



ZOPA BANK

Zopa Bank Limited
Annual Report
and Accounts 2024

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Awards won by Zopa Bank in 2024:

- Moneynet: **Personal Savings Provider of the Year**
- Moneynet: **Best Fixed Rate Cash ISA Provider**
- Moneynet: **Best Savings App**
- Moneyfacts Consumer Awards: **Best Customer Service (Commended)**
- Moneyfacts Consumer Awards: **App-only Savings Provider of the Year (Commended)**
- MoneyComms: **Top Performers Awards – Best App Based Savings Provider**
- British Bank Awards: **Best Savings Provider (Highly commended)**
- British Bank Awards: **Best Credit Card**
- British Bank Awards: **Best Personal Loans Provider**
- Motor Trader Independent Awards: **Finance Provider of the Year**
- Newsweek's **Most Loved Workplaces 2024 (Rank #33)**
- Business Culture Awards: **Best Culture**
- Deloitte Fast 50 (Rank #35)



Best App Based Savings Provider



4.5 score based on 22k reviews as at 31 December 2024.

Why we exist

Zopa aims to redefine banking by creating the Home of Money – a bank that makes customers feel at home with their finances.

Rather than just another bank with yet more products, we think of Zopa Bank as the home for all our customers' money, where their finances can be simplified, rewarded and nurtured over time.

As we grow, we want to help more people with new and different financial needs. Customers should feel the benefits of managing their finances with Zopa Bank whether they have one product with us or many. Saying this, by design, we are building a business where customers who do more with us see easier and better finances.



Valuable products

We build customer-centric products that provide tangible benefits.

As a result, we hope to show customers that they can get something different from the frustrating, transactional experience they receive from incumbent banks.



Deep relationships

We foster trust and long-term engagement with customers.

These relationships become the cornerstone of a growing, profitable and sustainable business which can support customers well into the future.



