles and air-conditioning leaks;
- Scope 2 – Indirect Emissions from electricity purchased and used by Zopa. Also included are the generation or consumption of heat or steam. Emissions are created during the production of the energy and eventually used by Zopa; and
- Scope 3 – Reflects emissions from employee-owned vehicles used for business purposes.

Data collected for each scope noted above was subsequently converted into Tonnes of Carbon Dioxide equivalent (TCO_2e) using the latest figures provided by The Department for Business, Energy and Industrial Strategy (BEIS) and The Department for Environment, Food and Rural Affairs (DEFRA).

Energy efficiency actions

In 2021, the principal efficiency actions taken by Zopa were:

- reduced our office footprint in September 2021 by surrendering a portion of our office given the increase in hybrid working post the COVID-19 pandemic. This will have had significant energy savings;
- introduced a marketplace where Zopa staff can buy furniture and equipment, and this is donated to our chosen charities to reduce waste;
- more hand dryers have been introduced to reduce hand towel waste;
- old and broken furniture and equipment are recycled in specialist waste recycling centres;
- office and other supplies of stock are in bulk with a one weekly delivery to save vans delivering several times; and
- confidential waste bins are collected and then recycled, with annual certificates presented for how much we have recycled.

Greenhouse Gas Emissions

GHG Emissions	**2021**	2020
Scope 1	—	—
Scope 2	**71.0 TCO_2e 334,477 kWh**	54.7 TCO_2e 234,707 kWh
Scope 3	**0.5 TCO_2e 1,906 kWh**	0.2 TCO_2e 946 kWh
Total	**71.5 TCO_2e 336,383 kWh**	54.9 TCO_2e 235,653 kWh
Total emissions per full-time employee (intensity ratio)	**0.16 TCO_2e**	0.13 TCO_2e

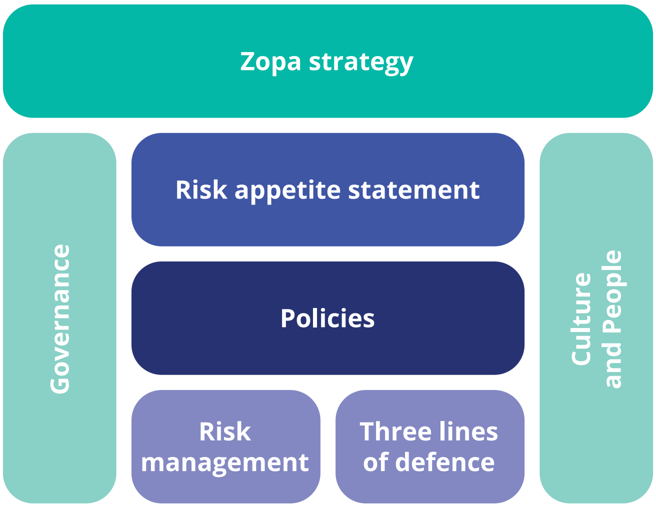
Risk management

Approach to risk management

Effective risk management plays a key role in the execution of the Group's strategy. The Board and senior management seek to ensure that the risks the Group takes are clearly identified, managed, monitored and reported and that the Group's resources are capable of withstanding both expected and unexpected levels of risk performance.

Risk management framework

The risk management framework (RMF) sets out how the Group manages its risk and control environment. The RMF defines types of risk, identifies sources of risk and describes how those risks are effectively identified, measured, monitored, reported and mitigated.



Risk culture and people

Zopa's management recognises that its culture and human capital are key tools in delivering its strategy within the defined risk limits set out in the risk appetite statement. The risk culture is defined by the Board, and management is tasked with taking the lead on communicating and actively demonstrating that message.

Culture

The Board's definition of an effective and healthy risk environment is that of:

- risk-focused and open communication;
- prudent risk management; and
- risk-informed decision-making.

Management, with oversight by the Executive Committee (ExCo), implement and demonstrate the Board's message by establishing standards across their risk obligations:

Ownership and accountability

- Empowering staff to make risk-based decisions promotes an environment where staff take ownership of risks and are held accountable to the responsibilities set out in their job descriptions.
- Remunerating and incentivising staff based on behaviours that balance risk and reward.
- Being risk aware by promoting open communication streams and holding regular company meetings.

Execution

- Taking a risk-based approach to agility and innovation while prioritising customer outcomes.
- Making well-informed decisions based on appropriate and evolving management information reports.
- Being trained and competent to identify and assess risk so that Zopa learns from risks, builds technical and product development around that learning, and conducts stress tests for arising risk events.
- The second line of defence actively engages with the first line to find appropriately designed responses and controls to address current and emerging risks.

Escalation and communication

- Challenging processes and decisions.
- Encouraging staff to speak up and making them aware of their whistleblowing rights.
- Directing risk information towards the relevant committees as set out in policies.
- Downwards communication by regular company meetings, with video links available for employees unable to attend.

People

Employing and retaining skilled and competent people across all levels is critical for ensuring that Zopa can deliver its strategy and effectively manage risks. The Board entrusts that task to the CEO, who delegates the facilitation to the Chief People Officer. The CEO structures the management team so that the relevant roles are tasked with meeting responsibilities and that the individuals holding those roles are made aware of their obligations, which are clearly mapped to their job descriptions and as required by the senior management and certification regime (SMCR).

The People Team plays an important role in facilitating administration to support an effective structure of risk management by:

- managing resource requirements through effective recruitment, objective and retention strategies;
- developing the training strategy for both compulsory and development requirements;
- supporting Compliance to map responsibilities to job descriptions so that all senior managers operating under the SMR have clear statements of responsibilities and that related risk limits are translated into the staff's individual objectives;
- maintaining records of manager performance against SMCR training and competency requirements;
- monitoring reward and remuneration programmes; and
- managing appraisals by setting consistent scoring metrics.

Risk appetite

The Board sets a 'risk appetite' for each risk type by expressing the maximum level of risk of that type that the Group is willing to tolerate in pursuit of its business strategy. That level is expressed through qualitative statements of appetite and supporting metrics for which 'triggers' and 'limits' are set.

The risk appetite is implemented in the business through the three lines of defence structure within the Bank, as described below, with performance monitored against risk appetite. Breaches of triggers or limits are escalated to the Board via the BRC and the executive Risk Management Committee (RMC), with remedial actions then agreed.

Three lines of defence

Zopa Group's risk management processes – covering controls execution and monitoring, decision authorities, policy implementation and maintenance, application of procedures, risk event management and assurance reviews – are operated by Zopa Bank. Zopa Bank operates these processes under a 'Three Lines of Defence' structure:

1. the **first line** is responsible for managing all risks present in their business area and activities while abiding by the standards set by the second line, to which it provides regular performance reports;
2. the **second line** sets minimum standards (described in policies) for the first line to follow in its risk management and monitors the effectiveness of the first line's performance, on which it reports regularly to the Board and the executive; and
3. the **third line** of internal audit performs periodic independent checks to evaluate the effectiveness of the first two lines and reports the findings to the Board Audit Committee (BAC).

Risk management continued

Risk governance

Clear ownership of all major risk types is established. Each risk type is allocated:

- a risk oversight owner in the second line who is responsible for overseeing the Group's management of risk. That includes setting policies and monitoring the first line's adherence to them. Risk oversight owners all fall under the senior managers and certification regime (SMCR), and their risk management responsibilities are reflected in their statements of responsibilities where appropriate;
- an executive-level committee is responsible for executive management of risk through regular monitoring of performance against risk appetite and other management reports. The committee also reviews material decisions as prescribed by policies;
- the RMC is the principal executive-level committee responsible for risk oversight. It met 12 times in 2021; and
- a Board-level committee is responsible for oversight of the management of risk through monitoring of performance against risk appetite and other management reports. It may also take very significant decisions relating to risk type, as prescribed by the policies. The role and responsibilities of the Board and its committees are set out on pages 28 to 30.

Policies and procedures

Policies, as set by the second line, set out the minimum standards that the Group must follow in its business activities to ensure that risk types are managed within the risk appetite.

Procedures, as set by the first line, set out the detailed operational steps that must be taken in first line activities to implement policies and, more broadly, ensure that risks are managed within the established appetite.

Risk management

Within the overall structure outlined, numerous risk management activities are conducted continuously for each risk type under the following categories:

- **identification and assessment** – Risks in each business area are identified and their significance assessed. Examples include: business areas identify operational risks in their processes and assess both their likelihood and significance against risk appetite; the credit risk of individual borrowers and the outlook for the credit market as a whole is assessed; capital and liquidity requirements, resources and related risks are forecast;
- **control and mitigation** – Action is taken to reduce identified risks to within appetite. Examples include: controls are implemented to reduce the likelihood and severity of operational risks; credit acceptance criteria are set to limit credit risk; management plans for capital and liquidity are set and executed;
- **monitoring** – Identified risks are monitored continuously by first- and second-line owners to: ensure that agreed controls and mitigating actions have been implemented; verify whether outcomes are as expected; identify instances where risk is increasing. Examples include: the effectiveness of controls around operational risks is monitored continuously; granular credit management reports are reviewed to understand loan book risks and how they're evolving;
- **reporting** – The results of the Group's risk management activities, including performance against risk appetite, are reported regularly to the relevant executive and Board-level committees; and
- **response and learning** – When risks materialise, action is taken to reduce the risk of similar events in future. Examples include: root-cause analysis of operational risk events informs changes that may be required to policies and controls; adverse performance in particular lending segments may inform changes to credit strategy.

Stress testing

Stress testing is an important risk management tool, with specific approaches documented for the Group's key annual assessments, including the Individual Capital Adequacy Assessment Process (ICAAP), Individual Liquidity Adequacy Assessment Process (ILAAP) and the recovery plan.

Principal risks

The principal risks – or major 'risk types' under Zopa's RMF risk management framework – faced by the company given its business model are capital risk, liquidity risk, market and interest rate risk, credit risk, operational risk, and strategic risk. The Group also considers conduct risk – the risk that its actions result in poor outcomes for customers – which is a lens through which customer-impacting aspects of operational risk are viewed.

Credit risk

Definition

Credit Risk is the risk that the Group's borrowers or other counterparties default on their loans or obligations.

The Group focuses its lending on three business lines: car finance, UPLs and credit cards.

Appetite

Overall Credit Risk

The Group is willing to take risks that will be rewarded by maintaining losses that are acceptable in relation to the projected financial return. It seeks to meet that objective over the economic cycle while accepting that losses in periods of stress will be significantly higher than those incurred under more benign conditions.

The Group lends responsibly by ensuring that borrowers are creditworthy and that loans are affordable for them.

Credit Concentration Risk

The Group aims to limit concentrations of accounts that might be disproportionally impacted under stress to ensure that credit losses are within the overall credit risk appetite. The Group accepts geographic concentration of accounts in restricting its lending to UK-based borrowers.

Counterparty Credit Risk

The Group's counterparty exposure is limited to counterparties holding the Group's deposits. The Group seeks to limit counterparty credit exposures to the minimum required to support its liquidity management.

Mitigation

The Group uses a wide range of techniques to manage credit risk and avoid poor customer outcomes as part of its creditworthiness and affordability activities, which operate under the credit and responsible lending policy. Such activities include gathering data (from customers, credit reference agencies and through open banking), applying universal exclusion rules, verifying income and expenditure, applying cut-offs, limits and pricing using multivariate scorecards, and conducting further manual checks as necessary.

The risk management activities relating to credit risk are summarised as follows:

- a credit scorecard is designed to assess the credit risk of loan applicants using models trained on historic Group and credit bureau data;
- minimum affordability and eligibility criteria are applied to all incoming applications;
- the Group encourages borrowers who are experiencing financial difficulties to draw up an affordable payment plan to pay down their arrears over time. Payment plans may offer temporary relief in the form of reductions to contractual payments;
- regular monitoring of loan performance against expectations is performed by focusing on granular metrics across multiple loan characteristics;
- regular monitoring of the economic and credit market environment is performed;
- action is taken on front-book lending where portfolio performance or the economic outlook worsens against expectations;
- credit risk-related decisions must be approved by accredited decision-makers, with the seniority requirement being determined by the materiality of the decision;
- hard limits for counterparty credit exposures and the minimum credit quality of counterparties are established and monitored against;
- risk appetite and other key management reports are monitored by the RMC, BRC and Board at their regular meetings; and
- the Group's credit exposures all are in the UK.

Measurement

The Group's accounting policy for measurement of expected credit losses can be found in note 32.

The Group uses the standardised approach in determining the level of capital to be held in relation to credit risk for regulatory purposes. Under that approach, the Group must set aside total capital equal to 8% of its total risk-weighted assets to cover its Pillar 1 capital requirements.

The Group also defines a range of internal indicators on credit and model performance, to measure the quality of originations and the portfolio on both a backward- and forward-looking basis.

Monitoring

The Group monitors credit risk performance through internal reports covering performance against risk appetite limits and key credit risk metrics including: new business flow; portfolio quality; early warning indicators; arrears and recovery performance; portfolio concentrations. Monthly reports are provided to the RMC, BRC and Board. Credit risk performance is supported by portfolio reviews and deep dives on key credit risk themes.

Refer to note 32 to the financial statements for more information on the risk management of financial instruments held by the Group.

Risk management continued

Principal risks continued

Capital risk

Definition

Capital risk is the risk that the Group has insufficient capital to support its business strategy.

Appetite

The Bank will maintain a sufficient level and quality of capital to support its growth objectives, absorb losses under a range of severe but plausible stress scenarios and, at all times, satisfy the minimum regulatory requirements.

Mitigation

The Bank's Board Risk Committee (BRC) and Assets and Liabilities Committee (ALCO) manage the Group's capital risk in line with its internal standards based on policies, limits, triggers, continuous monitoring and stress testing. Through the ICAAP process material risks to the Group's capital position are analysed, in the light of the Bank's/Group's strategy, operations, potential stress scenarios, and actions under those scenarios. The ICAAP is treated as a live document, and used to inform ongoing capital management. Throughout 2021, the Group continued to maintain capital ratios within the Board's risk appetite and regulatory requirements.

A key mitigation that the Group uses to manage capital risk is the efficient deployment of our existing capital resources. This ensures that we maximise our risk-adjusted returns while remaining above regulatory requirements.

As we grow our business, additional capital needs to be raised to support that growth. In 2021, we completed Zopa's largest fundraise to date by securing £220m of additional capital. That significant investment from one of the sector's largest investment funds ensures that the Group has enough capital to support the Bank's growth until the middle of 2023 under its base-case growth scenario.

Measurement

The Group is subject to capital requirements under both Pillar 1 and Pillar 2. The Group's overall capital requirement under Pillar 1 is calculated by adding together the capital requirements for credit risk, operational risk and market risk (when above the minimum thresholds for inclusion).

Throughout the financial year, the Group complied with the capital requirements in force as set out by the Prudential Regulation Authority (PRA). Further details can be found in note 32 to the financial statements and in the Group's published Pillar 3 disclosures report.

Monitoring

Current and forecast levels of capital are monitored against the capital risk appetite approved by the Board, and the capital position is reported to the Bank's ALCO, RMC, BRC and Board on a regular basis.

Forward-looking assessments of capital resources and requirements are produced, summarised in the ICAAP document and capital management plan, then agreed at Board level. The capital forecast forms an integral component of the annual budgeting process and is updated in line with changes to the business plan. The capital forecast incorporates the impact of known forthcoming regulatory changes to ensure that the Group is well positioned to meet them when implemented.

Capital stress testing is performed as part of the Group's ICAAP. The stress scenarios are used to develop an informed understanding and appreciation of the Group's capacity and resilience to withstand shocks of varying severities. Management actions are also identified which could be taken to mitigate the impact of the stresses on the Group's capital position.

Liquidity risk

Definition
Liquidity risk is the risk that the Bank is unable to meet its obligations as they fall due.

Appetite
The Group will maintain a sufficient amount and quality of liquid resources to meet its liabilities as they fall due, under a range of severe but plausible stress scenarios, and support growth objectives while at all times satisfying the minimum regulatory requirements.

Mitigation
The Group's business is inherently low in liquidity risk since there's a low level of maturity transformation in its current book. The material liquidity risks the Bank faces are:

- credit card outflows exceeding expectations;
- loan prepayments falling short of expectations;
- loan delinquencies exceeding expectations; and
- rollover rates of maturing deposits falling short of expectations.

Retail deposits were predominantly of a fixed-term nature as at 31 December 2021 and didn't constitute a material liquidity risk.

Liquidity resources are actively managed to ensure that they meet net outflow requirements and minimum standards for asset quality. Short-, medium- and long-term cash flow forecasts are produced, and actual flows monitored, to inform the level of liquidity resources that must be held.

Measurement
Forward-looking assessments of liquidity resources and requirements are produced, summarised in the ILAAP document and agreed at Board level. The ILAAP requires the Group to consider all material liquidity risks in detail, document an analysis of each key liquidity risk driver and set a liquidity risk appetite against each of those drivers.

Monitoring
Liquidity risk appetite metrics are reported to ALCO, the RMC, the BRC and the Board each month, with in-depth discussion at ALCO. Additional liquidity metrics are set as part of the ILAAP to support minimum regulatory requirements and internal liquidity risk appetite.

Market and interest rate risk

Definition
Market and interest rate risk is the risk that the Group experiences a loss due to changes in the market price of financial instruments or adverse movements in interest rates that affect its banking book position.

The Group doesn't have a trading book and, as a result, doesn't carry out proprietary trading or hold any positions in assets or equity, except for high quality assets (HQLA).

Appetite
The Group doesn't seek to take market risk and interest rate risk in the banking book in pursuit of profit, and it would only do so to support its primary business objectives. The Group doesn't engage in any form of proprietary trading.

Mitigation
The Group has structurally low exposure to this risk, given that it has no trading book and there's a low level of maturity transformation in its current banking book. Hedging activity is performed to reduce residual market and interest rate risk exposure.

Risk appetite and other key management reports are monitored by ALCO, the RMC, the BRC and the Board at their regular meetings.

Measurement
Levels of market and interest rate risk in the balance sheet are quantified regularly, including through the application of regulatory stress scenarios for interest rate in the banking book.

Monitoring
Levels of market risk and interest rate risk are monitored regularly against limits. Risk appetite and other key management reports are monitored by ALCO, the RMC, the BRC and the Board at their regular meetings.

Risk management continued

Principal risks continued

Conduct risk

Definition
The risk that Zopa's actions result in poor outcomes for customers. Conduct Risk is a lens through which to view the aspects of Operational Risk which could also have adverse consequences for customers.

Appetite
Although it's technically part of operational risk, the Group includes a distinct conduct risk appetite in its risk appetite statement to ensure appropriate Board visibility and focus. This appetite expresses the limits of conduct risk exposure that the Board's willing to accept in achieving its strategic objectives.

Conduct risk appetite is defined through both quantitative and qualitative risk metrics on customer outcomes, risk and control assessments, key risk indicators or key control indicators.

Like operational risk, conduct risk isn't typically a risk taken directly in return for an expected reward; rather it exists in the natural course of the Group's activities and cultural approach. The Group has no appetite for customer outcomes that are poor by design, and it seeks to limit unintentional poor outcomes through the appropriate management of operational risk.

Mitigation
Conduct risk management is owned, sponsored and evidenced at the most senior levels in the Group:

- the Board sets culture, values, behaviours and standards for the Zopa group of companies. The culture is designed to promote good customer outcomes;
- the Board promotes the adoption of the required culture and sets the conduct risk appetite, against which it assesses performance every time it meets; and
- the CEO is responsible for setting the tone from the top and embedding the culture set by the Board.

In practice, conduct risk is managed through the minimum standards and controls in place for managing the relevant aspects of operational risk under Zopa's RMF and set out in activity-specific policies.

Measurement
Conduct risk is measured using both forward-looking indicators of potential poor customer outcomes, and backward-looking indicators of customer outcomes experienced. Forward-looking indicators focus on controls around key processes involving conduct risk, while backward-looking indicators focus on measures including complaints, customer satisfaction, and product-specific customer outcomes.

Monitoring
Reporting on conduct risk appetite and supporting indicators is monitored regularly and presented to the Board and senior management.

The material sources of conduct risk in the Group's business are listed in the table below.

Possible Sources of Conduct Risk	Potential Risk Area
Product	Product design/targeting Customer journey/lifecycle Distribution and marketing
Operational Processes	Arrears management Redress calculations Outsourcing arrangements Cyber and information security Financial crime and fraud events
Credit	Automated credit decisioning Lending practices (e.g. affordability checks)

Operational risk

Definition

The risk that Zopa suffers losses stemming from inadequate or failed internal processes, people and systems, including fraud or risks from the impact of external events, including legal risks.

The material risks that the Group faces in relation to operational risk are:

- external fraud or cyber attacks;
- severe disruption to business services, as a result of internal system failures or failures at third parties;
- failure to execute plans, products or processes in line with internal and external expectations;
- failures in design of products or customer interactions resulting in poor customer outcomes;
- misinterpretation of regulatory obligations;
- internal fraud events; and
- model errors.

Appetite

The Group seeks to control its operational risks so that adverse customer, regulatory and financial outcomes are limited to a tolerable level, as defined by the Board.

Mitigation

Each business area within the Group must identify the operational risks present in its activities, assess these risks, and implement suitable controls to prevent or detect the risks from materialising. These assessments are documented in each area's Risk and Control Self-Assessment (RCSA). Any risks identified as being outside risk appetite must be addressed, whether through the application of enhanced controls to reduce residual risk or changes to the activity or process to reduce inherent risk.

Key controls include: the maintenance and regular testing of Business Continuity and Disaster Recovery Plans; quality control on operational processes; change management and quality assurance processes on new software releases; expert reviews and sign-offs of important business changes; and a suite of automated monitoring to detect any breaches or control failures. A risk events management process is also in place, under which risks that materialise are registered, communicated to relevant staff, contained, remediated, and closed with a root-cause analysis which identifies any steps that must be taken to avoid similar events in future.

Measurement

Operational risk is measured in terms of potential financial losses, impact on customers, and regulatory breaches. All risks identified under RCSAs must be quantified in terms of the severity and likelihood of these adverse outcomes.

In terms of the capital required to protect against severe operational risk events, as at 31 December 2021, the operational risk requirement for the Group under Pillar 1 was calculated using the basic indicator approach, whereby a 15% multiplier is applied to the historical average net interest and fee income of the last three years based on audited financial statements. Given that the Group is in the early stages of full operation, there are no historic figures available for the last three years, hence the Pillar 1 capital requirement for operational risk has been calculated using the forecast operating income for the next three years. Under that approach, the Pillar 1 operational risk requirement was £13m as at 31 December 2021.

Monitoring

Regular reporting on RCSAs and control effectiveness is produced by first line, reviewed by second line, and reviewed by the RMC and the Board.

Risk management continued

Principal risks continued

Strategic risk

Definition

The risk of opportunity loss from the failure to optimise the earnings potential of Zopa's franchise.

Material risks identified in relation to strategic risk are:

- the Group is unable to attract business because of external competitive conditions;
- the Group suffers reputational damage making it difficult to attract or retain customers;
- the Group is unable to raise funding for growth through deposits or capital injections; and
- the Group is unable to attract and retain the talented staff required to deliver its business strategy.

Appetite

The appetite for strategic risk is set as an inherent part of the strategic plan, approved by the Board.

Mitigation

Strategic risk is managed through the Group's strategic planning process. The CEO leads the process, which includes ongoing analysis of the market, identification of strategic opportunities and design of detailed product proposals. Any impediments to successful execution of the strategy are identified and acted on in the normal course of business management.

Measurement

The strategic plan sets out key goals and performance indicators through which the success of the business's execution of the strategy is measured.

Monitoring

Performance against the strategic plan is monitored by the Board throughout the year.

Uncertainties and emerging risks

The company has identified the following key uncertainties about events that could adversely impact it:

Theme	Risk	Mitigation

Financial risk from climate change	The Group has assessed the financial risks it faces from climate change and determined that the potential impacts come under the following categories:
	• **Credit risk**: In particular,
	  • Zopa could experience increased credit risk if severe weather events such as flooding, wildfires or storms cause damage to vehicles against which we have Secured Auto loans or lead to increased financial pressures on borrowers (e.g. inability to work or additional costs incurred repairing damage to their homes) which could indirectly lead to increased defaults on UPLs.
	  • Zopa could experience increased credit risk if changes in regulation, technology developments or consumer preferences lead to increased depreciation of vehicles against which we have Secured Auto loans (e.g. diesel and petrol cars may depreciate faster if electric or hybrid cars increase in popularity). That in turn could lead to an increase in voluntary termination losses and a reduction in recoveries.
	• **Strategic risk**: Zopa may be unable to achieve future strategic goals if long-term shifts in the climate or the UK's economy creates conditions that don't support its strategic goals.
		• While the immediate risk is deemed as low, given Zopa's product set and target customers, ongoing monitoring, forecasting and stress testing is undertaken to ensure that the Group is resilient to those risks, particularly in terms of credit outcomes and operational stability.

UK macroeconomic performance	Uncertainty for UK macroeconomic performance remains from two core risks: 1) New COVID-19 variants and 2) geopolitical risks and tensions. As seen historically, a new COVID-19 variant that leads to government policy intervention is likely to place pressure on the economy, resulting in lower activity levels. This can, in turn, pose a risk to employment levels and reduce disposable income. Geopolitical tensions, including the current conflict between Russia and Ukraine, also place new pressures on commodity prices and therefore, inflation. A prolonged worsening outlook, due to geopolitical tensions or a new COVID-19 variant, create increased risks around expected credit performance. For credit performance, unemployment levels and inflation are two key metrics. Increased unemployment reduces a borrower's ability to pay. Increased inflation reduces a borrower's disposable income and therefore, their ability to pay. The risk from inflation is compounded should central bank policymakers decide to further increase interest rates, reducing a borrower's disposable income further.	• Continued monitoring, forecasting and stress testing are undertaken to guide underwriting and impairment to manage the resulting credit and capital risks. • Credit applications assessed in light of potential stress scenarios. • Ability to flex credit policy. • Regular monitoring to allow rapid response to signs of a worsening macro environment.
Major cyber or IT incident	A major cyberattack or IT outage could result in loss of customer data and/or prevent the company from providing its critical business services, thus leading to customer harm, loss of revenue and reputational damage.	• Robust business continuity, disaster recovery and back-up arrangements. • Ongoing information security threat monitoring to ensure that countermeasures are up to date and effective.
Failure of a critical outsourcing provider or supplier	A failure or defect in an outsourcing provider's performance of critical functions for the company could cause service outages or customer detriment.	• Initial and ongoing due diligence on all critical outsourcing providers including on business continuity, information security, data protection and customer treatment. • Ensuring service-level agreements and contracts are in place with providers together with effective monitoring to ensure services are delivered to the specified standards. • Identification and classification of important business services and impact tolerances.

Directors' report

Corporate governance

The Directors of Zopa Group Limited (henceforth 'the Group' or 'the company') present their Annual Report together with the audited financial statements for the year ended 31 December 2021 (together the 'Annual Report and Accounts').

The Directors are required under Section 414 of the Companies Act 2006 to present a strategic report in the Annual Report and Accounts. The information can be found on pages 1 to 53. As noted in the table below, the Group has chosen, in accordance with Section 414C(11) of the Companies Act 2006, to include certain matters in its Strategic Report that would otherwise be disclosed in this Directors' report.

Dividends

The Directors are not recommending any dividend in respect of the year ended 31 December 2021 (2020: £nil).

Going concern

The consolidated and parent company financial statements have been prepared on a going concern basis, as the Directors are satisfied that the Group and its parent company will have the resources to continue business for the foreseeable future. In making this assessment, the Directors have considered a wide range of information relating to present and future conditions, including the current state of the balance sheet (the statement of financial position), future projections of profitability, cash flows and capital resources. The Group's capital and liquidity plans, including alternative scenarios such as raising inflation and interest rates, have been reviewed by the Directors. When preparing the forecasts, the Group has reflected the economic repercussions of the COVID-19 coronavirus, including the risk of worse than expected credit performance and lower demand for borrowing, thus contributing to lower growth.

The Group received a capital investment of £20m on 24 March 2021 from a group of existing investors.

In October 2021, a further investment of £220m into Zopa Group Limited, led by SoftBank's Vision Fund, was announced. This investment was completed in three stages to accommodate the relevant regulatory approval processes. In December 2021, the Group received £90m, followed by a further £60m in February 2022. A final downstream of the remaining amount is expected to take place in early 2022, subject to regulatory approvals.

This capital will support the continued asset growth of the balance sheet while also covering the impact of IFRS 9 expected credit losses on a growing loan portfolio. Together, this capital injection supports the long-term profitability objectives of the business.

The Board also prudently evaluates alternative scenarios, including the impact of the capital raise completion itself being delayed. This could be due to delays at the applicable regulatory authorities in approving the required conditions or due to other unforeseen circumstances. If expected capital injections were delayed and it was not possible to raise capital from other investors, the Group's business model retains flexibility to reduce new lending volumes to maintain its capital self-sufficient position. These actions would ensure that the Group continued to meet its regulatory capital and liquidity requirements as set out by the PRA without a further injection of capital in 2022 or 2023.

Political donations

The Group made no political donations in 2021 (2020: £nil).

Share capital

Zopa Group Limited is a private limited company limited by shares, incorporated in England & Wales and domiciled in the United Kingdom under the Companies Act 2006 (registered number 10624955).

Details of the Group's issued share capital, together with details of any movements in the Group's issued share capital during the year, are shown in note 24 of the consolidated financial statements. The Group's share capital comprises one class of ordinary share with nominal value per share of £0.01, and one class of preference share with nominal value per share of £0.01.

Substantial shareholdings

As at the date of publication of this report, substantial interests in the Group's issued ordinary shares were as follows:

Shareholder	Ordinary shares held	Percentage of voting rights
IAG Silverstripe LLC	67,273,871	50.36%
Softbank Vision Fund II Zebu (DE) LLC	12,813,436	9.59%

Restrictions on the transfer of shares

As set out in its Articles of Association, a transfer of shares in Zopa Group Limited is generally subject to certain Board and shareholder consent requirements, a right of first refusal and co-sale process in favour of its larger investors, as well as a right of co-sale for a small number of management shareholders in certain circumstances.

Rights attaching to shares

On a show of hands, each member has the right to one vote at general meetings of the company. On a poll, each member would be entitled to one vote for every share held. The shares carry no rights to fixed income. No one person has any special rights of control over the company's share capital and all shares are fully paid.

New issues of share capital

Under Section 551 of the Companies Act 2006, the Directors of Zopa Group Limited have authority to allot shares pursuant to an ordinary resolution of the company. The company has disapplied the statutory rights of pre-emption at Sections 561(1) and 562 of the Companies Act 2006, and as set out in the company's Articles of Association an issue of shares is subject to a right of first refusal for certain of its major investors.

Purchase of own shares

Subject to the requirements of the Companies Act 2006 (including any requisite shareholder consents), the CRR and the PRA Rulebook and to the shareholder consents or waivers required under the Zopa Group Limited Shareholders' Agreement, the Group may make a purchase of its own shares subject to a cap on any purchase for cash consideration in any financial year of up to the lower of £15,000 or the nominal value of 5% of the company's share capital.

Directors' report continued

Appointment and resignations of Directors

The appointment and resignations of the Directors is governed by the company's Articles of Association and the Companies Act 2006. The company's Articles of Association may only be amended by a special resolution passed by shareholders at a general meeting.

The following director appointments and resignations have taken place in 2021 and until the date of publication of this Annual Report and Accounts:

Director	Appointed	Resigned
Andrew Cassin	09.02.2022	
Gaenor Bagley	12.01.2022	
Stephen Hulme	12.01.2022	
Paul Cutter	12.01.2022	
Christine Farnish		31.12.2021
Jeppe Zink		29.11.2021

Directors' remuneration

The Group adheres to the requirements of the Remuneration Code as defined by the Financial Conduct Authority (FCA), the UK regulator. The non-executive directors do not receive variable remuneration. Information on the company's Remuneration Code is set out in the Pillar 3 disclosures, which can be requested on our website www.zopa.com. Details of the Directors' remuneration are set out in Note 7 to the financial statements.

Directors' indemnities

As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third-party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The company also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its Directors.

Statement of directors' responsibilities in respect of the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group and the company financial statements in accordance with UK-adopted international accounting standards.

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

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

The directors are responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Directors' confirmations

In the case of each director in office at the date the directors' report is approved:

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

Independent auditors

The independent auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office.

The Directors' report has been approved by the Board of Directors and signed on its behalf by:

Jaidev Janardana
Chief Executive Officer

26 April 2022

Independent auditors' report

to the Members of Zopa Group Limited

Report on the audit of the financial statements

Opinion

In our opinion, Zopa Group Limited's consolidated financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2021 and of the group's loss and the group's and company's cash flows for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Consolidated Financial Statements (the "Annual Report"), which comprise: the consolidated and company statements of financial position as at 31 December 2021; the consolidated statement of comprehensive income, the consolidated and company statements of changes in equity and the consolidated and company statements of cash flows for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

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

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

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

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

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

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

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

- discussions with management, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- assessment of matters reported on the entity's whistleblowing helpline and the results of management's investigation of such matters;
- reading correspondence with the FCA and the PRA;
- reading minutes of the Board and Audit Committee to identify any matters of audit relevance;
- challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to the determination of allowance for expected credit losses on loans and advances – Unsecured Personal Loans and Credit Cards and the determination of the fair value of the loan book acquired from retail investors; and
- identifying and testing journal entries, including journal entries posted with unusual account combinations or posted by senior management.

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

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Nick Morrison

Nick Morrison (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

26 April 2022

Consolidated statement of comprehensive income

For the year ended 31 December

	Notes	2021 £000	2020 £000
Interest income		**61,186**	7,285
Interest expense		**(5,438)**	(637)
Net interest income	2	**55,748**	6,648
Fee and commission income		**14,842**	22,525
Fee and commission expense		**(7,839)**	(7,991)
Net fee and commission income	3	**7,003**	14,534
Net losses on disposal of property, plant and equipment	17 & 18	**(5)**	(82)
Net losses on derecognition of financial assets measured at amortised cost	4	**(2,215)**	—
Changes in fair value of financial instruments measured at FVTPL		**(30)**	71
Total operating income		**60,501**	21,171
Operating expenses	5	**(60,609)**	(49,717)
Net operating loss		**(108)**	(28,546)
Change in expected credit losses and other credit impairment charges	9	**(41,590)**	(12,781)
Change in provisions for other liabilities and charges	22	**99**	(152)
Loss before tax		**(41,599)**	(41,479)
Taxation	10	**97**	(242)
Loss after tax		**(41,502)**	(41,721)
Total comprehensive loss		**(41,502)**	(41,721)
Attributable to:			
Equity holders		**(41,502)**	(41,721)

The accompanying accounting policies and notes on pages 64 to 111 are an integral part of the financial statements.

The losses of the Group are derived from continuing operations in the current and prior periods. No other comprehensive income items were recorded during the year (2020: nil).

Consolidated statement of financial position

As at 31 December

	Notes	2021 £000	2020 £000
Assets			
Cash and cash equivalents:			
– Central banks	12	**191,148**	35,024
– Other banks	12	**37,245**	28,368
– Debt securities	12	**16,244**	12,244
Financial assets at fair value through profit or loss:			
– Derivative financial instruments	14	**11**	—
Financial assets at amortised cost:			
– Loans and advances to customers	15	**1,173,035**	225,445
Prepayments and accrued income	16	**2,963**	2,842
Other assets		**6,294**	4,640
Property, plant and equipment	18	**1,054**	1,429
Right-of-use assets	17	**2,828**	5,613
Intangible assets	19	**9,346**	11,106
Total assets		**1,440,168**	326,711
Liabilities			
Financial liabilities at fair value through profit or loss:			
– Derivative financial instruments	14	**—**	97
Financial liabilities at amortised cost:			
– Amounts due to banks	20	**175,175**	162
– Deposits by customers	21	**968,000**	177,823
Accruals		**16,123**	4,717
Provisions	22	**1,304**	1,557
Other liabilities	23	**5,752**	2,316
Lease liabilities	17	**3,302**	5,965
Total liabilities		**1,169,656**	192,637
Equity			
Called–up share capital	24	**1,336**	912
Share premium	24	**370,856**	195,604
Other reserves	25	**64,569**	62,305
Retained losses		**(166,249)**	(124,747)
Total equity		**270,512**	134,074
Total equity and liabilities		**1,440,168**	326,711

The accompanying accounting policies and notes on pages 64 to 111 are an integral part of the financial statements.

The financial statements were approved by the Board of Directors on 26 April 2022 and signed on its behalf by:

Jaidev Janardana
Chief Executive Officer

Steve Hulme
Chief Financial Officer

Consolidated statement of changes in equity

For the year ended 31 December

	Notes	Called-up share capital £000	Share premium £000	Other reserves[1] £000	Retained earnings £000	Total equity £000
Balance as at 1 January 2020		398	57,951	61,213	(83,026)	36,536
Total comprehensive loss		—	—	—	(41,721)	(41,721)
Shares issued	24	514	137,653	—	—	138,167
Net share option movements	26	—	—	1,157	—	1,157
Other movements	25	—	—	(65)	—	(65)
Balance as at 31 December 2020		912	195,604	62,305	(124,747)	134,074
Balance as at 1 January 2021		**912**	**195,604**	**62,305**	**(124,747)**	**134,074**
Total comprehensive loss		**—**	**—**	**—**	**(41,502)**	**(41,502)**
Shares issued	24	**432**	**175,252**	**—**	**—**	**175,684**
Net share option movements	26	**—**		**2,267**	**—**	**2,267**
Other movements	24 & 25	**(8)**	**—**	**(3)**	**—**	**(11)**
Balance as at 31 December 2021		**1,336**	**370,856**	**64,569**	**(166,249)**	**270,512**

1. Other reserves consist of a share-based payments reserve, currency revaluation reserve, capital redemption reserve, treasury shares and merger reserve.

The accompanying accounting policies and notes on pages 64 to 111 are an integral part of the financial statements.

Consolidated statement of cash flows

As at 31 December

	Notes	2021 £000	2020 £000
Reconciliation of loss before tax to net cash flows from operating activities:			
Loss before tax		**(41,599)**	(41,479)
Adjustments for:			
– Non-cash items	13	**50,483**	20,758
– Changes in operating assets and liabilities	13	**(185,936)**	(42,868)
Net cash used in operating activities		**(177,052)**	(63,589)
Cash flows from investing activities			
Purchase of property, plant and equipment	18	**(520)**	(261)
Purchase and development of intangible assets	19	**(2,035)**	(3,774)
Disposal of right-of-use asset		**(401)**	—
Net cash used in investing activities		**(2,956)**	(4,035)
Cash flows from financing activities			
Shares issued	24	**175,684**	138,167
Change in amounts due to banks	20	**175,013**	141
Principal elements of lease payments	17	**(1,688)**	(2,512)
Net cash generated from financing activities		**349,009**	135,796
Net increase in cash and cash equivalents		**169,001**	68,172
Cash and cash equivalents at start of year	12	**75,636**	7,464
Cash and cash equivalents at end of year	12	**244,637**	75,636
Loss before tax includes:			
Interest received		**52,814**	5,854
Interest paid		**(4,992)**	(545)

The statement of cashflows has been represented. Details of the presentational changes have been disclosed in note 1.9.

The accompanying accounting policies and notes on pages 64 to 111 are an integral part of the financial statements.

Notes to the consolidated financial statements

1. Basis of preparation and significant accounting policies

Overview

This section sets out Zopa Group Limited's ('the Group') accounting policies that relate to the consolidated financial statements as a whole. Where an accounting policy is specific to one note, the policy is described in the note to which it relates.

For the 2021 reporting, the Group has adopted certain recommendations of the Taskforce for Disclosures on Expected Credit Losses (DECL).

1.1 General information

Zopa Group Limited ('the Company') is the financial holding company of Zopa Group ('the Group'). Zopa Group provides retail banking services in the UK. The Company is a private limited company limited by shares incorporated in England & Wales and domiciled in the United Kingdom under the Companies Act 2006 (registered number 10624955). The registered office is at First Floor Cottons Centre, 47–49 Tooley Street, London, England, SE1 2QG. The Company's standalone financial statements and notes are included from page 112 onwards.

1.2 Basis of preparation and consolidation

1.2.1 Basis of preparation

The financial statements of the Group comply with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards.

The consolidated financial information has been prepared under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities at fair value through profit or loss. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. All policies have been consistently applied to all the years presented unless stated otherwise.

1.2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2021. Control is achieved where the Company (i) has power over the investee; (ii) is exposed, or has rights, to variable returns from its involvement with the investee; and (iii) has the ability to use its power to affect its returns. The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, the results of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income statement from the date the Company gains control until the date when the Company ceases to control the subsidiary. Inter-company transactions, balances and unrealised gains on transactions between Zopa Group companies are eliminated; unrealised losses are also eliminated unless the cost cannot be recovered.

When the Company loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), less liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities are disposed of. The fair value of any investment retained in a former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 or, when applicable, the costs on initial recognition of an investment in an associate or joint venture.

The relationship between the Company and its subsidiaries is one of principal, with 100% ownership. There are no restrictions in place with regard to the ability of the Company to access assets and settle liabilities of the Group, or transfer cash or other assets to and from the Company, although the Board approval is required.