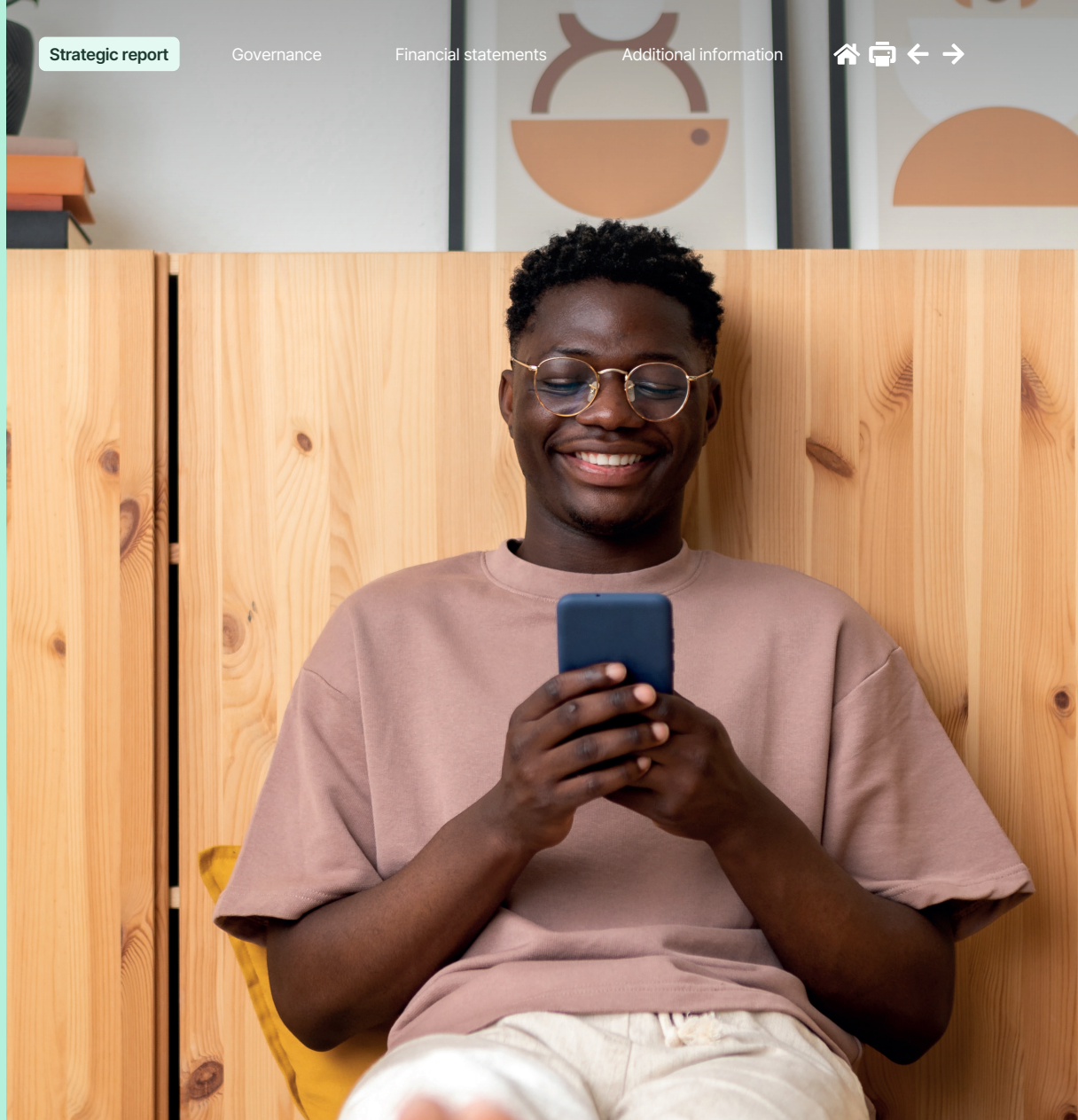
Effortless experiences

We simplify banking journeys to eliminate complexity.

Strategic report

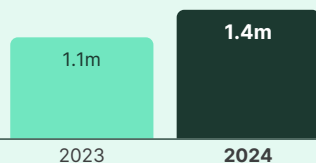
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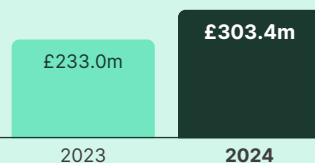


Growing profitably and efficiently with happy customers

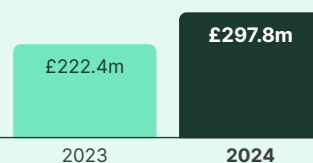
Total customers



Total revenue¹



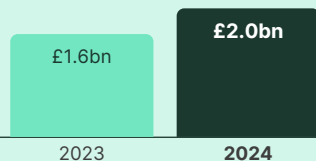
Total operating income



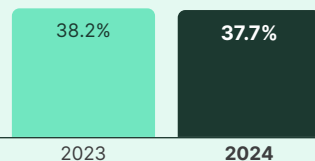
Net promoter score

75

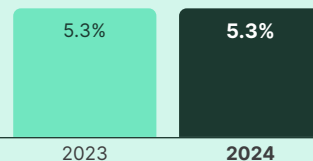
Gross new lending



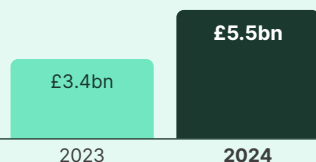
Cost-to-income ratio, excluding share-based payments²