Subsidiaries of the Company are as follows:

Subsidiary name	Proportion of voting rights and ordinary share capital held as of 31 December 2021	2020	Principal place of business or incorporation	Year of incorporation	Principal activities
Zopa Bank Limited	**100%**	100%	UK	2017	Retail banking
Zopa Limited	**100%**	100%	UK	2004	P2P lending
P2PS Cars Limited	**Dissolved**	100%	UK	2015	N/A

The Company has no investments in associates, or joint ventures.

1.3 Going concern

The Directors consider that it is appropriate to continue to adopt the going concern basis of accounting in preparing the consolidated financial statements. In reaching this assessment, the Directors have considered projections for the Group's capital and funding position, consolidated statement of financial position (balance sheet), profitability, cash flows, as well as other principal risks disclosed in the Strategic report. As part of this process the Directors have considered an updated long-term plan including associated upside and downside scenarios. All scenarios considered incorporate assumptions surrounding the continuing COVID-19 pandemic and rising inflation over both the near and longer terms. Directors also considered the key assumptions and uncertainties that feed into these plans alongside management actions and mitigants that are available. Under all scenarios considered the Directors believe the Group to remain a going concern on the basis that it maintains sufficient resources to be able to continue to operate for the period of at least 12 months since the date of authorisation of these consolidated financial statements.

1.4 Functional and presentational currency

The financial statements are presented in Pounds Sterling ('GBP'), which is the functional and presentational currency of the Group. All amounts have been rounded to the nearest thousand ('£000'), except where otherwise indicated.

Foreign currency transactions are translated into functional currency using the spot exchange rate at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency using the spot exchange rate at the reporting date. Foreign exchange gains and losses resulting from the restatement and settlement of such transactions are recognised in the statement of comprehensive income.

Non-monetary assets and liabilities that are measured on a historical cost basis and denominated in foreign currencies are translated into the functional currency using the spot exchange rate at the date of the transaction. Non-monetary assets and liabilities that are measured at fair value and denominated in foreign currencies are translated into the functional currency at the spot exchange rate at the date of valuation.

1.5 Segmental reporting

IFRS 8 requires operating segments to be identified on the basis of internal reports and components of the Group that are regularly reviewed by the Chief Operating Decision Maker. For this purpose, the Chief Operating Decision Maker of the Group is the Board of Directors. The Board considers the results of the Group as a whole when assessing the performance and allocating resources. Accordingly, the Group has a single operating segment. No geographical or customer-level analysis is required as the Group operates solely within the UK and is not reliant on any single customer.

Notes to the consolidated financial statements
continued

1. Basis of preparation and significant accounting policies continued

1.6 Consolidated cash flows statement

The consolidated statement of cash flows shows the changes in cash and cash equivalents arising during the year from operating activities, investing activities and financing activities. The cash flows from operating activities are determined by using the indirect method. Under that method, loss before tax is adjusted for non-cash items and changes in operating assets and liabilities to determine net cash inflows or outflows from operating activities. Cash flows from investing and financing activities are determined using the direct method which directly reports the cash effects of the transactions.

1.7 Presentation of information

Where information is marked as audited, it is incorporated into these consolidated financial statements and it is covered by the Independent auditors' report.

1.8 Critical judgements and accounting estimates

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgements and accounting estimates that affect the reported amount of assets and liabilities at the date of the consolidated financial statements, and the reported amount of consolidated income and expenses during the reporting period. Management evaluates its judgements and accounting estimates on an ongoing basis. This takes into account any historical experience and various other factors that are believed to be reasonable under the circumstances.

The areas noted in the table below, have a higher degree of complexity, judgement or the estimates have a significant risk of a material adjustment to the carrying amounts within the next financial year. No other significant judgements or estimates have been made in the process of applying the accounting policies. Management believe that the underlying assumptions applied as at 31 December 2021 are appropriate and that the consolidated financial statements therefore present the consolidated financial position and results of the Group fairly.

Critical judgements and accounting estimates		Note
Measurement of expected credit loss allowance	Criteria for significant increase in credit risk	32
	Use of post-model adjustments	32
	The impact of macroeconomic scenarios and weightings on the probability of default	32
Measurement of fair value of loans acquired from Retail investors in Zopa Limited's peer-to-peer lending platform	Discount rate	31

Further details, including sensitivities, can be found within the relevant notes.

1.9 New accounting standards, interpretations, and changes to accounting policies

A number of new and revised standards issued by the International Accounting Standards Board (IASB) are yet to come into effect. None of these are expected to have a material impact on the Group's financial statements.

The Group did not make any changes to its accounting policies during the year.

We have enhanced the presentation of our primary financial statements by including additional line items or combining line items where we believe it is more helpful to a reader. We have applied these presentational changes retrospectively to comparatives. Where changes have been made, they have been disclosed within the relevant notes. Given the quantitative and qualitative nature of these changes, no restatement disclosures are required.

The only quantitatively material 2020 representations relates to a reclassification between operating and financing activities in the statement of cash flows and a reclassification within operating activities:

- lease repayments (£2.5m) has been represented in financing activities from operating activities;
- changes in expected credit losses and other credit impairment charges (£12.8m) has been represented in non-cash items from changes in operating assets and liabilities.

There was no impact on the closing cash and cash equivalents balance.

2. Net interest income

Accounting policy

The effective interest rate (EIR) is the rate that, at the inception of the financial asset and liability, exactly discounts expected future cash payments and receipts over the expected life of the instrument back to the initial carrying amount. When calculating the EIR, the Group estimates cash flows considering all contractual terms of the instrument but does not consider the assets' future credit losses. Management judgement is required in determining the expected life of the loans.

The calculation of the EIR includes all transaction costs and fees paid or received that are an integral part of the interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset.

Interest income and expense presented in the statement of comprehensive income includes:

- hire purchase (HP) auto loan contracts to customers (secured auto loans). Lease income is recognised within interest income in the income statement over the term of the contract using the net investment method (before tax) which reflects a constant periodic rate of return; and
- interest on financial assets and financial liabilities measured at amortised cost calculated on an effective interest rate (EIR) basis.

		2021 £000	2020 £000
Interest income			
Cash and balances held at central banks		**124**	23
Cash and balances held at other banks		**(2)**	2
Debt securities		**1**	—
Loans and advances to customers		**61,063**	7,260
Total interest income		**61,186**	7,285
Interest expense			
Deposits from customers		**(5,167)**	(412)
Amounts due to other banks		**(93)**	—
Lease liabilities	17	**(178)**	(225)
Total interest expense		**(5,438)**	(637)
Net interest income		**55,748**	6,648

Notes to the consolidated financial statements
continued

3. Net fee and commission income

Accounting policy

The Group recognises fee and commission income when services are provided to customers and the Group has satisfied its performance obligations under the contract, at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods and services, and management concludes that there is a high probability that there will be no significant reversal of the estimated income.

Where fees and commissions are incremental costs that are directly attributable to the issue of a financial instrument, they are included in interest income/expense as part of the EIR calculation, rather than within fee and commission income/expense. Where not incremental, these costs are classified as fee and commission expenses.

Fee and commission income is comprised of fees charged to credit card customers, referral commission and servicing fees on the P2P portfolio. Fee and commission expense primarily consists of transaction processing and customer eligibility assessment fees.

	2021 £000	2020 £000
Fee and commission income		
Credit cards	**2,168**	51
Referral commission	**264**	175
Servicing fees	**12,410**	22,299
Total fee and commission income	**14,842**	22,525
Fee and commission expense	**(7,839)**	(7,991)
Net fee and commission income	**7,003**	14,534

4. Net losses on derecognition of financial assets measured at amortised cost

Accounting policy

The Group only sells financial assets if they no longer meet the Group's investment policy. This occurs when the credit rating has declined below that required by the policy. For this reason, any sale of these credit impaired loans does not give rise to a change in business model, and therefore does not impact the classification of the loan portfolio.

Losses on derecognition of financial assets includes the loss on sale of credit impaired loans, and loan write offs caused by consumer fraud. Loan write-offs due to credit risk are included in the 'Change in expected credit losses and other credit impairment charges' in the income statement.

	2021 £000	2020 £000
Loss on sale of credit impaired loans	**(1,859)**	—
Loan write-offs due to customer fraud	**(356)**	—
Net losses on disposal of assets	**(2,215)**	—

Losses on sale of credit impaired loans is the net position of the principal value of loans minus the proceeds of the sale. This loss nets against the £580k (2020: £nil) release of provision in credit losses within note 32. The net loss on disposal of assets position is £1,635k (2020: £nil).

5. Operating expenses

		2021 £000	2020 £000
People costs	6	**36,658**	32,405
Less: Capitalised development costs recognised as intangible additions	19	**(2,035)**	(3,668)
Legal and professional		**7,088**	4,361
Depreciation of PPE and right-of-use assets	17 & 18	**2,725**	3,289
Amortisation of intangible assets	19	**3,713**	2,738
Impairment of intangible assets	19	**82**	1,240
Information technology		**5,675**	5,812
Loss on acquisition of loan portfolio	31	**1,341**	—
Other		**5,362**	3,540
Total operating expenses		**60,609**	49,717

Coronavirus Job Retention Scheme grants of £18k (2020: £236k) are included within other expenses. There are no unfulfilled conditions or other contingencies attached to these grants. The Group did not benefit directly from any other forms of government assistance. Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate.

6. Wages and salaries

Wages and salaries include non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service.

Bonus costs are recognised when the Group has a present obligation that can be reliably measured. Bonus costs are recognised over the relevant service period required to entitle the employee to the reward.

The Group operates a defined contribution pension plan. The Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. It has no further payment obligations once the contributions have been paid.

The below expenses are presented gross of people costs which were capitalised as part of our intangible assets. See note 19 for accounting policies on intangible asset capitalisation.

The accounting policies on share-based payments are included in note 26.

	2021 £000	2020 £000
Employee benefits	**29,745**	27,061
Social Security costs	**3,544**	3,173
Defined contribution pension expenses	**1,102**	1,014
Equity-settled share-based payments	**2,267**	1,157
Total people costs	**36,658**	32,405

The average number of employees (including Directors) of the Group during the year was made up as follows:

	2021 Number	2020 Number
Loan operations and servicing	**282**	267
Administration	**182**	185
Total staff	**464**	452

Notes to the consolidated financial statements
continued

7. Directors' remuneration

This table sets out emoluments and pension in respect of 2021.

	Notes	2021 £000	2020 £000
Directors' emoluments		**1,972**	1,167
Pension contributions		**48**	20
Total Directors' remuneration		**2,020**	1,187

The above amounts include the following in respect of the highest paid Director.

	Notes	2021 £000	2020 £000
Emoluments		**666**	331
Pension contributions		**38**	15
Total highest paid Director remuneration		**704**	346

Directors' emoluments are the aggregate amount of remuneration (including salary, fees, bonuses and benefits in kind) paid/payable within the year.

Pension contributions relate to payments into personal pension plans of 1 director.

There were no share-based options exercised by Directors in 2021 and 2020.

8. Independent auditors' fees

Services provided by the Group's auditors are presented excluding VAT.

All non-audit services are on the FRC's approved list of non-audit services.

	2021 £000	2020 £000
Fees payable for the audit of the Group's consolidated financial statements	**200**	135
Fees payable for the audit of the subsidiaries' financial statements	**660**	463
Fees payable for audit related assurance services	**191**	52
Fees payable for other assurance services	**43**	99
Total fees payable to our auditors	**1,094**	749

Auditors' remuneration to PricewaterhouseCoopers LLP for 2021 in relation to the statutory audit includes £48k (2020: £20k) relating to the Group and £99k (2020: £33k) relating to subsidiaries which pertains to additional fees for 2020 that was paid during the year.

9. Change in expected credit losses and other credit impairment charges

Accounting policy

Write-offs occur when either part, or all, of the outstanding debt is considered irrecoverable and all viable options to recover the debt have been exhausted. Any amount received after the allowance has been raised or debt has been written-off, is recorded as a recovery and reflected as a reduction in the expected credit loss allowance reflected in the income statement. The accounting policies on expected credit losses are included in note 32.

	Notes	**2021 £000**	2020 £000
ECL movements and write offs on loans and advances to customers	32	**41,408**	12,624
Recoveries of loans and advances, net of collection costs		**(219)**	(23)
Increase in ECL on off-balance sheet exposures	22	**401**	180
Change in expected credit losses and other credit impairment charges		**41,590**	12,781

10. Taxation

Accounting policy

The income tax expense or credit for the year is the tax payable on the current year's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised, or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. At the balance sheet date, the Group is not recognising any deferred tax assets.

The Group is entitled to claim special tax deductions for investments in qualifying assets or in relation to qualifying expenditure (e.g. the Research and Development Tax Incentive regime in the UK or other investment allowances). The financial statements account for such allowances as tax credits, which means that the allowance reduces income tax payable and current tax expense.

At Budget 2020, the government announced that the Corporation Tax main rate (for all profits except ring fence profits) for the years starting 1 April 2021 and 2022 would remain at 19%. Deferred taxes at the reporting date have been measured using these expected tax rates and reflected in these statements.

In the 2021 Budget, the government announced that the Corporation Tax main rate (for all profits except ring fence profits) for the years starting 1 April 2023 would increase to 25%. This has been considered within deferred tax asset position.

The current tax asset is included within other assets on the statement of financial position.

Notes to the consolidated financial statements
continued

10. Taxation continued
10.1 Tax (credit)/charges

	2021 £000	2020 £000
Current tax on losses for the year	**(97)**	(123)
Adjustments in respect of prior years	**—**	365
Total (credit)/charge	**(97)**	242
Deferred Tax	**—**	—
Adjustments in respect of prior years	**—**	—
Total deferred tax charge	**—**	—
Total tax (credit)/charge	**(97)**	242

10.2 Reconciliation of effective tax rate
The tax assessed for the year differs from that arising from applying the standard rate of corporation tax in the UK of 19%. A reconciliation from the credit implied by the standard rate to the actual tax credit is as follows:

	2021 £000	2020 £000
Loss before tax	**(41,598)**	(41,479)
Tax at 19.00% (2020: 19.00%)	**(7,904)**	(7,881)
Tax effect of:		
Non-deductible expenses for tax purposes	**2,858**	532
Adjustments in respect of prior years	**—**	365
Losses for which no deferred tax asset is recognised	**7,106**	7,485
Loans to participators charge	**(97)**	(123)
R&D tax credit	**—**	—
Other differences	**(2,060)**	(136)
Total tax (credit)/charge	**(97)**	242

10.3 Unrecognised deferred tax assets
Deferred tax assets have not been recognised in respect of the following items, because it is not probable that future taxable profit will be available against which the Group can use the benefits therefrom.

	2021 £000	2020 £000
Deductible temporary differences	**1,068**	—
Tax losses carried forward	**25,095**	17,989
Total unrecognised deferred tax assets	**26,163**	17,989

11. Financial instruments

Accounting policy

Recognition and derecognition

A financial asset or a financial liability is recognised on the consolidated statement of financial position when the Group becomes party to the contractual provisions of the instrument. The Group measures a financial asset or liability on initial recognition at its fair value, plus or minus transaction costs that are directly attributable to the acquisition or issue of the financial asset or the financial liability. The exception to this are financial assets or liabilities measured at Fair Value Through Profit or Loss (FVTPL), where transaction costs are recognised directly in the income statement as they are incurred. Purchases and sales of financial assets are recognised on trade date.

Derecognition of financial instruments

Financial assets are derecognised when and only when:

- the contractual rights to receive the cash flows from the financial asset expire; or
- The Group has transferred substantially all the risks and rewards of ownership of the assets.

On derecognition of a financial asset, the difference between the carrying amount (or the carrying amount allocated to the portion being derecognised) and the sum of the consideration received (including any new asset obtained less any new liability assumed) is recognised in the income statement.

A financial liability is derecognised when the obligation is discharged, cancelled or expires. Any difference between the carrying amount of a financial liability derecognised and the consideration paid is recognised in the income statement.

Classification of financial assets

There are three principal classification categories for financial assets:

- measured at amortised cost;
- fair value through other comprehensive income (FVOCI); and
- fair value through profit or loss (FVTPL).

To classify financial assets the Group performs two tests: one to evaluate the business model in which financial assets are managed and the other to assess their cash flow characteristics.

The ‘business model assessment’ determines whether the Group’s objective is to generate cash flows from collecting contractual cash flows, or by both collecting contractual cash flows and selling financial assets. The assessment is performed at a portfolio level as this best reflects the way business is managed and how information is provided to management. The assessment is based on expected scenarios. If cash flows are realised in a manner that is different from the original expectation, the classification of the remaining assets in that portfolio is not changed but such information is used when assessing new financial assets going forward.

The assessment of cash flow characteristics determines whether the contractual cash flows of the financial asset are solely payments of principal and interest on the principal amount outstanding (SPPI) and is referred to as the ‘SPPI test’. For the purposes of the SPPI test, principal is defined as the fair value of the financial asset at initial recognition. Interest is defined as consideration for the time value of money and credit risk associated with the principal amount outstanding and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a reasonable profit margin. The SPPI test is performed at an instrument level based on the contractual terms of the instrument at initial recognition. Only debt instruments can meet the SPPI test. Since both the SPPI and business model tests are passed, almost all the financial assets held by the Group are classified as measured at amortised cost.

Subsequent to initial recognition, financial assets are reclassified only when the Group changes its business model for managing financial assets. Where this is the case, the Group reclassifies all affected financial assets in accordance with the new business model. The reclassification is applied prospectively.

Notes to the consolidated financial statements
continued

11. Financial instruments continued

Accounting policy continued

Measurement of financial assets

Financial assets measured at amortised cost are initially measured at fair value plus transaction costs that are directly attributable to the financial asset. Subsequently, these are measured at amortised cost using the EIR method. The amortised cost is the amount advanced less principal repayments, plus or minus the cumulative amortisation using the EIR method of any difference between the amount advanced and the maturity amount, less allowance for expected credit losses. Financial assets measured at amortised cost mainly comprise loans and advances to customers and cash and balances with other banks.

For purchased or originated credit-impaired (POCI) financial assets on initial recognition a credit-adjusted effective interest rate is calculated based on the amortised cost of the financial asset instead of its gross carrying amount and incorporates the impact of expected credit losses in the estimated future cash flows. When revisions to the estimates of future cash flows occur, the carrying amount of the respective financial assets are adjusted to reflect the new estimate, discounted using the original effective interest rate. Any changes are recognised in the profit or loss.

Financial assets measured at fair value through the profit or loss (FVTPL) are measured initially and subsequently at fair value. Changes in fair value are recognised in profit and loss as they arise.

The accounting policies on the expected credit loss of financial instruments are included in note 32.

Financial liabilities at amortised cost

Financial liabilities are contractual obligations to deliver cash or another financial asset. Financial liabilities are recognised initially at fair value, net of directly attributable transaction costs for financial liabilities other than derivatives. Subsequently they are measured at amortised cost. Any difference between proceeds, net of transaction costs, and the redemption value is recognised in the income statement over the period of the borrowings using the EIR method.

Offsetting

The Group only offsets its financial assets and liabilities when it has a legally enforceable right to do so, and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. The net amount is then presented on the consolidated statement of financial position, either as an asset or a liability.

During the year ending 31 December 2021 and 31 December 2020 no financial instruments have been offset in the statement of financial position.

Loan purchase

In December 2021, the Group acquired a portfolio of loans that included purchased or originated credit-impaired (POCI) loans on initial recognition. Further details are in note 31. The expected credit losses on POCI loans have been measured on a lifetime basis, with only movements in ECL being recognised on the balance sheet. Further details of this treatment can be found in note 32.

Financial assets pledged as collateral

The Group has pledged £397.1m (2020: £nil) of the financial assets above as encumbered collateral which can be called upon in the event of default of the TFSME and ILTR drawdowns. Further details on these Bank of England funding schemes can be found in note 20.

The following table summarises the classification and carrying amounts of the Group financial assets and liabilities:

31 December 2021	**FVTPL £000**	**FVOCI £000**	**Amortised cost £000**	**Total £000**
Cash and balances with central bank	**—**	**—**	**191,148**	**191,148**
Cash and balances with other banks	**—**	**—**	**37,245**	**37,245**
Debt securities	**16,244**	**—**	**—**	**16,244**
Derivative financial instruments	**11**	**—**	**—**	**11**
Loans and advances to customers	**—**	**—**	**1,173,035**	**1,173,035**
Other assets	**—**	**—**	**2,627**	**2,627**
Total financial assets	**16,255**	**—**	**1,404,055**	**1,420,310**
Deposits by customers	**—**	**—**	**968,000**	**968,000**
Amounts due to other banks	**—**	**—**	**175,175**	**175,175**
Other liabilities	**—**	**—**	**4,372**	**4,372**
Total financial liabilities	**—**	**—**	**1,147,547**	**1,147,547**

31 December 2020 (restated)	FVTPL £000	FVOCI £000	Amortised cost £000	Total £000
Cash and balances with central bank	—	—	35,024	35,024
Cash and balances with other banks	—	—	28,368	28,368
Debt securities	12,244	—	—	12,244
Loans and advances to customers	—	59	225,386	225,445
Other assets	—	—	2,225	2,225
Total financial assets	12,244	59	291,003	303,306
Deposits by customers	—	—	177,823	177,823
Amounts due to other banks	—	—	162	162
Derivative financial instruments	97	—	—	97
Other liabilities	—	—	871	871
Total financial liabilities	97	—	178,856	178,953

The 2020 debt securities balance has been reclassified from amortised cost to FVTPL. There is no impact of this change on the statement of comprehensive income. Additionally, the 2020 other assets and other liabilities balances have been restated due to a change in classification between financial instruments and non-financial instruments.

There were no other reclassifications of financial assets or liabilities during the year ended 31 December 2021 or 31 December 2020.

Notes to the consolidated financial statements
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12. Cash and cash equivalents

Accounting policy
Cash and cash equivalents are comprised of cash with central bank (Bank of England), cash and advances to banks and cash held in a government money market fund. Cash and cash equivalents are measured at amortised cost, using the effective interest method, adjusted for expected credit losses, and are derecognised when the rights to receive cash flows have expired or the Group has transferred substantially all the risks and rewards of ownership.

	2021 £000	2020 £000
Cash and balances with central bank	**191,148**	35,024
Cash and balances with other banks	**37,245**	28,368
Government money market fund	**16,244**	12,244
Total cash and cash equivalents	**244,637**	75,636

All cash and cash equivalents were stage 1 assets under IFRS 9 as at 31 December 2021 and 31 December 2020. There was no expected credit loss allowance in respect of cash and cash equivalents as at 31 December 2021 (31 December 2020: nil).

13. Cash flow information
13.1 Cash generated from operations

	Notes	**2021 £000**	2020 £000
Adjustments for non-cash items:			
– Change in expected credit losses and other credit impairment charges	9	**41,590**	12,781
– Change in provisions for other liabilities and charges	22	**(99)**	152
– Depreciation, amortisation and impairment	5	**6,520**	7,267
– Share option charges	26	**2,267**	1,157
– Interest on lease	17	**178**	225
– Net exchange differences		**—**	45
– Other non–cash items		**27**	(869)
Total adjustments for non-cash items		**50,483**	20,758
Changes in operating assets and liabilities:			
– Loans and advances to customers	15	**(989,180)**	(221,715)
– Deposits by customers	21	**790,177**	177,823
– Financial instruments at fair value through profit or loss		**—**	168
– Prepayments and accrued income	16	**(121)**	722
– Accruals		**11,406**	(1,175)
– Other assets		**(1,654)**	1,117
– Other liabilities		**3,436**	192
Total changes in operating assets and liabilities		**(185,936)**	(42,868)

The statement of cashflows has been represented. Details of the presentational changes have been disclosed in note 1.9.

13.2 Net debt reconciliation

The following table sets out the Group's net debt as at the balance sheet dates. It shows how the Group's indebtedness has changed over the period as a result of cash flows and other non-cash movements.

	Liabilities from financing activities			Other assets		
	Borrowings £000	Leases £000	Sub-total £000	Cash £000	Liquid investments £000	Total £000
Net debt as at 1 January 2020	(21)	(8,300)	(8,321)	7,464	16,511	15,654
Financing cash flows	(177,872)	48	(177,824)	65,374	207,503	95,054
– Interest expense	(637)	(225)	(862)	—	7,285	6,423
– Interest payments	545	2,512	3,057	2,798	(5,854)	—
Net debt as at 31 December 2020	(177,985)	(5,965)	(183,950)	75,636	225,445	117,131
Financing cash flows	**(964,744)**	**1,153**	**(963,591**	**122,867**	**939,218**	**98,494**
– Interest expenses	**(5,438)**	**(178)**	**(5,616)**	**—**	**61,186**	**55,570**
– Interest payments	**4,992**	**1,688**	**6,680**	**46,134**	**(52,814)**	**—**
Net debt as at 31 December 2021	**(1,143,175)**	**(3,302)**	**(1,146,477)**	**244,637**	**1,173,035**	**271,195**

14. Derivative financial instruments

Accounting policy & commentary

Derivatives are measured at fair value through profit or loss. Hedge accounting has not been adopted.

The accounting policies on fair value measurement of financial instruments are included in note 30.

The Group holds forward contracts for the purchase of foreign currencies in order to manage its exposure to foreign exchange risk. These derivatives are classified as derivative financial instruments.

	2021 £000	2020 £000
Foreign currency forwards	**11**	(97)
Total derivatives	**11**	(97)

Notes to the consolidated financial statements
continued

15. Loans and advances to customers

The Group holds three main portfolios of loans and advances to customers:

- unsecured personal loans;
- secured auto loans (automotive hire purchase loans); and
- credit cards

Unsecured personal loans and credit cards are loans and advances to customers, while secured auto loans are a subset of loans and advances to customers as finance lease receivables. They have been presented separately below.

Hire purchase leases have fixed payments and are held to maturity. Due to the nature of the business undertaken, there are no material unguaranteed residual values for any of the finance leases at 31 December 2021 (31 December 2020: no material residual values).

	2021 £000	2020 £000
Gross unsecured lending	**1,107,477**	216,288
Less: expected credit loss allowance	**(50,916)**	(11,694)
Total unsecured lending	**1,056,561**	204,594
Gross finance lease receivables	**136,558**	24,701
Less: unearned finance income	**(17,548)**	(2,831)
Net investment in finance leases	**119,010**	21,870
Less: expected credit loss allowance	**(2,536)**	(1,019)
Total finance lease receivables	**116,474**	20,851
Total loans and advances to customers	**1,173,035**	225,445

Gross finance lease loans are receivable as follows:

	2021 £000	2020 £000
Less than one year	**37,277**	7,465
One to two years	**35,497**	6,887
Two to three years	**30,598**	5,590
Three to four years	**22,455**	3,387
Four to five years	**10,731**	1,372
Total gross finance lease receivables	**136,558**	24,701

Note that this table differs to the maturity table in note 32. This is due to the above table representing the undiscounted contractual repayments of auto loans, while the table in note 32 representing the maturity profile of the net investment in finance leases.

16. Prepayments and accrued income

	2021 £000	2020 £000
Prepayments	**2,681**	2,421
Accrued income	**282**	421
Total prepayments and accrued income	**2,963**	2,842
Current portion	**2,288**	2,315
Non-current portion	**675**	527

17. Right-of-use assets and lease liabilities

Accounting policy & commentary

The Group leases various property for office space and data centres.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Lessee leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments).

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions. In the absence of any borrowing history, the Group determined its incremental borrowing rate to be 10%.

Lease payments are allocated between principal and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

In September 2021 the Group surrendered one of the two lease agreements for office space.

Notes to the consolidated financial statements
continued

17. Right-of-use assets and lease liabilities continued

17.1 Right-of-use assets

	2021 £000	2020 £000
Balance as at 1 January	**5,613**	7,741
Additions	**—**	90
Disposal	**(955)**	(174)
Depreciation charge for the year	**(1,830)**	(2,044)
Balance as at 31 December	**2,828**	5,613

17.2 Lease liabilities

	2021 £000	2020 £000
Balance as at 1 January	**5,965**	8,300
Interest charged during the year	**178**	225
Additions in the year	**—**	89
Disposals	**(1,153)**	(137)
Payments during the year	**(1,688)**	(2,512)
Balance as at 31 December	**3,302**	5,965
– of which is current	**2,235**	2,262
– of which is non-current	**1,067**	3,703

The maturity profile of undiscounted contractual cash flows is as follows:

	2021 £000	2020 £000
Less than one year	**2,235**	2,262
One to two years	**1,067**	2,330
Two to three years	**—**	1,373
Three to four years	**—**	—
Four to five years	**—**	—
More than five years	**—**	—
Total undiscounted lease liabilities	**3,302**	5,965

17.3 Amounts recognised in the income statement

	Notes	2021 £000	2020 £000
Interest expense	2		
Interest on lease liabilities		**(178)**	(225)
Operating expenses	5		
Depreciation of right-of-use assets		**(1,830)**	(2,044)
Loss on disposal of lease		**(5)**	—
Total amounts recognised in the income statement		**(2,013)**	(2,269)

18. Property, plant and equipment

Accounting policy

Property, plant and equipment are stated at historic purchase cost less accumulated depreciation. The cost of tangible assets is their purchase cost together with incidental costs of acquisition. Incidental costs only include those that are necessary to bring the asset into the location and condition necessary for it to be capable of operating in the manner intended by management.

We depreciate property, plant and equipment on a straight-line basis to its residual value using the following useful economic lives:

- office equipment 3–5 years; and
- fixtures and fittings 3 years.

Depreciation is charged from the first full month after the date of acquisition of the asset. Residual values and useful economic lives for tangible assets are reviewed regularly and revised when necessary.

If impairment is indicated, the asset's recoverable amount, being the greater of value in use based on expected future cash flows and fair value less costs to sell, is estimated. If the carrying value of the asset is greater than the greater of the value in use and the fair value less costs to sell, an impairment loss is recognised in the income statement. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Notes to the consolidated financial statements
continued

18. Property, plant and equipment continued

2021	Office equipment £000	Fixtures and fittings £000	Total £000
Cost			
Balance as at 1 January	2,967	1,003	3,970
Additions	468	52	520
Disposals	—	(988)	(988)
Balance as at 31 December	3,435	67	3,502
Accumulated depreciation			
Balance as at 1 January	1,596	945	2,541
Disposals	—	(988)	(988)
Depreciation charge for the year	828	67	895
Balance as at 31 December	2,424	24	2,448
Net book value	1,011	43	1,054

2020	Office equipment £000	Fixtures and fittings £000	Total £000
Cost			
Balance as at 1 January	4,690	1,389	6,079
Additions	261	—	261
Disposals	(1,984)	(386)	(2,370)
Balance as at 31 December	2,967	1,003	3,970
Accumulated depreciation			
Balance as at 1 January	2,455	1,166	3,621
Disposals	(1,939)	(386)	(2,325)
Depreciation charge for the year	1,080	165	1,245
Balance as at 31 December	1,596	945	2,541
Net book value	1,371	58	1,429

19. Intangible assets

Accounting policy & commentary

Banking License

The banking license consists of both employee costs and also other costs that have been incurred during the banking licence application process. The banking licence is considered to have an indefinite useful life.

The banking licence is tested for impairment at least annually. An impairment loss is recognised if the carrying amount of the banking licence is less than its recoverable amount. The recoverable amount is the greater of its value in use and its fair value less costs to sell. Value in use is calculated from forecasts by management of post-tax profits for the subsequent five years and a residual value discounted at a risk adjusted interest rate. Fair value is determined through review of precedent transactions for comparable businesses. Where impairment is required, the amount is recognised in the income statement and cannot be subsequently reversed.

Other intangible assets

Includes both purchased and internally generated intangibles. Purchased intangibles includes technology assets. Purchased intangible assets are recognised at historic cost and amortised over their useful life.

Internally generated intangible assets relate to development costs, including employee costs, of intangible assets which are developed in house. Internally generated assets are recognised if all the following criteria are met:

- it is technically feasible to complete the intangible asset so that it will be available for use;
- there is an intention and the ability to use or sell the intangible asset;
- adequate technical, financial and other resources are available to complete the development and to use or sell the intangible asset;
- it is probable that the asset will result in a flow of future economic benefits; and
- the expenditure attributable to the asset can be reliably measured.

Intangible assets are amortised on a straight-line basis over their useful lives and the amortisation recorded within operating expenses in the Income Statement once the asset is brought into revenue-generating use. The useful life of the purchased and internally generated intangible assets is considered to be three years. The residual value of intangible assets is assumed to be zero. Impairment reviews are carried out at the end of each reporting period. Assets are stated at cost less accumulated amortisation and any recognised impairment

If impairment is indicated, the asset's recoverable amount, being the greater of value in use and fair value less costs to sell, is estimated. If the carrying value of the asset is greater than the greater of the value in use and the fair value less costs to sell, an impairment loss is recognised in the income statement. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2021	Purchased software £000	Internally generated £000	Banking license £000	Total £000
Cost				
Balance as at 1 January	799	14,696	1,973	17,468
Additions	—	2,035	—	2,035
Write-offs	—	(164)	—	(164)
Balance as at 31 December	799	16,567	1,973	19,339
Accumulated amortisation				
Balance as at 1 January	693	5,669	—	6,362
Amortisation charge for the year	42	3,671	—	3,713
Write-offs	—	(82)	—	(82)
Balance as at 31 December	735	9,258	—	9,993
Net book value	64	7,309	1,973	9,346

Notes to the consolidated financial statements
continued

19. Intangible assets continued

2020	Purchased software £000	Internally generated £000	Banking license £000	Total £000
Cost				
Balance as at 1 January	693	13,366	1,863	15,922
Additions	106	3,558	110	3,774
Impairments	—	(2,228)	—	(2,228)
Balance as at 31 December	799	14,696	1,973	17,468
Accumulated amortisation				
Balance as at 1 January	617	3,995	—	4,612
Amortisation charge for the year	76	2,662	—	2,738
Impairments	—	(988)	—	(988)
Balance as at 31 December	693	5,669	—	6,362
Net book value	106	9,027	1,973	11,106

20. Amounts due to banks

Deposits from central banks consists mainly of amounts drawn down under the Bank of England's Term Funding Scheme with additional incentives for SMEs (TFSME). Additionally, there have been drawdowns under the Bank of England's Indexed Long-Term Repo (ILTR) scheme.

	2021 £000	2020 £000
Amounts drawn down under TFSME	**150,046**	—
Amounts drawn down under ILTR	**25,046**	—
Amounts due to other banks	**83**	162
Total amounts due to central banks	**175,175**	162

21. Deposits by customers

	2021 £000	2020 £000
Demand deposits	**12,896**	—
Term deposits	**955,104**	177,823
Total deposits by customers	**968,000**	177,823

22. Provisions

Accounting policy & commentary

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

The accounting policies relating to the off-balance sheet expected credit loss of financial instruments disclosed below, are included in note 32.

Dilapidations relates to the cost expected to be incurred to return the properties back to the landlords at their initial state when the lease ends in 2023. The FCA levy are fees due to regulators for banking service and are settled annually. Fraud provision relates to expected fraud incurred. If less fraud has been incurred than the provision held, it is released after twelve months. Off balance sheet expected credit losses (ECL), relate to provisions on undrawn credit card balances.

2021	**Dilapidations £000**	**FCA levy £000**	**Off–balance sheet ECL £000**	**Fraud £000**	**Total £000**
Balance as at 1 January	**750**	**152**	**180**	**476**	**1,558**
Additions	**568**	**—**	**581**	**—**	**1,149**
Utilised in the year	**(148)**	**—**	**—**	**(297)**	**(445)**
Released in the year	**(679)**	**—**	**(180)**	**(99)**	**(958)**
Balance as at 31 December	**491**	**152**	**581**	**80**	**1,304**

2020	Dilapidations £000	FCA levy £000	Off–balance sheet ECL £000	Fraud £000	Total £000
Balance as at 1 January	781	—	—	575	1,356
Additions	—	152	180	—	332
Utilised in the year	(31)	—	—	(99)	(130)
Balance as at 31 December	750	152	180	476	1,558

Movements in dilapidations and off-balance sheet ECL provisions are included in lease liabilities and change in expected credit losses and other credit impairment charges respectively.

The off-balance sheet ECL were included in other liabilities within prior year financial statements. Additionally, the movement in provisions has been disclosed on a new line in the statement of comprehensive income. The charge was previously included in operation expenses.

23. Other liabilities

	2021 £000	2020 £000
Other taxation and social security	**1,212**	941
Trade creditors	**1,747**	283
Yield Support Derivative	**43**	148
Other creditors	**2,750**	945
Total other liabilities	**5,752**	2,317
Current portion	**5,752**	2,317

Notes to the consolidated financial statements
continued

24. Called-up share capital & share premium
24.1 Called-up share capital – share numbers

Called-up ordinary share capital, issued and fully paid	Ordinary Shares	Ordinary A Shares	Ordinary B Shares	Ordinary C Shares	Series 1 & 2 preferred Shares	Series 3 preferred Shares	Total Shares
Balance as at 1 January 2020	21,123,757	835,000	13,736,449	—	13,736,449	4,089,251	53,520,906
Issue of shares	7,246,982	—	—	44,169,611	—	—	51,416,593
Balance as at 31 December 2020	28,370,739	835,000	13,736,449	44,169,611	13,736,449	4,089,251	104,937,499
Balance as at 1 January 2021	**28,370,739**	**835,000**	**13,736,449**	**44,169,611**	**13,736,449**	**4,089,251**	**104,937,499**
Issue of shares	**36,920,185**	**—**	**—**	**6,309,938**	**—**	**—**	**43,230,123**
Share buyback	**—**	**(833,000)**	**—**	**—**	**—**	**—**	**(833,000)**
Share simplification	**64,217,998**	**(2,000)**	**(13,736,449)**	**(50,479,549)**	**(13,736,449)**	**—**	**(13,736,449)**
Balance as at 31 December 2021	**129,508,922**	**—**	**—**	**—**	**—**	**4,089,251**	**133,598,173**

24.2 Called-up share capital — share notional values

Called-up ordinary share capital, issued and fully paid	Ordinary £000	Ordinary A £000	Ordinary B £000	Ordinary C £000	Series 1 & 2 preferred £000	Series 3 preferred £000	Total £000
Balance as at 1 January 2020	211	8	69	—	69	41	398
Issue of shares	72	—	—	442	—	—	514
Balance as at 31 December 2020	283	8	69	442	69	41	912
Balance as at 1 January 2021	**283**	**8**	**69**	**442**	**69**	**41**	**912**
Issue of shares	**369**	**—**	**—**	**63**	**—**	**—**	**432**
Share buyback	**—**	**(8)**	**—**	**—**	**—**	**—**	**(8)**
Share simplification	**643**	**—**	**(69)**	**(505)**	**(69)**	**—**	**—**
Balance as at 31 December 2021	**1,295**	**—**	**—**	**—**	**—**	**41**	**1,336**

24.3 Share premium

	Total £000
Balance as at 1 January 2020	57,951
Premium received on issued shares	139,854
Cost of issuing shares	(2,201)
Balance as at 31 December 2020	195,604
Balance as at 1 January 2021	**195,604**
Premium received on issued shares	**179,804**
Cost of issuing shares	**(4,552)**
Balance as at 31 December 2021	**370,856**

In 2021 we issued 43,230,123 shares, as well as 64,217,998 ordinary shares through a share simplification exercise in June 2021 to reduce the number of share classes. The share buyback also occurred in June 2021. All share issues within the year were fully paid for within the period.

25. Other reserves

Treasury shares include both repurchased ordinary shares held by Zopa's Employee Benefit Trust and loans issued to employees to purchase the nominal value of shares included in their Enterprise Management Incentive (EMI) scheme options.

The merger reserve was created in 2017 following a re-organisation that installed Zopa Group Limited as the parent company of the Group, reinstating Zopa Holdings Inc.

The currency revaluation reserve was caused by US entities, Zopa Inc and Zopa Holdings Inc, being included in the Group prior to their dissolution in June 2020.

The accounting policies on the share schemes are included in note 26.

	Share schemes £000	Currency revaluation reserve £000	Merger reserve £000	Capital redemption reserve £000	Treasury shares £000	Total £000
Balance as at 1 January 2020	8,744	1,016	51,464	—	(11)	61,213
Share options movement	1,157	—	—	—	—	1,157
Net repurchase of own shares	—	—	—	—	(68)	(68)
Net movement in share purchase loans	—	—	—	—	3	3
Balance as at 31 December 2020	9,901	1,016	51,464	—	(76)	62,305
Balance as at 1 January 2021	**9,901**	**1,016**	**51,464**	**—**	**(76)**	**62,305**
Share options movement	**2,267**	**—**	**—**	**—**	**—**	**2,267**
Net repurchase of own shares	**—**	**—**	**—**	**—**	**(12)**	**(12)**
Net movement in EMI loans	**—**	**—**	**—**	**—**	**3**	**3**
Capital Restructuring	**—**	**—**	**—**	**6**	**—**	**6**
Balance as at 31 December 2021	**12,168**	**1,016**	**51,464**	**6**	**(85)**	**64,569**

Notes to the consolidated financial statements
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26. Share schemes

Accounting policy

The Group's share option schemes are in the form of equity-settled share-based payments. The fair value of options granted is recognised as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted which is calculated using a Black-Scholes model.

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each year, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

In the event of a modification of an award the fair value of the original award and of the modified or replacement award are assessed at the date of the modification. Where a modification is beneficial the incremental fair value is recognised in profit and loss over the remaining vesting period with the incremental fair value for vested awards recognised immediately.