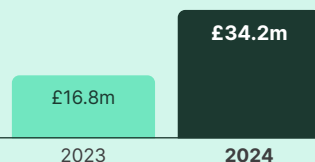
Net interest margin



Total deposits



Profit before tax, excluding share-based payments²

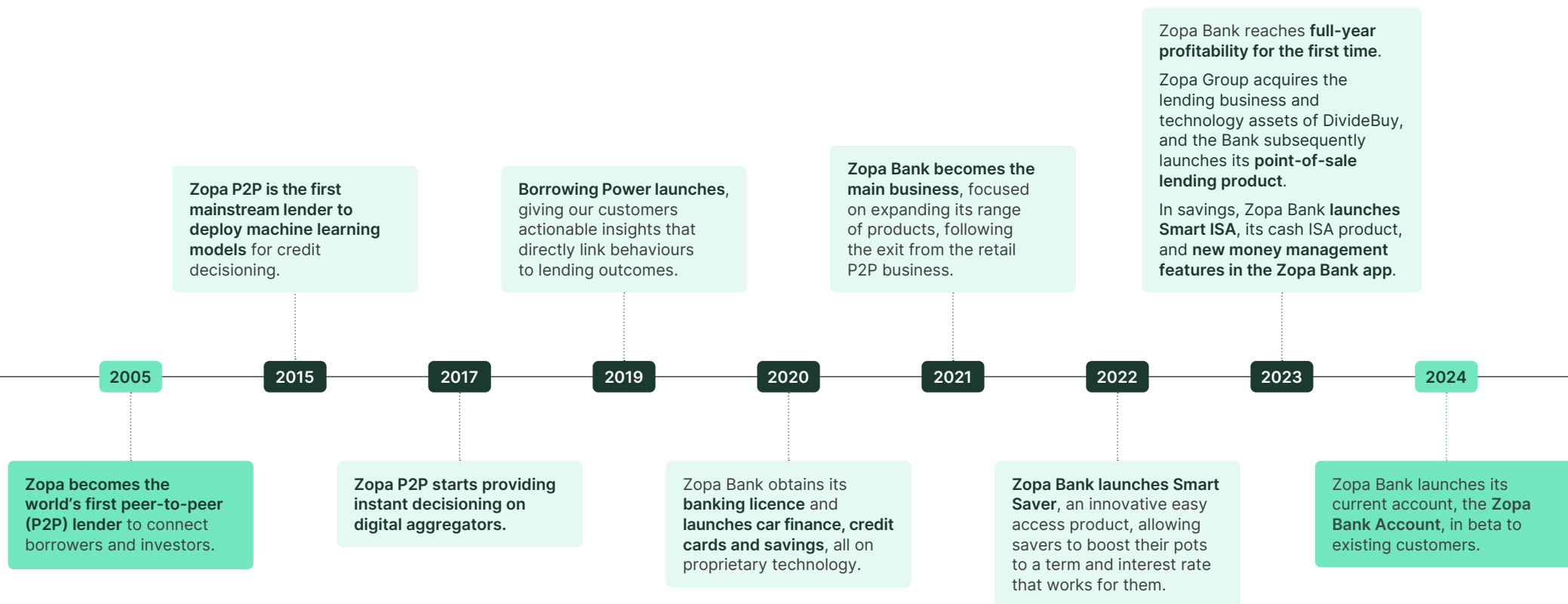


1. The 2023 revenue comparative has been restated to align with management's approach to revenue calculation for internal reporting. See page 181 under alternative performance measures for details.

2. Share-based payments costs of £2.6m (2023: £1.0m).



Our heritage



Our products

At Zopa Bank, we are **creating the Home of Money** for our customers.

Zopa serves the everyday person in the UK

We target the mass market. Our customers mirror the geographic spread of the UK population.

Typically aged

30+

Healthy
credit scores

Above median
incomes

Majority
homeowners

Borrow

Unsecured
personal loans

Car finance

Credit cards

Point-of-sale

Spending and payments

Payments Hub

Debit card

Smart Savings Hub

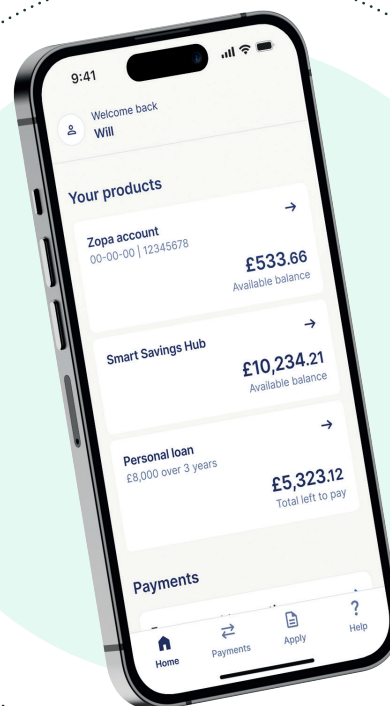
Easy access

Notice accounts

Flexible cash ISA

Fixed-term
savings

Manage
The Zopa Bank Account



Our products continued

Borrow



Unsecured personal loans

Focused on the everyday borrower, providing pre-approved offers and guaranteed rates with fast disbursements. Borrow up to £35k for up to seven years.



Car finance

Focused on used cars, secured against the vehicle across hire purchase (HP) and personal contract purchase (PCP). Borrow up to £50k for up to five years.



Credit cards

Designed to meet the needs of everyday spenders, with transparency on terms such as acceptance, rate and credit limit.