Equity-settled share-based compensation benefits are provided to employees of Zopa Group's subsidiaries via options granted under the Zopa Group Limited Company Share Option Plan (CSOP), the Zopa Group Limited Joint Share Option Plan (JSOP), the Non-Tax Advantaged Share Option Plan (NTA options) and the Management Incentive Plan (MIP). They are all granted, and equity settled by the parent company, Zopa Group Limited. Set out below are the range of exercise prices and the weighted average lifetime of outstanding share options held by employees of the Group at the end of the year.

2021	NTA options £000	CSOP £000	JSOP £000	MIP £000	Total £000	Weighted average exercise price number
Balance at 1 January	**1,266,848**	**—**	**1,792,532**	**6,657,500**	**9,716,880**	**3.4357**
Granted	**380,500**	**—**	**3,500,694**	**832,500**	**4,713,694**	**5.0942**
Exercised	**(107,090)**	**—**	**—**	**—**	**(107,090)**	**1.9844**
Lapsed	**(74,445)**	**—**	**(62,693)**	**(350,000)**	**(487,138)**	**2.5319**
Balance at 31 December	**1,465,813**	**—**	**5,230,533**	**7,140,000**	**13,836,346**	**3.9755**
Range of exercise prices (£)	**0.77 – 7.00**	**—**	**2.80 – 7.00**	**3.50 – 3.50**	**0.77 – 7.00**	**—**
Weighted average remaining contractual life (years)	**6.41**	**—**	**8.28**	**8.61**	**8.25**	**—**
Exercisable options at 31 December	**1,080,997**	**—**	**2,324,299**	**2,095,625**	**5,500,921**	**3.6313**

2020 (restated)	NTA options £000	CSOP £000	JSOP £000	MIP £000	Total £000	Weighted average exercise price number
Balance at 1 January	1,081,356	1,359,118	1,416,726	—	3,857,200	3.6703
Granted	197,145	—	3,500	6,657,500	6,858,145	3.529
Exercised	(348,511)	(1,415)	—	—	(349,926)	0.823
Modified instruments	439,085	(895,524)	456,439	—	—	—
Lapsed	(102,227)	(462,179)	(84,133)	—	(648,539)	3.98
Balance at 31 December	1,266,848	—	1,792,532	6,657,500	9,716,880	3.4357

The above 2020 table has been restated to correct for identified omissions.

For options granted during the year the weighted average fair value of the options at the measurement date was £0.7580.

For share options exercised during the year, the weighted-average share price at the date of exercise was £4.3528 (2020: £3.1696).

The inputs into the Black Scholes option pricing model for grants or modifications are as follows:

	2021	2020
Expected volatility	**47-48%**	30-42%
Expected life (years)	**5**	5
Weighted average share price	**£4.4855**	£3.1696
Exercise price	**£3.50-£7.00**	£3.50-£4.50
Expected dividends	**None**	None
Risk free rate	**0.4%-0.8%**	(0.1%)-0.4%

Expected volatility has been set based on the volatility of similar listed companies. Non-vesting conditions are factored into the calculation of fair value at the measurement date.

The share-based payment charge in the year was £2,267k (2020: £1,157k).

27. Related parties

Key management personnel

IAS 24 Related party disclosures requires additional information for key management compensation. Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company. The Directors are considered to be the key management personnel for disclosure purposes. Directors' remuneration is disclosed within note 7. The-share-based compensation expense recognised during the year attributable to Directors amounted to £850k (2020: £393k). In total, the key management personnel compensation amounted to £2,870k in 2021 (2020: £1,580k).

Other transactions with related parties

Loans and advances to customers includes a balance of £8k (2020: £1k) on credit cards issued to key management personnel.

Following the change in control of Zopa Group Limited in June 2020 an existing customer and a supplier became a related party. Fee and Commission expense of £11k (2020: £20k) and Fee and Commission income of £237k (2020: £217k) were recognised during the year. An outstanding balance of £nil (2020: £1k) was due to the related supplier and £46k (2020: £62k) was due from the related customer as at 31 December 2020. These amounts are included in other liabilities and other assets respectively.

All transactions are at arm's length. There are no other related party transactions in relation to key management personnel.

28. Ultimate controlling party

IAG Silverstripe Partners LLC (incorporated in the United States of America) is considered to be the ultimate parent and controlling party.

Notes to the consolidated financial statements
continued

29. Contingent liabilities and commitments

Accounting policy

Customer credit commitments are granted as part of normal product facilities which are offered to customers. Customer commitments comprise undrawn facilities granted on credit cards and approved secured auto loans. Even though these obligations are not recognised on the balance sheet, they do contain credit risk and an ECL is calculated and recognised for them (see note 32). When these commitments are drawn down or called upon, and meet the recognition criteria as detailed in note 11, these are recognised within our loans and advances to customers.

Purchase commitments represent the future minimum lease payments under non-cancellable contracts outside the scope of IFRS 16 leases. Note 17 provides information on financial commitments where the Company is a lessee as per IFRS 16 leases.

	2021 £000	2020 £000
Loans and advances to customers commitments		
– Undrawn credit card commitments	**33,513**	5,534
Finance lease commitments		
– Finance lease agreements to lend in the future	**1,160**	—
Purchase commitments:		
Under one year	**3,470**	3,569
Between one and five years	**3,686**	5,807
Over five years	**—**	39
Total contingent liabilities and commitments	**41,829**	14,949

The Group has an unrecognised contingent liability in relation to an ongoing legal dispute regarding commission payable on the June 2020 capital injection. No provision has been recognised in the 2021 financial statements (2020: nil) as the directors consider the Group has a strong case.

30. Fair value of financial instruments

Accounting policy

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which we have access at that date. The fair value of a liability reflects its non-performance risk.

The fair values of financial instruments are measured using a fair value hierarchy which reflects the significance of the inputs used in making the measurements. There are three levels to the hierarchy as follows:

- Level 1: quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). A Level 2 input must be observable for substantially the full term of the instrument. Level 2 inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, such as interest rates and yield curves observable at commonly quoted intervals, implied volatilities and credit spreads. Assets and liabilities classified as Level 2 have been valued using models whose inputs are observable in an active market; and
- Level 3: inputs that include one or more unobservable input that is significant to the measurement as whole.

2021	Carrying value £000	Level 1 (quoted market price) £000	Level 2 (using observable inputs) £000	Level 3 (significant unobservable inputs) £000	Total fair value £000
Cash and balances with central banks	191,148	191,148	—	—	191,148
Cash and balances with other banks	37,245	37,245	—	—	37,245
Debt securities	16,244	16,244	—	—	16,244
Derivative financial instruments	11	11	—	—	11
Loans and advances to customers	1,173,035	—	—	1,167,287	1,167,287
Other assets	2,627	—	—	2,627	2,627
Total financial assets	1,420,310	244,648	—	1,169,914	1,415,562
Deposits by customers	968,000	—	—	968,000	968,000
Amounts due to other banks	175,175	175,175	—	—	175,175
Other liabilities	4,372	—	—	4,372	4,372
Total financial liabilities	1,147,547	175,175	—	972,372	1,147,547

2020	Carrying value £000	Level 1 (quoted market price) £000	Level 2 (using observable inputs) £000	Level 3 (significant unobservable inputs) £000	Total fair value £000
Cash and balances with central banks	35,024	35,024	—	—	35,024
Cash and balances with other banks	28,368	28,368	—	—	28,368
Debt securities	12,244	12,244	—	—	12,244
Loans and advances to customers	225,445	—	—	225,386	225,386
Other assets	2,225	—	—	2,225	2,225
Total financial assets	303,306	75,636	—	227,611	303,247
Deposits by customers	177,823	—	—	177,823	177,823
Amounts due to other banks	162	162	—	—	162
Derivative financial instruments	97	—	97	—	97
Other liabilities	871	—	—	871	871
Total financial liabilities	178,953	162	97	178,694	178,953

Notes to the consolidated financial statements
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30. Fair value of financial instruments continued

Key considerations in the calculation of the disclosed fair values for the above financial assets and liabilities are as following:

- cash and balances at central banks – These represent amounts with an initial maturity of less than three months and as such, their carrying value is considered a reasonable approximation of their fair value;
- cash and balances with other banks – These represent either amounts with an initial maturity of less than three months or longer-term variable rate deposits placed with banks, where adjustments to fair value in respect of the credit risk of the counterparty are not considered necessary. Accordingly, the carrying value of the assets is considered to not be materially different from their fair value;
- UPL and auto loans and advances to customers – For fixed rate lending products, the Company has forecast cash flows for the portfolios over the loans lives. The fair value of the loans has been completed by discounting those cash flows by the current appropriate market reference rate. We deem this to be the discount rate which discounts projected cash flows of December 2021 originated loans to a net present value of zero, with an adjustment to account for the lack of active market for the loan portfolio. This approach is consistent to that applied on the Retail loan book purchase. The discount rate assumption has been sensitised below;
- credit cards loans and advances to customers have no contractual maturity and intercompany balances are repayable on demand. Therefore, their carrying value is not considered to be materially different from their fair value;
- other assets and liabilities – These represent short term receivables and payables and as such, their carrying value is not considered to be materially different from their fair value; and
- derivatives held for risk management – These represent foreign currency forward contracts which are carried at fair value. An equivalent quoted forward rate with similar term is used to calculate the fair value as at 31 December 2021.

Discount rate sensitivity

	Sensitivity of discount percentage into Level 3 fair value estimate				
2021	**-1.0% £m**	**-0.5% £m**	**Base case £m**	**+0.5% £m**	**+1.0% £m**
Loans and advances to customers	**1,176.8**	**1,172.0**	**1,167.3**	**1,162.7**	**1,158.2**
Movement	**9.5**	**4.7**	**—**	**(4.6)**	**(9.2)**

31. Loan portfolio acquisition

In December 2021, the Group acquired a loan portfolio consisting of both unsecured personal loans and hire purchase auto loans. These were purchased from Retail investors serviced by Zopa Limited's peer-to-peer lending platform, utilising a contractual clause of the loans which enabled the Group to purchase loans from investors at an amount equal to their principal value.

Since each loan was purchased at their principal value, which does not represent a market transaction, the fair value of the loans does not equal the purchase price of the loans. As a result, the fair value of the loans has been estimated using IFRS 13 fair value methodology which is disclosed in note 30. No market observable inputs existed across the portfolio, and as such, they have been measured using a discounted cash flow model. Inputs into this calculation include:

- carrying value of loans acquired;
- discount rate;
- paydown rate; and
- forward write off and recovery rates.

The discount rate used in this calculation is the discount rate which exactly discounts projected cash flows of December 2021 originated loans to a net present value of zero, with an adjustment to account for the lack of active market for the loan portfolio. This combined rate was deemed to be 6.86%. This assumption has been sensitised below.

For some credit impaired Stage 3 loans, the estimate of fair value was made using the debt sale proceeds achieved for similar loans in the most recent debt sales completed by the Group. The key inputs into this calculation include:

- carrying value of loans acquired; and
- proceeds of a recent debt sale of credit impaired loans divided by their carrying value.

Loan acquisition initial values

		Fair value at acquisition			
2021	Purchase price (principal value) £m	Level 1 (Quoted market price) £m	Level 2 (using observable inputs) £m	Level 3 (significant unobservable inputs) £m	Total fair value £m
Purchased loans	**346.9**	**—**	**—**	**345.6**	**345.6**

Discount rate sensitivity

	Sensitivity of discount percentage into Level 3 fair value estimate				
2021	-1.0% £m	-0.5% £m	Base case (6.86%) £m	+0.5% £m	+1.0% £m
Purchased loans	**348.9**	**347.2**	**345.6**	**344.0**	**342.4**
Movement	**3.3**	**1.6**	**0.0**	**(1.6)**	**(3.2)**

The £1.3m loss on acquisition is included in operating expenses in note 5.

Notes to the consolidated financial statements
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32. Financial risk management

32.1 Credit risk

Credit risk arises from when the Group's borrowers or other counterparties default on their loans or obligations. The credit quality of the financial assets has been assessed and an allowance for expected credit losses (ECL) recognised.

Counterparty credit risk arises from the Group's non-consumer counterparties with whom the Group has cash deposits. For deposits at commercial banks, the financial institutions considered need to have a credit rating above BBB-. The financial stability of counterparties is assessed prior to and at regular intervals during the relationship. Where available, the external credit rating of counterparties is monitored.

32.1.1 Governance around ECL allowance

The IFRS 9 ECL models used by the Group have been developed in-house by our Credit Risk team and validated by our Model Risk team. As explained further in note 32.1.3 below, the determination of expected credit losses is inherently judgemental and requires management to make significant judgements and estimates. To ensure that these judgements and estimates remain appropriate, the Group has in place a robust governance framework around ECL allowance. The main components of that framework are as follows:

- **Bank's Board Audit Committee (BAC)** – reviews and challenges the appropriateness of significant judgements and critical estimates made by management, including the ECL allowance.
- **Bank's Board Risk Committee (BRC)** – reviews and challenges the appropriateness of the base case and outer macroeconomic scenarios, and scenario weightings used in the measurement of ECL. The committee also reviews and challenges any significant modelling assumptions and inputs.
- **Bank's Risk Management Committee** – reviews and challenges material new models and required model changes. It also reviews and challenges results of model performance monitoring and resulting actions proposed by model owners. It delegates certain responsibilities over less material models to the Credit and Model Risk Subcommittee. RMC also reviews and challenges the base case economic scenario and outer macroeconomic scenarios, and scenario weightings.
- **Bank's Credit and Model Risk Subcommittee (CMRC)** – responsible for monitoring of credit risk and its impact on the measurement of ECL. It also reviews and challenges results of model performance monitoring and resulting actions proposed by model owners.

The reasonableness of the ECL allowance is assessed at least quarterly and includes:

- performance monitoring of ECL models against actual outcomes;
- monitoring of trends against budgets and forecasts;
- stand-back assessment comparing the level of coverage ratios against actual credit losses; and
- benchmarking key ratios against the wider market and banks of a similar size.

32.1.2 Measurement of ECL

The approach set out in this note applies to:

- financial assets measured at amortised cost;
- loan commitments; and
- finance lease receivables where we are the lessor.

The determination of expected credit losses is complex and requires the use of models, as exposure varies with changes in market conditions, expected cash flows and the passage of time. We measure ECL by assessing Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD). The loan or credit card APR is used as the discount rate as an approximation to the effective interest rate. The impact of not using the effective interest rate is not material.

Factor	Description
Probability of Default (PD)	We have developed PD models tailored to each product type to assess the likelihood of default within the next 12 months and over the lifetime of each loan or credit card account. The models calculate estimates of PD based upon the latest payment behaviour of the customer on the Zopa product, information from the Credit Reference Agencies (CRAs) and product specific characteristics. The PD model also includes an estimate of the future macroeconomic effect.
Exposure at Default (EAD)	We have developed an EAD model for the Credit Cards product to assess the likely exposure at default. The model calculates estimates of EAD based upon the latest payment behaviour of the customer, the credit limit utilisation, information from the CRAs and product specific characteristics. For Unsecured Personal Loans (UPL) and Secured Auto Loans (Auto), the EAD estimate is based on the outstanding balance of the account at observation and the contractual paydown schedule of the account taking into account any missed payments before default.
Loss Given Default (LGD)	We have developed LGD models tailored to each product type to assess the likely financial loss given an account defaults. The models calculate estimates of LGD based on historical data on observed recoveries against defaulted accounts or benchmark information obtained from third parties. The estimates include the expected benefit of debt sales. Adjustments to these estimates are made depending on the macroeconomic scenario.
Discount rate	We use the loan or credit card APR as the discount rate as an approximation to the effective interest rate.

Forecast period

We estimate PD, EAD and LGD for the duration of the lifetime of the loan or credit card account. For UPL and Auto, the duration of the lifetime is determined by the length of the loan term. For Credit Cards, the duration of the lifetime is defined as eight years.

Forward-looking information

We use forecasts on key macroeconomic indicators to estimate the macroeconomic effect on PD. The key indicators that are used are Employment related metrics and Household Debt and Income information. The model used to estimate the macroeconomic effect is a component of the PD model and has been trained on historical data obtained from a Credit Reference Agency.

We use four different macroeconomic scenarios to estimate the future macroeconomic effect, named Scenarios 1 to 4. Scenario 1 is an Upside scenario, Scenario 2 is the Baseline scenario and Scenarios 3 and 4 are both Downside scenarios. The macroeconomic scenarios are provided by an external, third-party expert. The scenarios are updated on a quarterly basis.

32.1.3 Management judgements in measurement of ECL

At the end of 2021, the key management judgement related to a post-model adjustment addressing the potential impact of the rising inflation in the UK. Inflation is not one of the macroeconomic indicators used to estimate the macroeconomic effect on PD. For this reason, we decided to apply a post-model adjustment to increase the ECL allowance held in anticipation of the impact of rising inflation on households' financials.

We use other post-model adjustments to account for the impact of scheduled changes to the UPL PD and LGD models and to the Cards PD model.

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32. Financial risk management continued
32.1 Credit risk continued
32.1.4 Significant increase in credit risk (SICR)
The estimated ECL is a function of all factors mentioned above. The performing loans and credit card accounts are split into Stage 1 and Stage 2 depending on whether a significant increase in credit risk is observed. For Stage 1 loans and credit card accounts, we calculate ECL based on the next 12 months of expected credit losses. For Stage 2 and Stage 3 loans and credit card accounts, we calculate ECL based on the lifetime expected credit losses. There are both quantitative and qualitative criteria to determine whether an account is showing evidence of significant increase in credit risk.

Quantitative criteria
The quantitative criteria are based on a comparison between the latest PD estimate for the remaining lifetime of a loan or credit card account and the lifetime PD estimate at the point of initial recognition, which is either the point of the loan or credit card origination or the point of its purchase.

Qualitative criteria
Across all products, any loan or credit card that is in forbearance is assigned to Stage 2. In UPL and Auto, any loan that is 1 day past due is assigned to Stage 2.

Backstop criteria
Across all three products, any loan or credit card account that is 30 days past due is assigned to Stage 2.

Improvement in credit risk or cure
There is no cure period assumed for loans or credit card accounts showing evidence of improvement in credit risk. This means that any account that does not meet the SICR criteria, is assigned to Stage 1.

32.1.5 Definition of default and credit impaired
The definition of default is consistent with the definition used to determine whether a loan or credit card account is credit impaired. Therefore, all defaulted accounts are assigned to Stage 3. In UPL and Credit Cards, an account is considered as defaulted if it is 90 days past due or the borrower is unlikely to pay, i.e. the loan is subject to bankruptcy, Individual Voluntary Agreement (IVA), or any other form of insolvency, the loan is fraudulent, or the borrower is deceased. In Auto, a loan is considered as defaulted if it is 60 days past due or the borrower is unlikely to pay.

32 1.6 Forbearance and exit from forbearance or cure
We encourage borrowers who are experiencing financial difficulties to draw up an affordable payment plan to pay down their arrears over time. Payment plans may offer temporary relief in the form of reductions to contractual payments. Any loan or credit card account in forbearance is assigned to Stage 2. At the end of the payment plan, a loan or credit card account can only be assigned to Stage 1 if the balance in arrears that is accumulated for the duration of the payment plan is cleared.

32.1.7 Purchased or Credit-Impaired (POCI) loans
As part of the purchase of loans from retail investors in Zopa Limited's peer-to-peer platform in December 2021 (refer to note 31 for further detail), we purchased a portfolio of credit-impaired loans (POCI). Expected credit losses on a POCI portfolio are not measured using the general model under IFRS 9. Instead, impairment on a POCI portfolio is determined based on full lifetime ECL. The lifetime ECL on initial recognition is included in the estimated cash flows when calculating the credit-impaired effective interest rate. Thus, no loss allowance is recognised on initial recognition. Subsequently, the reported ECL allowance on POCI loans represents the change in lifetime ECL since the purchase date.

Loans classified as POCI must remain in POCI until they are de-recognised. Therefore, the ECL measurement approach remains consistent throughout the life of these loans.

32.1.8 Multiple economic scenarios and scenario weightings

Baseline scenario

As mentioned above, the macroeconomic scenarios are provided by a third-party expert. The Baseline scenario (or Scenario 2) is aligned to the consensus of forecasts of key macroeconomic indicators of the UK economy. The Unemployment Rate is expected to stabilise at 4.1% in 2022, which is slightly higher than the pre-COVID-19 levels. This could be driven by a permanent effect that the pandemic has brought to the economic activity being driven away from high street locations and city centres. The inflationary pressures are putting a pressure on household finances, but the effect is largely mitigated through higher savings accumulated over the last two years. New COVID-19 variants cause economic uncertainty, but do not lead to a new lock-down. The scenario weighting assigned to the Baseline scenario is 60%.

Outer scenarios

One upside scenario

Under the Upside scenario (or Scenario 1), the economic activity continues to recover and Unemployment Rate continues to decrease reaching 3.6% in second half of 2022. This could be driven by a continuously high number of vacancies due to further labour shortages. Further, the inflationary pressures are offset by the increased savings that consumers have accumulated through COVID-19, which means that the impact on their finances is small. The effect of new COVID-19 variants that appear can be mitigated relatively easily with new measures that do not restrict the economic activity. The scenario weighting assigned to the Upside scenario is 20%.

Two downside scenarios

Under the Downside 1 scenario (or Scenario 3), the economic activity recovers in the short term, but only to deteriorate in the medium term with Unemployment Rate peaking in Q2 2023 at 6.2%. This could be driven by a new COVID-19 variant that the vaccines are not effective against. It could also be driven by more inflationary pressures or the impact of the new UK/EU trade agreement that could be worse than expected on the UK economy. The scenario weighting assigned to the Downside 1 scenario is 15%.

The Downside 2 scenario (or Scenario 4) is aligned to Bank of England’s Solvency Stress Test scenario published in January 2021 with the peak of Unemployment Rate assumed to be in the 2nd half of 2022. The Unemployment Rate peaks at 11.9% and it won’t drop to below 6.5% until 2025, as the COVID-19 impact is severe not only in the UK but across the world. The UK’s major trade partners experience a synchronised weakening in the economy and as a result world trade is very weak for the first two years. In the UK, internal consumption remains weak as consumer confidence remains low for the same time period. The scenario weighting assigned to this scenario is 5%.

Key changes to scenarios in 2021

There are three key changes to the scenarios, namely:

1. the scenario weighting of the Downside 1 scenario reduced from 25% to 15% and that of the Baseline scenario increased to 60% from 50%;
2. the peak Unemployment Rate across all scenarios has decreased materially. As an example, the peak Unemployment Rate in the Baseline scenario was at 7.5% at the end of 2020, but is now at 4.1%; and
3. the rise in inflation could lead to a suppression of households’ finances and as a result inflation is a key macroeconomic indicator that we are now monitoring.

The first two changes were driven by a material improvement in the outlook for the UK economy since the end of 2020. The improved outlook was a result of the good progress of the vaccination programme in the UK and the effectiveness of the government job support scheme. Further, the latest data points in the employment market for the period after the end of the job support scheme are very encouraging and support our current outlook.

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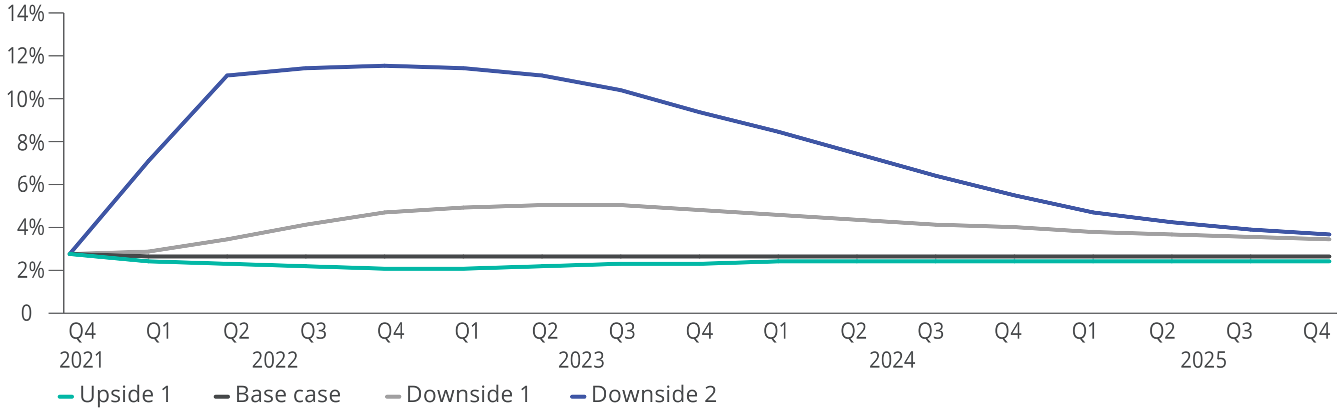
32. Financial risk management continued
32.1 Credit risk continued
32.1.8 Multiple economic scenarios and scenario weightings continued
Macroeconomic assumptions
The table below summarises the key macroeconomic indicators by scenario.

Detailed assumptions		Upside 1	Baseline	Downside 1	Downside 2
GDP	2022	5.2%	2.5%	(1.5%)	(3.6%)
	2023	2.4%	2.0%	3.7%	2.9%
Unemployment rate	2022	3.6%	4.1%	5.9%	11.9%
	2023	3.8%	4.1%	6.0%	10.0%
Debt to income	2022	51.7%	55.0%	56.8%	59.3%
	2023	51.5%	58.2%	61.0%	63.9%
Claimant count	2022	3.0%	3.5%	6.6%	10.3%
	2023	3.2%	3.4%	4.8%	8.8%

Unemployment Rate by scenario



Change over the forecast period			Upside 1	Base case	Downside 1	Downside 2
GDP	Five-year average increase/decrease	2022	13.3%	9.9%	8.8%	6.6%
	Cumulative growth/(fall) to peak/(trough)	2023	2.4%	2.0%	3.7%	2.9%
Unemployment rate	Five-year end period	2022	3.9%	4.1%	4.5%	4.8%
	Peak/(trough) at	2023	4.3%	4.3%	6.2%	11.9%
Debt to income	Five-year end period	2022	50.9%	58.4%	62.6%	65.3%
	Peak/(trough) at	2023	51.9%	58.4%	62.6%	65.3%
Claimant count	Five-year end period	2022	3.4%	3.5%	3.8%	5.3%
	Peak/(trough) at	2023	5.4%	5.4%	6.6%	10.3%

Scenario weightings

The table below shows the comparison of scenario weights.

	Upside 1	Base case	Downside 1	Downside 2
2021	**20%**	**60%**	**15%**	**5%**
2020	20%	50%	25%	5%

Sensitivity of ECL allowance

The table below shows the sensitivity of the ECL to each of the macroeconomic scenarios. In each economic scenario, the ECL for post-model adjustment is constant reflecting the basis on which they are evaluated.

	Weighted £000	Upside 1 £000	Base case £000	Downside 1 £000	Downside 2 £000
2021					
Exposure			**1,261,160**		
ECL	**54,033**	**49,435**	**52,047**	**62,898**	**83,732**
Proportion of assets in stage 2	**4.8%**	**4.6%**	**5.0%**	**7.6%**	**13.6%**
2020					
Exposure			243,692		
ECL	12,893	9,507	11,872	14,152	18,240
Proportion of assets in stage 2	2.9%	3.1%	4.5%	6.0%	16.7%

As mentioned above, we hold a post-model adjustment related to inflation. The table below shows the sensitivity of ECL to scenarios on inflation.

For the calculation of the sensitivity of ECL to inflation, we have used our latest Severe Downside scenario (Downside 2) to stress the cost of living, the cost of rent, the monthly mortgage repayments (for mortgages that are linked to the Bank of England’s base rate) and the real values of income. The stress applied is based on the scenario’s expectation of inflation, which was 6.2% at the peak in 2022. The resulting expected decrease in real values of income is 7.5% through 2022 The result is that some loans and cards in our portfolio are deemed as more vulnerable to the increase in inflation. In order to calculate the ECL impact of such a scenario, we assumed that all of the impacted loans and cards would be moved to Stage 2.

	Weighted £m	Downside 2 £m
2021		
Incremental ECL	**2.5**	**27.2**

Notes to the consolidated financial statements
continued

32. Financial risk management continued
32.1 Credit risk continued
32.1.9 Maximum and net exposure to credit risk
The tables below set out the main differences between our maximum and net exposure to credit risk on financial assets, including the effects of collateral.

For On-balance sheet disclosures, the maximum exposure to credit risk is the carrying value after ECL allowance. For Off-balance sheet disclosures, the maximum exposure to credit risk is the total amount of the financial commitment after ECL allowance.

	On-balance sheet assets			Off-balance sheet assets				
2021	**Gross balances £000**	**Loss allowance £000**	**Net balance £000**	**Gross balances £000**	**Loss allowance £000**	**Net balance £000**	**Non-cash collateral £000**	**Net exposure £000**
Cash and cash equivalents:								
– Central banks	**191,148**	**—**	**191,148**	**—**	**—**	**—**	**—**	**191,148**
– Other banks	**37,245**	**—**	**37,245**	**—**	**—**	**—**	**—**	**37,245**
– Debt securities	**16,244**	**—**	**16,244**	**—**	**—**	**—**	**—**	**16,244**
Financial assets at fair value through profit or loss:								
– Derivative financial instruments	**11**	**—**	**11**	**—**	**—**	**—**	**—**	**11**
Financial assets at amortised cost:								
– Loans and advances to customers	**1,226,487**	**(53,452)**	**1,173,035**	**34,673**	**(581)**	**34,092**	**56,199**	**1,150,928**
Other assets	**2,627**	**—**	**2,627**	**—**	**—**	**—**	**—**	**2,627**
Total	**1,473,762**	**(53,452)**	**1,420,310**	**34,673**	**(581)**	**34,092**	**56,199**	**1,398,203**

	On-balance sheet assets			Off-balance sheet assets				
2020	Gross balances £000	Loss allowance £000	Net balance £000	Gross balances £000	Loss allowance £000	Net balance £000	Non-cash collateral £000	Net exposure £000
Cash and cash equivalents:								
– Central banks	35,024	—	35,024	—	—	—	—	35,024
– Other banks	28,368	—	28,368	—	—	—	—	25,368
– Debt securities	12,244	—	12,244	—	—	—	—	12,244
Financial assets at amortised cost:								
– Loans and advances to customers	238,158	(12,713)	225,445	5,534	(180)	5,354	10,401	220,398
Other assets	2,225	—	2,225	—	—	—	—	2,225
Total	316,019	(12,713)	303,306	5,534	(180)	5,354	10,401	398,258

32.1.10 Rating distribution

The tables below set out the credit rating of financial assets, which are subject to IFRS 9 impairment assessment.

Zopa risk ratings presented in the below table are based on the following PD ranges: Tier 1 (<1.9%), Tier 2 (1.9 - 4.2%), Tier 3 (4.3 - 8.4%) and Tier 4 (> 8.4%).

	Zopa risk ratings				
2021	**Tier 1 £000**	**Tier 2 £000**	**Tier 3 £000**	**Tier 4 £000**	**Total £000**
On–balance sheet exposure					
Cash and cash equivalents:					
– Central banks					
Stage 1	191,148	—	—	—	191,148
– Other banks					
Stage 1	37,245	—	—	—	37,245
– Debt securities					
Stage 1	16,244	—	—	—	16,244
Financial assets at amortised cost:					
– Loans and advances to customers					
Stage 1	648,422	357,757	138,835	6,595	1,151,609
Stage 2	11,720	20,182	22,389	1,060	55,351
Stage 3	1,953	6,651	5,875	323	14,802
POCI	1,030	2,725	970	—	4,725
Off–balance sheet exposure					
Stage 1	4,447	15,050	14,484	—	33,981
Stage 2	14	145	452	—	611
Stage 3	2	26	53	—	81
Total exposure	912,225	402,536	183,058	7,978	1,505,797
On–balance ECL					
Cash and cash equivalents:					
– Central banks					
Stage 1	—	—	—	—	—
– Other banks					
Stage 1	—	—	—	—	—
– Debt securities					
Stage 1	—	—	—	—	—
Financial assets at amortised cost:					
– Loans and advances to customers					
Stage 1	6,799	12,451	7,675	159	27,084
Stage 2	2,175	6,196	7,121	222	15,714
Stage 3	1,340	4,981	4,166	167	10,654
Off–balance ECL					
Stage 1	80	254	246	—	580
Stage 2	—	—	1	—	1
Stage 3	—	—	—	—	—
Total ECL	10,394	23,882	19,209	548	54,033

Notes to the consolidated financial statements
continued

32. Financial risk management continued
32.1 Credit risk continued
32.1.10 Rating distribution continued

	Zopa risk ratings				
2020	Tier 1 £000	Tier 2 £000	Tier 3 £000	Tier 4 £000	Total £000
On–balance sheet exposure					
Cash and cash equivalents:					
– Central banks					
Stage 1	35,024	—	—	—	35,024
– Other banks					
Stage 1	28,368	—	—	—	28,368
– Debt securities					
Stage 1	12,244	—	—	—	12,244
Financial assets at amortised cost:					
– Loans and advances to customers					
Stage 1	128,983	74,176	26,628	349	230,136
Stage 2	743	3,505	2,983	37	7,268
Stage 3	103	343	295	13	754
Off–balance sheet exposure					
Stage 1	827	2,454	2,133	—	5,414
Stage 2	23	55	42	—	120
Stage 3	—	—	—	—	—
Total exposure	206,315	80,533	32,081	399	319,328
On–balance sheet ECL					
Cash and cash equivalents:					
– Central banks					
Stage 1	—	—	—	—	—
– Other banks					
Stage 1	—	—	—	—	—
– Debt securities					
Stage 1	—	—	—	—	—
Financial assets at amortised cost:					
– Loans and advances to customers					
Stage 1	2,927	4,622	2,120	7	9,676
Stage 2	303	1,217	1,021	3	2,544
Stage 3	62	248	176	7	492
Off–balance sheet ECL					
Stage 1	2	53	124	—	179
Stage 2	—	—	1	—	1
Stage 3	—	—	—	—	—
Total ECL	3,294	6,140	3,442	17	12,893

32.1.11 Credit performance

The tables below show credit performance of loans and advances to customers, by segmenting the gross exposure by IFRS 9 stage and POCI loans. Gross write-offs and loss allowance are shown separately.

2021	Stage 1 £000	Stage 2 £000	Stage 3 £000	POCI £000	Total £000	Gross write-offs £000	Loss allowance £000
Loans and advances to customers	1,151,609	55,351	14,802	4,725	1,226,487	723	53,452

2020	Stage 1 £000	Stage 2 £000	Stage 3 £000	POCI £000	Total £000	Gross write-offs £000	Loss allowance £000
Loans and advances to customers	230,136	7,268	754	—	238,158	215	12,713

32.1.12 Credit quality

The tables below show credit quality of On-balance sheet, and Off-balance sheet exposures, and the corresponding ECL allowance. The ECL on POCI loans is lower compared to non-POCI loans due to the ECL measurement requirements for POCI loans under IFRS 9.

2021	Stage 1 £000	Stage 2 £000	Stage 3 £000	POCI £000	Total £000
On–balance sheet exposure	1,151,609	55,351	14,802	4,725	1,226,487
Off–balance sheet exposure	33,981	611	81	—	34,673
On–balance sheet ECL	27,084	15,714	10,654	—	53,432
Off–balance sheet ECL	580	1	—	—	581

2020	Stage 1 £000	Stage 2 £000	Stage 3 £000	POCI £000	Total £000
On–balance sheet exposure	230,136	7,268	754	—	238,158
Off–balance sheet exposure	5,301	233	—	—	5,534
On–balance sheet ECL	9,676	2,544	493	—	12,713
Off–balance sheet ECL	179	1	—	—	180

Notes to the consolidated financial statements
continued

32. Financial risk management continued

32.1 Credit risk continued

32.1.13 Movement in total exposures and the corresponding ECL

The following table shows changes in total on-balance sheet, and off-balance sheet exposures, subject to IFRS 9 ECL assessment, and the corresponding ECL allowance.

	Stage 1		Stage 2		Stage 3		POCI		Total	
2021	Exposure £000	ECL £000	Exposure £000	ECL £000	Exposure £000	ECL £000	Exposure £000	ECL £000	Exposure £000	ECL £000
As at 1 January 2021	**230,136**	**9,676**	**7,268**	**2,544**	**754**	**493**	**—**	**—**	**238,158**	**12,713**
Transfers from Stage 1 to Stage 2	(11,105)	(629)	11,105	629	—	—	—	—	—	—
Transfers from Stage 2 to Stage 1	2,821	637	(2,821)	(637)	—	—	—	—	—	—
Transfers to Stage 3	(5,272)	(359)	(1,289)	(701)	6,561	1,060	—	—	—	—
Net ECL remeasurement on stage transfer	—	(299)	—	1,435	—	2,711	—	—	—	3,847
Change in economic scenarios	—	(1,211)	—	116	—	(13)	—	—	—	(1,108)
Change in ECL methodology	—	(1,746)	—	2,809	—	—	—	—	—	1,063
New lending and purchased assets	1,045,041	25,608	45,661	10,421	8,988	7,407	4,725	—	1,099,690	43,436
Redemptions and repayments	(109,280)	(4,533)	(4,009)	(501)	(632)	(162)	—	—	(113,921)	(5,196)
Disposal of assets outside of credit risk appetite	(732)	(60)	(564)	(401)	(146)	(119)	—	—	(1,442)	(580)
Written off assets	—	—	—	—	(723)	(723)	—	—	(723)	(723)
As at 31 December 2021	**1,151,609**	**27,084**	**55,351**	**15,714**	**14,802**	**10,654**	**4,725**	**—**	**1,226,487**	**53,452**
Net movement in the period	921,473	17,408	48,083	13,170	14,048	10,161	4,725	—	988,329	40,739
ECL charge to the Income Statement	—	17,408	—	13,170	—	10,161	—	—	—	40,739
Write off charge	—	—	—	—	—	723	—	—	—	723
Positive provision on POCI loans	—	—	—	—	—	—	—	(54)	—	(54)
Total ECL charge to the Income Statement	**—**	**17,408**	**—**	**13,170**	**—**	**10,884**	**—**	**(54)**	**—**	**41,408**

2020 (restated)	Stage 1 Exposure £000	Stage 1 ECL £000	Stage 2 Exposure £000	Stage 2 ECL £000	Stage 3 Exposure £000	Stage 3 ECL £000	POCI Exposure £000	POCI ECL £000	Total Exposure £000	Total ECL £000
As at 1 January 2020	15,308	109	1,348	72	158	123	—	—	16,814	304
Transfers from Stage 1 to Stage 2	(1,720)	(17)	1,720	17	—	—	—	—	—	—
Transfers from Stage 2 to Stage 1	410	17	(410)	(17)	—	—	—	—	—	—
Transfers to Stage 3	(226)	(2)	(254)	(20)	480	22	—	—	—	—
Net ECL remeasurement on stage transfer	—	(13)	—	106	—	158	—	—	—	251
Change in economic scenarios	—	106	—	261	—	84	—	—	—	451
New lending and purchased assets	221,721	9,482	5,859	2,147	349	331	—	—	227,929	11,960
Redemptions and repayments	(5,357)	(6)	(995)	(22)	(18)	(10)	—	—	(6,370)	(38)
Written off assets	—	—	—	—	(215)	(215)	—	—	(215)	(215)
As at 31 December 2020	230,136	9,676	7,268	2,544	754	493	—	—	238,158	12,713
Net movement in the period	214,828	9,567	5,920	2,472	596	370	—	—	221,344	12,409
ECL charge to the Income Statement	—	9,567	—	2,472	—	370	—	—	—	12,409
Write off charge	—	—	—	—	—	215	—	—	—	215
Total ECL charge to the Income Statement	—	9,567	—	2,472	—	585	—	—	—	12,624

The methodology used for determination of movements has been refined in line with peers and DECL recommendations. The 2020 disclosure has been retrospectively adjusted in line with the updated methodology.

Notes to the consolidated financial statements
continued

32. Financial risk management continued
32.1 Credit risk continued
32.1.14 Collateral analysis
We hold collateral against secured auto loans in the form of motor vehicles. The tables below set out our exposure and ECL allowance against a range of loan-to-value (LTV) segments. The value of collateral used in determining the LTV ratios has been calculated based upon the collateral valuation performed at origination.

	Stage 1		Stage 2		Stage 3		POCI		Total	
2021	**Exposure £000**	**ECL £000**	**Exposure £000**	**ECL £000**	**Exposure £000**	**ECL £000**	**Exposure £000**	**ECL £000**	**Exposure £000**	**ECL £000**
Less than 50%	**2,573**	**16**	**34**	**2**	**8**	**4**	**—**	**—**	**2,615**	**22**
50% to 70%	**8,659**	**60**	**222**	**31**	**19**	**10**	**8**	**—**	**8,908**	**101**
70% to 80%	**10,740**	**87**	**259**	**38**	**12**	**6**	**2**	**—**	**11,013**	**131**
80% to 90%	**20,299**	**183**	**415**	**46**	**214**	**109**	**62**	**—**	**20,990**	**338**
90% to 100%	**35,886**	**397**	**1,618**	**260**	**575**	**297**	**151**	**—**	**38,230**	**954**
Greater than 100%	**34,813**	**442**	**1,734**	**286**	**510**	**262**	**197**	**—**	**37,254**	**990**
Total	**112,970**	**1,185**	**4,281**	**663**	**1,338**	**688**	**420**	**—**	**119,010**	**2,536**

	Stage 1		Stage 2		Stage 3		POCI		Total	
2020	Exposure £000	ECL £000	Exposure £000	ECL £000	Exposure £000	ECL £000	Exposure £000	ECL £000	Exposure £000	ECL £000
Less than 50%	332	4	41	1	—	—	—	—	373	5
50% to 70%	1.314	17	173	11	36	19	—	—	1,523	47
70% to 80%	1,736	24	248	36	—	—	—	—	1,984	60
80% to 90%	3,399	56	351	51	87	47	—	—	3,837	154
90% to 100%	6,513	125	1,077	248	250	132	—	—	7,840	505
Greater than 100%	5,700	96	552	104	89	48	—	—	6,341	248
Total	18,994	322	2,442	451	462	246	—	—	21,898	1,019

32.1.15 Credit risk for other financial assets
Credit risk exists where we have acquired securities or placed cash deposits with other financial institutions as part of our treasury portfolio of assets. We consider the credit risk of treasury assets to be relatively low. No assets are held for speculative purposes or actively traded. Certain liquid assets are held as part of our liquid asset buffer. At 31 December 2021, all treasury assets were in Stage 1. The table below sets out information about the credit quality of treasury financial assets.