Point-of-sale

Offering both interest-free and interest-bearing credit at checkout, focused on higher average order values.

Smart Savings Hub



Smart Saver: easy access

Offering easy access through personalised pots targeting the everyday saver. Open an account with just £1.



Smart Saver: notice accounts

Savers can boost their easy access pots into a notice account period to earn extra interest.



Smart ISA

Savers can grow their money tax-free through an instant access account or boost their pot to a longer fixed-term period.



Fixed-term savings

Our first savings product, enabling savers to earn a fixed rate between one to five years.

Spending and payments



Payments Hub

Tools that make managing payments easy, with innovative features to provide clarity and control.



Debit card

A contactless debit card alongside the Zopa Bank Account to make everyday purchases quickly and securely. Available on Google Pay and Apple Pay. Even if a customer loses their physical card, they can continue spending securely through their mobile wallet until a new card arrives.

Manage



The Zopa Bank Account

The best value current account in the UK, with seamlessness at its heart. We focus on delivering innovative features to give customers a full view of their financial lives, so that they can easily manage their day-to-day needs.



Mobile app

The mobile app is the hub for all Zopa's products, as well as a driver for new product originations.

Borrowing power

Credit-scoring tool linking actionable insights with lending outcomes.

Debt consolidation

Supporting customers to make savings through debt management.

Insights

Enables customers to track personalised financial insights from their linked accounts.

Chair's statement



Gordon McCallum
Chair of the Board

“Since launching in 2020, I’m pleased to report that Zopa Bank continues to make outstanding progress. 2024 marked our second year of profitability, building on an exceptional track record of consistent growth.”

The Bank maintained its strong trajectory in 2024 with 30.2% revenue growth driven by continued progress in our borrowing and savings products, more than doubling profit before tax. Zopa Bank achieved these results against an uncertain economic backdrop, demonstrating the resilience of its operating model.

In 2024, there was some easing of inflation and a modest improvement in public sentiment. However, economic growth remained weak and, despite UK interest rates starting to fall, the overall picture continued to be unsettled, overshadowed by a very unstable international environment.

Among the neobanks, we are uniquely well placed to deal with this economic uncertainty, benefiting from a long history of consumer lending data that builds on the Group’s former peer-to-peer activities. As a result, we have proven ourselves as a lending leader throughout the economic cycle, leveraging this extensive data set.

We are pleased that investors recognise these strengths. The Group completed a £67.5m funding round in December 2024, of which £62.5m was downstreamed into the Bank. This raise was supported by existing shareholders and led by A.P. Moller Holding, a leading Danish investor with over \$30bn under management. A.P. Moller’s purpose is to build and develop businesses that have a positive impact on society, and drive long-term value and growth through engaged ownership – these principles are consistent with how we have built Zopa Bank. We were therefore delighted to welcome them as an investor in support of our future ambitions.

At year end, overall customer numbers had grown to 1.4 million, an increase of 28.1% year-on-year, and it was especially pleasing to see growth in the number of individuals choosing to expand their relationship with us.

Through our product offerings, we seek to simplify finances and improve the financial resilience of our customers. In 2022, together with ClearScore, we launched an initiative called the Fintech Pledge. This aims to improve the financial resilience of all UK consumers by driving 25 million positive actions by 2025. These could include switching to a higher interest savings account, consolidating debt or using a credit score improvement tool, among many other actions. Throughout the year, we supported a range of customers in making these positive changes, leveraging our innovative financial products and services.

Governance and risk management remain of paramount importance to us, supporting our key role as a bank and custodian of billions of pounds of savers’ funds. Our commitment to robust corporate governance is reflected in our voluntary application of the UK Corporate Governance Code, as set out in more detail in the corporate governance section of this report. We thereby ensure transparency, accountability and integrity. The Board also maintains a strong focus on the Consumer Duty principles established by the Financial Conduct Authority in all aspects of Zopa Bank’s business.

Chair's statement continued

During 2024, Zopa Group continued to develop its point-of-sale lending activities that build on the assets of Rematch Credit Limited (known as 'DivideBuy'), purchased in 2023. These were initially placed into Zopa Embedded Finance Limited (ZEFL), a newly established subsidiary. Subsequently, in June 2024, we fully integrated the business, moving the technology platform, employees and merchant relationships from ZEFL into Zopa Bank Limited. This will allow us to further enhance our customer proposition.