	AAA		AA–		A+ to A–		Total	
	2021 £000	2020 £000	**2021 £000**	2020 £000	**2021 £000**	2020 £000	**2021 £000**	2020 £000
Cash and cash equivalents:								
– Central banks	**—**	—	**191,148**	35,024	**—**	—	**191,148**	35,024
– Other banks	**—**	—	**—**	—	**37,245**	28,368	**37,245**	28,368
– Debt securities	**16,244**	12,244	**—**	—	**—**	—	**16,244**	12,244
Total	**16,244**	12,244	**191,148**	35,024	**37,245**	28,368	**244,637**	75,636

32.2 Market risk

Market risk is the risk of a reduction in earnings, value or reserves caused by changes in the prices of financial instruments. The Group's market risk consists primarily of exposure to changes in interest rates. Interest rate risk is the risk that the net value of, or net income arising from, the firm's assets and liabilities is impacted as a result of changes to interest rates. Financial Assets are limited to fixed interest rated income from loans and advances to customers, UK Government T-Bills and Money Market Funds (MMF) and cash and balances with other banks. The Group has no financial assets or liabilities that reference LIBOR. The only source of borrowing relates to inter-company loans from other Group undertakings.

32.2.1 Repricing analysis

The following table sets out the Group's interest rate repricing gaps over a period of five years from the balance sheet date. A positive repricing gap exists when more assets than liabilities reprice during a set period. The opposite is true for a negative repricing gap.

2021	Non-interest bearing £000	Up to 3 months £000	3–6 months £000	6–12 months £000	1–5 years £000	Over 5 years £000	Total £000
Cash and cash equivalents:							
– Central banks	—	191,148	—	—	—	—	191,148
– Other banks	—	37,245	—	—	—	—	37,245
– Debt securities	—	16,244	—	—	—	—	16,244
Financial assets at fair value through profit or loss:							
– Derivative financial instruments	11	—	—	—	—	—	11
Financial assets at amortised cost:							
– Loans and advances to customers	—	44,969	5,591	32,770	1,085,911	3,794	1,173,035
Other assets[1]	2,627	—	—	—	—	—	2,627
Total assets	2,638	289,606	5,591	32,770	1,085,911	3,794	1,420,310
Financial liabilities at amortised cost:							
– Derivative financial instruments	—	—	—	—	—	—	—
Financial liabilities at amortised cost:							
– Deposits by customers	—	62,324	57,466	528,452	319,644	114	968,000
– Amounts due to banks	83	175,092	—	—	—	—	175,175
Other liabilities[2]	4,372	—	—	—	—	—	4,372
Total liabilities	4,455	237,416	57,466	528,452	319,644	114	1,147,547
Interest rate sensitivity gap	(1,817)	52,190	(51,875)	(495,682)	766,267	3,680	272,763
Cumulative gap	(1,817)	50,373	(1,502)	(497,184)	269,083	272,763	272,763

Notes to the consolidated financial statements
continued

32. Financial risk management continued
32.2 Market risk continued
32.2.1 Repricing analysis continued

2020	Non-interest bearing £000	Up to 3 months £000	3–6 months £000	6–12 months £000	1–5 years £000	Over 5 years £000	Total £000
Cash and cash equivalents:							
– Central banks	—	35,024	—	—	—	—	35,024
– Other banks	—	28,368	—	—	—	—	28,368
– Debt securities	—	12,244	—	—	—	—	12,244
Financial assets at fair value through profit or loss:							
– Derivative financial instruments	—	—	—	—	—	—	—
Financial assets at amortised cost:							
– Loans and advances to customers	—	3,734	755	6,831	213,385	740	225,445
Other assets[1]	2,225	—	—	—	—	—	2,225
Total assets	2,225	73,370	755	6,831	213,385	740	303,306
Financial liabilities at fair value through profit or loss:							
– Derivative financial instruments	97	—	—	—	—	—	97
Financial liabilities at amortised cost:							
– Deposits by customers	—	—	4	119,886	57,898	35	177,823
– Amounts due to banks	162	—	—	—	—	—	162
Other liabilities[2]	871	—	—	—	—	—	871
Total liabilities	1,130	—	4	119,886	57,898	35	178,953
Interest rate sensitivity gap	1,095	79,370	751	(113,055)	155,487	705	124,353
Cumulative gap	1,095	80,465	81,216	(31,839)	123,648	124,353	124,353

1. Other assets includes unallocated customer transactions in transit and refundable rental deposits.
2. Other liabilities includes unallocated customer transactions in transit, supplier balances and deferred P2P origination costs.

32.2.2 Sensitivity to interest yield curve
The following sensitivity analysis shows the impact of a two-percentage point shift in the interest yield curve on the expected net interest income over a one year forecasting horizon for financial instruments held at the end of the year:

	2021 £000	2020 £000
2% shift up of the yield curve	**723**	(4,591)
2% shift down of the yield curve	**(989)**	5,013

32.3 Liquidity risk

Liquidity risk is the risk that the Group fails to meet its short-term obligations as they fall due. The following disclosures show the liquidity risk present at the balance sheet date.

32.3.1 Liquid assets

The following table sets out liquid assets available to the Group at the balance sheet date. Liquid assets are those assets that can be easily converted into cash on a short notice.

	2021 £000	2020 £000
Cash at central bank	**191,148**	35,024
Unencumbered cash and bank balances	**34,565**	28,280
Government money market fund	**16,244**	12,244
Total liquid assets	**241,957**	75,548
Add: encumbered cash and bank balances	**2,680**	88
Total cash and cash equivalents	**244,637**	75,636

32.3.2 Contractual maturity

The following tables split the carrying amount of the Group's financial assets and liabilities based on the final contractual maturity date. This information is not used by the Group in managing the liquidity risk, because in practice these assets and liabilities may mature earlier or later than implied by their contractual tenor, for example if repaid earlier.

2021	Carrying value £000	Repayable on demand £000	Up to 3 months £000	3–6 months £000	6–12 months £000	1–5 years £000	Over 5 years £000	No contractual maturity £000
Cash and cash equivalents:								
– Central banks	191,148	191,148	—	—	—	—	—	—
– Other banks	37,245	37,245	—	—	—	—	—	—
– Debt securities	16,244	16,244	—	—	—	—	—	—
Financial assets at fair value through profit or loss:								
– Derivative financial instruments	11	—	8	3	—	—	—	—
Financial assets at amortised cost:								
– Loans and advances to customers	1,173,035	245	1,657	5,591	32,770	1,085,911	3,794	43,067
Other assets[1]	2,627	—	2,627	—	—	—	—	—
Total assets	1,420,310	244,882	4,292	5,594	32,770	1,085,911	3,794	43,067
Financial liabilities at amortised cost:								
– Deposits by customers	968,000	12,896	49,428	57,466	528,452	319,644	114	—
– Amounts due to banks	175,175	83	46	25,046	—	150,000	—	—
Other liabilities[2]	4,372	—	4,372	—	—	—	—	—
Total liabilities	1,147,547	12,979	53,846	82,512	528,452	469,644	114	—
Liquidity gap	272,763	231,903	(49,554)	(76,918)	(495,682)	616,267	3,680	43,067
Cumulative liquidity gap	272,763	231,903	182,349	105,431	(390,251)	226,016	229,696	272,763

Notes to the consolidated financial statements
continued

32. Financial risk management continued
32.3 Liquidity risk continued
32.3.2 Contractual maturity continued

2020	Carrying value £000	Repayable on demand £000	Up to 3 months £000	3–6 months £000	6–12 months £000	1–5 years £000	Over 5 years £000	No contractual maturity £000
Cash and cash equivalents:								
– Central banks	35,024	35,024	—	—	—	—	—	—
– Other banks	28,368	28,368	—	—	—	—	—	—
– Debt securities	12,244	12,244	—	—	—	—	—	—
Financial assets at amortised cost:								
– Loans and advances to customers	225,445	1	373	755	6,831	213,385	740	3,360
Other assets[1]	2,225	—	2,225	—	—	—	—	—
Total assets	303,306	75,637	2,598	755	6,831	213,385	740	3,360
Financial liabilities at amortised cost:								
– Derivative financial instruments	97	—	36	49	12	—	—	—
Financial liabilities at amortised cost:								
– Deposits by customers	177,823	—	—	4	119,886	57,898	35	—
– Amounts due to banks	162	162	—	—	—	—	—	—
Other liabilities[2]	871	—	871	—	—	—	—	—
Total liabilities	178,953	162	907	53	(119,898)	57,898	35	—
Liquidity gap	124,353	75,475	1,691	702	(113,067)	155,487	705	3,360
Cumulative liquidity gap	124,353	75,475	77,166	77,868	(35,199)	120,288	120,993	124,353

1. Other assets includes unallocated customer transactions in transit and refundable rental deposits.
2. Other liabilities includes unallocated customer transactions in transit, supplier balances and deferred P2P origination costs.

32.4 Capital risk and management

Capital risk is the risk that the Group has insufficient capital to cover regulatory requirements and/or support its growth plans. Financial performance is regularly reviewed by various committees in the business, focusing on the amount of regulatory capital needed. This is especially important as the business continues to expand. The process includes the monitoring of the annual budget and forecast process from which cash flow and capital assessments and projections are made.

Capital resources as at the reporting date were as follows:

	2021 £000	2020 £000
Common Equity Tier (CET 1) 1		
Called-up share capital	**1,336**	912
Share premium	**370,856**	195,604
Other reserves	**64,569**	62,305
Retained losses	**(166,249)**	(124,747)
Less: intangible assets	**(9,346)**	(11,106)
Total CET 1 capital	**261,166**	122,968
Total capital resources	**261,166**	122,968

The Group is subject to external capital requirements which have been met throughout the year.

33. Post balance sheet events

On 11 January 2022, the Group acquired a loan portfolio consisting of both unsecured personal loans and hire purchase auto loans. Identically to the loan acquisition in December 2021, these loans were purchased from Retail investors whose loans were previously serviced by Zopa Limited, utilising a contractual clause of the loans which enabled the Group to purchase loans from investors at an amount equal to their principal value. The purchase price of these loans on acquisition was £71.2m.

On 10 February 2022, the Group sold Zopa Limited to Plata Holdings UK Limited, an affiliate of IAG Silverstripe Partners LLC, for a consideration of £3.8m. As of 31 December 2021, Zopa Limited was a 100% owned subsidiary of Zopa Group Limited and was consolidated into the Group financial statements.

Company statement of financial position

As at 31 December

	Notes	2021 £000	2020 £000
Assets			
Cash and cash equivalents:			
– Other banks		**2,785**	1,400
– Debt securities		**—**	1
Financial assets at amortised cost:			
– Amounts due from other Group undertakings	6	**17,002**	27
Prepayments and accrued income		**240**	174
Investment in Subsidiaries	7	**356,627**	208,675
Other assets		**2,688**	188
Total assets		**379,342**	210,465
Liabilities			
Financial liabilities at amortised cost:			
– Amounts due to other Group undertakings	6	**70**	3,160
Accruals		**6,990**	330
Other liabilities		**417**	18
Total liabilities		**7,477**	3,508
Equity			
Called-up share capital	8	**1,336**	912
Share premium	8	**370,856**	195,604
Other reserves	9	**68,866**	66,599
Retained losses		**(69,193)**	(56,158)
Total equity		**371,865**	206,957
Total equity and liabilities		**379,342**	210,465

The accompanying accounting policies and notes on pages 115 to 123 are an integral part of the financial statements.

The financial statements were approved by the Board of Directors on 26 April 2022 and signed on its behalf by:

Jaidev Janardana
Chief Executive Officer

Steve Hulme
Chief Financial Officer

Company statement of changes in equity

For the year ended 31 December

	Notes	Called–up share capital £000	Share premium £000	Other reserves £000	Retained losses £000	Total equity £000
Balance as at 1 January 2020		398	57,951	65,506	(46,526)	77,329
Total comprehensive loss		—	—	—	(9,632)	(9,632)
Shares issued	8	514	137,653	—	—	138,167
Net share option movements	9	—	—	1,157	—	1,157
Other movements	9	—	—	(64)	—	(64)
Balance as at 31 December 2020		912	195,604	66,599	(56,158)	206,957
Balance as at 1 January 2021		**912**	**195,604**	**66,599**	**(56,158)**	**206,957**
Total comprehensive loss		**—**	**—**	**—**	**(13,035)**	**(13,035)**
Shares issued	8	**432**	**175,252**	**—**	**—**	**175,684**
Net share option movements	9	**—**	**—**	**2,267**	**—**	**2,267**
Other Movements	9	**(8)**	**—**	**—**	**—**	**(8)**
Balance as at 31 December 2021		**1,336**	**370,856**	**68,866**	**(69,193)**	**371,865**

The accompanying accounting policies and notes on pages 115 to 123 are an integral part of the financial statements.

Company statement of cash flows

As at 31 December

	Notes	2021 £000	2020 £000
Reconciliation of loss before tax to net cash flows from operating activities:			
Loss before tax		**(13,130)**	(9,755)
Adjustments for:			
– Non-cash items	5	**11,306**	6,596
– Changes in operating assets and liabilities	5	**4,589**	(1,671)
– Tax paid		**—**	—
Net cash generated from/(used in) operating activities		**2,765**	(4,830)
Cash flows from investing activities			
Investment in subsidiaries		**(157,000)**	(138,160)
Interest received on debt securities		**—**	—
Net cash generated used in investing activities		**(157,000)**	(138,160)
Cash flows from financing activities			
Shares issued	8	**180,236**	140,366
Cost of shares issued	8	**(4,552)**	(2,201)
Change in amounts due to and from other Group undertakings	6	**(20,065)**	5,452
Net cash generated from financing activities		**155,619**	143,617
Net increase in cash and cash equivalents		**1,384**	627
Cash and cash equivalents at start of year		**1,401**	774
Cash and cash equivalents at end of year		**2,785**	1,401
Loss before tax includes:			
Interest received		**54**	45
Interest paid		**(32)**	—

The statement of cashflows has been represented. Details of the presentational change has been disclosed in note 5.

The accompanying accounting policies and notes on pages 115 to 123 are an integral part of the financial statements.

Notes to the Company financial statements

1. Basis of preparation and significant accounting policies

Overview

This section sets out Zopa Group Limited's ('the Company') accounting policies that relate to its unconsolidated financial statements as a whole. Consolidated Zopa Group accounting policies have been applied consistently to the Company only financial statements of Zopa Group Limited. Where an accounting policy is specific to one note, the policy is described in the note to which it relates.

1.1 General information

The Company is a private limited company limited by shares incorporated in England & Wales and domiciled in the United Kingdom under the Companies Act 2006 (registered number 10624955). The registered office is at First Floor Cottons Centre, 47–49 Tooley Street, London, England, SE1 2QG. The Company is part of the Zopa Group (the 'Group'), but predominantly acts as a financial holding company for Zopa Bank Limited.

1.2 Basis of preparation

The financial statements of the Company comply with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards.

The financial information has been prepared under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities at fair value through profit or loss. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. All policies have been consistently applied to all the years presented unless stated otherwise.

1.3 Going concern

The Directors consider that it is appropriate to continue to adopt the going concern basis of accounting in preparing the financial statements. In reaching this assessment, the Directors have considered projections for the Company's capital and funding position, statement of financial position (balance sheet), profitability, cash flows, as well as other principal risks disclosed in the Strategic Report. As part of this process the Directors have considered an updated long-term plan including associated upside and downside scenarios. All scenarios considered incorporate assumptions surrounding the potential impacts of Brexit and the continuing COVID-19 pandemic on the economy over both the near and longer terms. Directors also considered the key assumptions and uncertainties that feed into these plans alongside management actions and mitigants that are available. Under all scenarios considered the Directors believe the Company to remain a going concern on the basis that it maintains sufficient resources to be able to continue to operate for the period of at least 12 months since the date of authorisation of these financial statements.

1.4 Functional and presentational currency

The financial statements are presented in Pounds Sterling ('GBP'), which is the functional and presentational currency of the Company. All amounts have been rounded to the nearest thousand ('£000'), except where otherwise indicated.

Foreign currency transactions are translated into functional currency using the spot exchange rate at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency using the spot exchange rate at the reporting date. Foreign exchange gains and losses resulting from the restatement and settlement of such transactions are recognised in the statement of comprehensive income.

Non-monetary assets and liabilities that are measured on a historical cost basis and denominated in foreign currencies are translated into the functional currency using the spot exchange rate at the date of the transaction. Non-monetary assets and liabilities that are measured at fair value and denominated in foreign currencies are translated into the functional currency at the spot exchange rate at the date of valuation.

1.5 Segmental reporting

IFRS 8 requires operating segments to be identified on the basis of internal reports and components of the Company that are regularly reviewed by the Chief Operating Decision Maker. For this purpose, the Chief Operating Decision Maker of the Company is the Board of Directors. The Board considers the results of the Company as a whole when assessing the performance and allocating resources. Accordingly, the Company has a single operating segment. No geographical or customer-level analysis is required as the Company operates solely within the UK and is not reliant on any single customer.

1.6 Cash flows statement

The statement of cash flows shows the changes in cash and cash equivalents arising during the year from operating activities, investing activities and financing activities. The cash flows from operating activities are determined by using the indirect method. Under that method, loss before tax is adjusted for non-cash items and changes in operating assets and liabilities to determine net cash inflows or outflows from operating activities. Cash flows from investing and financing activities are determined using the direct method which directly reports the cash effects of the transactions.

Notes to the Company financial statements continued

2. Independent auditors' fees

The auditor fees are included in the consolidated group audit fees detailed in note 8.

All non-audit services are on the FRC's approved list of non-audit services.

3. Directors' remuneration

The Company had no employees in 2021 (2020: nil). Directors are paid via other Group entities as detailed in note 7 to the consolidated financial statements..

4. Financial instruments

The following table summarises the classification and carrying amounts of the Company's financial assets and liabilities:

31 December 2021	FVTPL £000	FVOCI £000	Amortised cost £000	Total £000
Cash and balances with other banks	—	—	2,785	2,785
Amounts due from other Group undertakings	—	—	17,002	17,002
Total financial assets	—	—	19,787	19,787
Amounts due to other Group undertakings	—	—	70	70
Other liabilities	—	—	417	417
Total financial liabilities	—	—	487	487

31 December 2021 (restated)	FVTPL £000	FVOCI £000	Amortised cost £000	Total £000
Cash and balances with other banks	—	—	1,400	1,400
Debt securities	—	—	1	1
Amounts due from other Group undertakings	—	—	27	27
Total financial assets	—	—	1,428	1,428
Amounts due to other Group undertakings	—	—	3,160	3,160
Other liabilities	—	—	2	2
Total financial liabilities	—	—	3,162	3,162

The 2020 other assets and other liabilities balances have been restated due to a change in classification between financial instruments and non-financial instruments.

5. Cash flow information

5.1 Cash generated from operations

	Notes	2021 £000	2020 £000
Loss before tax		**(13,130)**	(9,755)
Adjustments for non-cash items:			
– Impairment of investment in subsidiaries	7	**11,315**	6,658
– Other non-cash items		**(9)**	(62)
Total adjustments for non-cash items		**11,306**	6,596
Changes in operating assets and liabilities:			
– Prepayments and accrued income		**(68)**	(71)
– Accruals		**6,660**	(1,599)
– Other assets		**(2,405)**	—
– Other liabilities		**402**	(1)
Total changes in operating assets and liabilities		**4,589**	(1,671)

The 2020 trading change in amounts due to and from other group undertakings (£1.7m) have been represented in financing activities from operating activities.

6. Amounts due to and from other Group undertakings

Intercompany balances are repayable on demand with the exception of the Zopa Bank Limited open credit facility. The Zopa Bank Limited open credit facility has a final repayment date of 7 December 2023. The credit facility bears interest equal to 2%.

2021	**Income £000**	**Expenditure £000**	**Amounts due from related parties £000**	**Amounts due to related parties £000**
Zopa Bank Limited – trading balances	**265**	**524**	**—**	**70**
Zopa Bank Limited – intercompany loan	**53**	**—**	**17,000**	**—**
Zopa Limited – trading balances	**180**	**138**	**2**	**—**
Zopa Limited – intercompany loan	**—**	**32**	**—**	**—**
Total	**498**	**694**	**17,002**	**70**

All trading balances have been settled in full post year end.

2020	Income £000	Expenditure £000	Amounts due from related parties £000	Amounts due to related parties £000
Zopa Bank Limited – trading balances	—	636	—	44
Zopa Bank Limited – intercompany loan	44	—	—	—
Zopa Limited – trading balances	211	168	27	—
Zopa Limited – intercompany loan	—	51	—	3,116
Total	255	855	27	3,160

Notes to the Company financial statements continued

7. Investment in subsidiaries

Accounting policy & commentary

Investments in subsidiaries are initially recognised at cost. Investments are tested for impairment whenever events, or changes in circumstances, indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use.

For the purposes of assessing impairment, assets are Grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or Groups of assets (cash-generating units). An impairment loss is recognised at the amount by which the asset's carrying amount exceeds its recoverable amount.

Throughout 2021 the Company had a 100% interest in the total ordinary share capital of Zopa Limited and Zopa Bank Limited, both trading companies incorporated in the UK. The registered office for all subsidiary undertakings is 1st Floor, Cottons Centre, 47–49 Tooley Street, London, England, SE1 2QG. Individual financial statements for Zopa Limited (company number 05197592) and Zopa Bank Limited (company number 10627575) can be obtained from Companies House. All subsidiary undertakings are included in the consolidated financial statements.

Following an impairment in the Zopa Limited investment in subsidiary in 2020, an impairment review was completed in 2021. It was identified that the fair value less costs to sell exceeded the value in use valuation, and thus represents the recoverable amount. At the end of the reporting period the Company determined that an impairment of its investment in subsidiary, Zopa Limited, was necessary due to the carrying value exceeding the recoverable amount. The recoverable amount was deemed to be fair value less costs to sell, which were determined using the basis of the post year end sale of Zopa Limited.

	Zopa Bank £000	Zopa Limited £000	Total £000
Balance at 1 January 2020	56,016	20,000	76,016
Share purchase	138,159	—	138,159
Capital contribution for share-based payments	919	238	1,157
Impairment of investment in subsidiaries	—	(6,657)	(6,657)
Balance at 31 December 2020	195,094	13,581	208,675
Balance at 1 January 2021	**195,094**	**13,581**	**208,675**
Share purchase	**157,000**	**—**	**157,000**
Capital contribution for share-based payments	**1,856**	**411**	**2,267**
Impairment of investment in subsidiaries	**—**	**(11,315)**	**(11,315)**
Balance at 31 December 2021	**353,950**	**2,677**	**356,627**

8. Called-up share capital and share premium

Refer to note 24 within the consolidated financial statements, which reflects Zopa Group Limited's share capital and share premium.

9. Other reserves

	Share schemes £000	Merger reserve £000	Capital redemption reserve £000	Treasury shares £000	Total £000
Balance as at 1 January 2020	4,275	61,242	—	(11)	65,506
Share options	1,157	—	—	—	1,157
Net repurchases of own shares	—	—	—	(67)	(67)
Net movement in notional value of EMI loans	—	—	—	3	3
Balance as at 31 December 2020	5,432	61,242	—	(75)	66,599
Balance as at 1 January 2021	**5,432**	**61,242**	**—**	**(75)**	**66,599**
Share options	**2,267**	**—**	**—**	**—**	**2,267**
Net repurchases of own shares	**—**	**—**	**—**	**(12)**	**(12)**
Net movement in notional value of EMI loans	**—**	**—**	**—**	**3**	**3**
Capital Restructuring	**—**	**—**	**9**	**—**	**9**
Balance as at 31 December 2021	**7,699**	**61,242**	**9**	**(84)**	**68,866**

10. Related parties

Related party transactions and balances in relation to the Company's subsidiaries can be found in note 6.

There were no related party transactions in relation to key management personnel who are defined as the directors of the Company.

Notes to the Company financial statements continued

11. Fair value of financial instruments

2021	Carrying value £000	Level 1 (Quoted market price) £000	Level 2 (using observable inputs) £000	Level 3 (significant unobservable inputs) £000	Total fair value £000
Cash and balances with other banks	**2,785**	**2,785**	**—**	**—**	**2,785**
Amounts due from other Group undertakings	**17,002**	**—**	**—**	**17,002**	**17,002**
Total financial assets	**19,787**	**2,785**	**—**	**17,002**	**19,787**
Amounts due to other Group undertakings	**70**	**—**	**—**	**70**	**70**
Other liabilities	**417**	**—**	**—**	**417**	**417**
Total financial liabilities	**487**	**—**	**—**	**487**	**487**

2020	Carrying value £000	Level 1 (Quoted market price) £000	Level 2 (using observable inputs) £000	Level 3 (significant unobservable inputs) £000	Total fair value £000
Cash and balances with other banks	1,400	1,400	—	—	1,400
Debt securities	1	1	—	—	1
Amounts due from other Group undertakings	27	—	—	27	27
Total financial assets	1,428	1,401	—	27	1,428
Amounts due to other Group undertakings	3,160	—	—	3,160	3,160
Other liabilities	2	—	—	2	2
Total financial liabilities	3,162	—	—	3,162	3,162

12. Ultimate controlling party

IAG Silverstripe Partners LLC (incorporated in the United States of America) is considered to be the ultimate parent and controlling party.

13. Financial risk management

13.1 Credit risk

Credit risk arises from when the Company's borrowers or other counterparties default on their loans or obligations. The credit quality of the financial assets has been assessed and an allowance for expected credit losses ("ECL") recognised.

Counterparty credit risk arises from the Company's non-consumer counterparties with whom the Company has cash deposits. For deposits at commercial banks, the financial institutions considered need to have a credit rating above BBB-. The financial stability of counterparties is assessed prior to and at regular intervals during the relationship. Where available, the external credit rating of counterparties is monitored.

13.1.1 Maximum and net exposure to credit risk

	On-balance sheet assets			**Off-balance sheet assets**				
2021	**Gross balances £000**	**Loss allowance £000**	**Net balance £000**	**Gross balances £000**	**Loss allowance £000**	**Net balance £000**	**Non-cash collateral £000**	**Net exposure £000**
Cash and cash equivalents:								
– Other banks	**2,785**	**—**	**2,785**	**—**	**—**	**—**	**—**	**2,785**
Financial assets at amortised cost:								
– Amounts due from other Group undertakings	**17,002**	**—**	**17,002**	**—**	**—**	**—**	**—**	**17,002**
Total	**19,787**	**—**	**19,787**	**—**	**—**	**—**	**—**	**19,787**

	On-balance sheet assets			Off-balance sheet assets				
2020	Gross balances £000	Loss allowance £000	Net balance £000	Gross balances £000	Loss allowance £000	Net balance £000	Non-cash collateral £000	Net exposure £000
Cash and cash equivalents:								
– Other banks	1,400	—	1,400	—	—	—	—	1,400
– Debt securities	1	—	1	—	—	—	—	1
Financial assets at amortised cost:								
– Amounts due from other Group undertakings	27	—	27	—	—	—	—	27
Total	1,428	—	1,428	—	—	—	—	1,428

13.2 Market risk

Market risk is the risk of a reduction in earnings, value or reserves caused by changes in the prices of financial instruments. The Company's market risk consists primarily of exposure to changes in interest rates. Interest rate risk is the risk that the net value of, or net income arising from, the firm's assets and liabilities is impacted as a result of changes to interest rates. The Company has no financial assets or liabilities that reference LIBOR. The only source of borrowing relates to inter-company loans from other Group undertakings.

Notes to the Company financial statements continued

13. Financial risk management continued

13.3 Liquidity risk

Liquidity risk is the risk that the Company fails to meet its short-term obligations as they fall due. The following disclosures show the liquidity risk present at the balance sheet date.

13.3.1 Liquid assets

The following table sets out liquid assets available to the Company at the balance sheet date. Liquid assets are those assets that can be easily converted into cash on a short notice.

	2021 £000	2020 £000
Unencumbered cash and bank balances	**2,785**	1,400
Debt securities	**—**	1
Total liquid assets	**2,785**	1,401
Add: encumbered cash and bank balances	**—**	—
Total cash and cash equivalents	**2,785**	1,401

13.3.2 Contractual maturity

The following tables split the carrying amount of the Company's financial assets and liabilities based on the final contractual maturity date. This information is not used by the Company's in managing the liquidity risk, because in practice these assets and liabilities may mature earlier or later than implied by their contractual tenor, for example if repaid earlier.

2021	**Carrying value £000**	**Repayable on demand £000**	**Up to 3 months £000**	**3–6 months £000**	**6–12 months £000**	**1–5 years £000**	**Over 5 years £000**
Cash and cash equivalents:							
– Other banks	**2,785**	**2,785**	**—**	**—**	**—**	**—**	**—**
Financial assets at amortised cost:							
– Amounts due from other Group undertakings	**17,002**	**2**	**—**	**—**	**—**	**17,000**	**—**
Total assets	**19,787**	**2,787**	**—**	**—**	**—**	**17,000**	**—**
Financial liabilities at amortised cost:							
– Amounts due to other Group undertakings	**70**	**70**	**—**	**—**	**—**	**—**	**—**
Other liabilities[1]	**417**	**—**	**417**	**—**	**—**	**—**	**—**
Total liabilities	**487**	**70**	**417**	**—**	**—**	**—**	**—**
Liquidity gap	**19,300**	**2,717**	**(417)**	**—**	**—**	**17,000**	**—**
Cumulative liquidity gap	**19,300**	**2,717**	**2,300**	**2,300**	**2,300**	**19,300**	**19,300**

2020	Carrying value £000	Repayable on demand £000	Up to 3 months £000	3–6 months £000	6–12 months £000	1–5 years £000	Over 5 years £000
Cash and cash equivalents:							
– Other banks	1,400	1,400	—	—	—	—	—
– Debt securities	1	1	—	—	—	—	—
Financial assets at amortised cost:							
– Amounts due from other Group undertakings	27	27	—	—	—	—	—
Total assets	1,428	1,428	—	—	—	—	—
Financial liabilities at amortised cost:							
– Amounts due to other Group undertakings	3,160	44	—	—	—	3,116	—
Other liabilities[1]	2	—	2	—	—	—	—
Total liabilities	3,162	44	2	—	—	3,116	—
Liquidity gap	(1,734)	1,384	(2)	—	—	(3,116)	—
Cumulative liquidity gap	(1,734)	1,384	1,382	1,382	1,382	(1,734)	(1,734)

1. Other liabilities includes supplier balances.

13.4 Capital risk and management

Capital risk is the risk that the Company has insufficient capital to cover regulatory requirements and/or support its growth plans. Financial performance is regularly reviewed by various committees in the business, focusing on the amount of regulatory capital needed. This is especially important as the business continues to expand. The process includes the monitoring of the annual budget and forecast process from which cash flow and capital assessments and projections are made.

Capital resources as at the reporting date were as follows:

	2021 £000	2020 £000
Common Equity Tier 1 (CET 1)		
Called-up share capital	**1,336**	912
Share premium	**370,856**	195,604
Other reserves	**68,871**	66,599
Retained losses	**(69,192)**	(56,158)
Total CET 1 capital	**371,871**	206,957
Total capital resources	**371,871**	206,957

14. Post balance sheet events

On 28 January 2022, the company purchased a further £2.0m shares for cash in Zopa Bank Limited, who are a 100% subsidiary of the Company.

On 10 February 2022, the Group sold Zopa Limited to Plata Holdings UK Limited, an affiliate of IAG Silverstripe Partners LLC, for a consideration of £3.8m. As of 31 December 2021, Zopa Limited was a 100% owned subsidiary of Zopa Group Limited and was consolidated into the Group financial statements.

Additional information

Consolidated Zopa Group Alternative Performance Measures and Key Ratios (unaudited)

In the reporting of financial information, we use certain measures that are not required under IFRS, the Generally Accepted Accounting Principles (GAAP) under which we report. These measures are consistent with those used by management to assess underlying performance. In addition, a number of non-IFRS metrics are calculated which are commonly used within the banking industry. These alternative performance measures have been defined below:

Total revenue

Total net interest income and fee and commission income.

	Notes	2021 £m	2020 £m
Net interest income	2	**55.7**	6.6
Fee and commission income	3	**14.8**	22.5
Total revenue		**70.5**	29.1
Total revenue growth (year-on-year change between 2021 and 2020)		**41.4**	

Net interest margin

Net interest income on customer balances as a percentage of average gross loans and advances to customers. The average is calculated using monthly average balances.

	Notes	2021 £m	2020 £m
Net interest income on customer balances	2	**55.9**	6.8
Average gross loans and advances to customers		**525.2**	66.4
Net interest margin		**10.6%**	10.3%

Cost to income ratio

Operating expenses as reported in the Statement of Comprehensive Income divided by net interest income plus net fee and commission income as reported in the Statement of Comprehensive Income.

	Notes	2021 £m	2020 £m
Operating expenses	5	**60.6**	49.7
Net interest and fee and commission income	2 & 3	**62.8**	21.2
Cost to income ratio		**96.6%**	234.7%

Cost of risk

Net expected credit losses charge as reported in the Statement of Comprehensive Income (which includes write-offs and recoveries, net of collection costs but excluding debt sales) divided by average gross loans and advances to customers. The average is calculated using monthly average balances.

	Notes	2021 £m	2020 £m
Expected credit loss allowance and similar charges	9	**41.6**	12.8
Average gross loan and advances to customers		**525.2**	66.4
Cost of risk		**7.92%**	19.29%

Loan to deposit ratio

Net loans and advances to customers expressed as a percentage of total deposits from customers.

	Notes	2021 £m	2020 £m
Loans and advances to customers	15	**1,173.0**	225.4
Deposits from customers	21	**968.0**	177.8
Loan to deposit ratio		**1.2**	1.3

Cost of deposits

Interest expense on deposits from customers, as a percentage of average deposits from customers. The average is calculated using monthly average balances.

	Notes	2021 £m	2020 £m
Interest on deposits from customers	2	**5.2**	0.4
Average deposits from customers		**468.3**	35.5
Cost of deposits		**1.1%**	1.2%

Annualised revenue run rate

Annualised revenue run rate shows what our annual total revenue (as defined above) would be at December levels.

	Notes	2021 £m	2020 £m
Total revenue in the month of December		**9.5**	3.2
Annualised revenue run rate (December x 12 months)		**114.0**	38.4

UPLs annualised run rate (disbursals)

UPLs annualised run rate (disbursals) shows what our annual disbursals would be if we originated new loans at November levels.

	Notes	2021 £m	2020 £m
UPL disbursals in the month of November		**121**	50
Annualised run rate (disbursals) (November x 12 months)		**1,457**	595

Glossary of terms (unaudited)

Term	Definition
Annualised revenue run rate	Annualised revenue run rate shows what our annual total revenue (as defined above) would be at December levels.
Average deposit per customer	Total deposits from customers at the balance sheet date, divided by the total number of depositors.
Common equity tier 1 ratio	Common Equity Tier 1 Capital divided by Risk-Weighted Assets.
Cost of funds	Interest expense on deposits from customers, as a percentage of average deposits from customers. The average is calculated using monthly average balances.
Cost of risk	Expected credit losses charge divided by average gross loans and advances to customers. The average is calculated using monthly average balances.
Cost to income ratio	Operating expenses as reported in the Statement of Comprehensive Income divided by net interest income plus net fee and commission income as reported in the Statement of Comprehensive Income.
Coverage ratio	Total expected credit losses allowance divided by Total Gross Loans & Advances to Customers.
Customer satisfaction mobile app rating	Average customer rating for our Zopa mobile application across the Apple's App Store and Google's Play Store.
Employee engagement score	We measure our engagement score as a weighted average of responses to three key questions: (a) I would recommend Zopa as a great place to work; (b) I rarely think about looking for job at another company; and (c) Zopa motivates me to go beyond what I would in a similar role elsewhere.
Expected credit losses allowance	Expected credit loss allowance deducted from Loans & Advances to Customers.
Expected credit losses charge	Expected credit losses and other credit impairment charges (which includes write-offs and recoveries, net of collection costs but excluding debt sales) as reported in the Statement of Comprehensive Income.
Gross new lending (UPL and Auto Loans)	Total new lending of unsecured personal loans and auto loans during the financial year excluding loans acquired in December 2021.
HQLA/deposit ratio	The amount of High Quality Liquid Assets (HQLA) divided by the total deposits. Liquid assets include Zopa's reserves at Bank of England, holdings of government debt securities and investments in money market funds.
Leverage ratio	The amount of institution's capital divided by total exposure, in accordance with the PRA's CRR rules (Leverage Instrument 2021).The Leverage ratio is expressed as a percentage.
Liquidity coverage ratio	The amount of unencumbered High Quality Liquid Assets (HQLA), divided by total net stressed liquidity outflows flows over a period of 30 days.
Loan to deposit ratio	Net loans and advances to customers expressed as a percentage of total deposits from customers.
Loss after tax	Loss after tax as reported in the Statement of Comprehensive Income.
Loss before tax	Loss before tax as reported in the Statement of Comprehensive Income.
Net Fee and commission income	Net fee and commission income as reported in the Statement of Comprehensive Income.

Term	Definition
Net interest income	Net interest income as reported in the Statement of Comprehensive Income.
Net interest margin (NIM)	Net interest income on customer balances as a percentage of average gross loans and advances to customers. The average is calculated using monthly average balances.
Net stable funding ratio	The amount of available stable funding divided by the amount of required stable funding, in accordance with the PRA's CRR rules. The NSFR is expressed as a percentage.
Number of credit card customers	Total number of credit card customers at the year end.
Number of full-time employees	Total number of full-time employees on the company's payroll at the year end.
Operating expenses	Operating expenses as reported in the Statement of Comprehensive Income.
Overall net promoter score	This is a weighted average net Promoter Score taken across all our products. This customer loyalty and satisfaction measurement is taken from asking customers how likely they are to recommend our product or service to others. Reported NPS are those as at the year end.
Percentage recommending Zopa as a great place to work	The proportion of our employees who would recommend Zopa as a great place to work.
Proportion of customers using Borrowing Power	The proportion of our customers across all products who use our Borrowing Power tool.
Risk-weighted assets	On- and off- balance sheet assets and exposures weighted according to the PRA's Capital Requirement Regulation (CRR) and Capital Requirements Directive (CRD) rules.
Total deposits	Total deposits from customers as reported in the Statement of Financial Position.
Total equity	Total shareholders' equity as reported in the Statement of Financial Position.
Total loans & advances to customers	Total loans and advances to customers as reported in the Statement of Financial Position.
Total number of customers	Total number of customers at the year end with an unsecured person loan, auto loan, or a credit card.
Total regulatory capital	The amount and quality of capital Zopa Bank maintains to comply with the minimum capital requirements under the CRR. We also disclose a number of capital and liquidity metrics which are required by the PRA and FCA. The basis of calculation of those metrics is defined within the relevant legislation.
Total revenue	Total net interest income and fee and commission income.
Total revenue growth	Year on year change in total revenue.
UPLs annualised run rate (disbursals)	UPLs annualised run rate (disbursals) shows what our annual disbursals would be if we originated new loans at November levels.
Value of deposits taken in the year	Total value of new deposits taken during the financial year – excludes resavers.
Volume of new credit cards issued in the year	Total number of new credit cards opened during the financial year.

Forward-looking statements

The information in this document may include forward-looking statements, which are based on assumptions, expectations, valuations, targets, estimates, forecasts and projections about future events. These can be identified by the use of words such as 'expects', 'aims', 'targets', 'seeks', 'anticipates', 'plans', 'intends', 'prospects', 'outlooks', 'projects', 'forecasts', 'believes', 'estimates', 'potential', 'possible', and similar words or phrases. These forward-looking statements speak only as at the date on which they are made. Forward-looking statements are subject to risks, uncertainties and assumptions about the company its securities, investments and the environment in which it operates , including, among other things, the development of its business and strategy, any acquisitions, combinations, disposals or other corporate activity undertaken by the company, trends in its operating industry, changes to customer behaviours, macroeconomic and/or geo-political factors including but not limited to the economic repercussions of the UK's exit from the European Union and the Russia-Ukraine war, the direct and indirect impacts of the COVID-19 pandemic, changes to its Board and/or employee composition, exposures to terrorist activity, IT system failures and its impact on the company's business and operations, cybercrime, fraud and pension scheme liabilities, changes to law and/or the policies and practices of any governmental or regulatory authority, market related risks including changes in inflation, deflation interest rates and foreign exchange rates, changes in the liquidity, capital, funding and/or asset position and/or credit ratings of the company, future capital expenditures of the company the repercussions of the UK's exit from the EU (including any change to the UK's currency), Eurozone instability, and any referendum on Scottish independence.

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