As we move into 2025, our focus remains on delivering the very best experience for our customers, underpinned by strong financial performance and responsible growth. We will continue to innovate, challenge outdated industry norms and provide consistent ease and value, supported by our industry-leading technology platforms.

My sincere thanks go to Jaidev Janardana and his colleagues for their leadership of this exciting business, as well as to the Board for its diligent oversight. I also want to thank our investors for their support. Finally, I applaud the entire Zopa Bank team for consistently embodying our values and demonstrating exceptional care for our customers every day. Their dedication, hard work and talent have driven our success this past year and give me confidence that the best of Zopa Bank is yet to come. Together, we will continue to thrive and fulfil our purpose.

Gordon McCallum
Chair of the Board

16 April 2025



Chief Executive Officer's letter



Jaidev Janardana
Chief Executive Officer

"I am proud of what Zopa Bank has achieved in its four years as a bank. 2024 was yet another validation of our business model, which is founded on the principle that we win when our customers win."

Reflecting on 2024

2024 was another very strong year at Zopa Bank: we reached 1.4 million total customers, while maintaining our market-leading net promoter score, increased our revenue by 30.2% to £303.4m, and doubled our profit before tax.

The economic environment in the UK remained challenging. Against that backdrop, we have continued to lend responsibly and provide fairly priced credit and attractive returns on savings.

As a result, both borrowing and savings balances grew strongly, continuing our track record since the Bank's launch. We also made significant investments in our infrastructure and operations to drive efficiencies.

Continued growth

In our borrowing products, our loan originations reached £2.0bn, a 23.6% increase on last year. Our number of credit card customers also grew from 442,000 to 576,000 over the year. As a result, our gross loan balances grew to £3.1bn.

In 2024, we partnered with some of the UK's best brands, such as John Lewis and Octopus Energy. We also continued to innovate, making it easier for customers to access our products. This, combined with overall growth in the digital market, fuelled our success.

Through our Smart Savings Hub, we continued to deliver great value and customer experience. We achieved significant success with our Smart ISA, which took over £500m of new inflows just in April 2024. This helped grow our savings book from £3.4bn to £5.5bn over the year.

Reaching new milestones in our financial performance

Growth in borrowing and savings balances enabled strong financial performance. We increased our revenue by 30.2% to £303.4m. Our cost-to-income ratio, excluding share-based payments, fell to 37.7%, a best-in-class ratio for neobank peers. This enabled us to double our profit before tax, excluding share-based payments, to £34.2m, marking our second full year of profitability as a bank. In turn, investors reaffirmed their confidence in us, with Zopa Group completing a £67.5m fundraise at year end. Overall, this success enabled us to enhance our existing offerings and build for the future through products such as the Zopa Bank Account.

Chief Executive Officer's letter continued

Investing in our credit capabilities

Ten years ago, we became one of the first lenders to deploy artificial intelligence (AI) based credit models as part of our underwriting process through the Group's former peer-to-peer activities. Each year since then, we have continued to invest in improving these models. As we scale, we gain more proprietary data, enabling us to get even better at customer selection. Since the Bank's launch, we have grown year-on-year, despite COVID-19 and the cost-of-living crisis, delivering stable credit performance through both periods. Last year was no different; we were able to deliver a higher margin compared to the wider industry for a given level of risk. This meant we could reach more borrowers while also continuing to lend responsibly.

Investing for the future

During 2024, we continued to invest in our foundations to deliver strong future outcomes. In technology, we successfully migrated our infrastructure from its current hybrid strategy to a cloud-only strategy. This considerably improved our risk profile and resilience, alongside delivering significant cost efficiencies. In operations, we invested in our scalability and resilience by identifying a second outsourcing provider, so that we can successfully manage more customer growth.

We firmly believe AI can enable us to deliver more natural and innovative customer experiences. In 2024, we started laying the initial AI foundations through our chat platform to better manage customer queries as we scale.

In future, we will integrate AI further into our customers' everyday banking needs. Elsewhere, we started embedding generative AI (GenAI) throughout our business. Most of our engineers now use our GenAI tools daily and we have also built a test concept for how an AI assistant could support our operations agents in the future. As this continues, we expect to benefit from more rapid delivery, at a lower cost.

Developing deep relationships with our customers

As we continue to offer ease and great value through our products, more customers chose us to meet their needs: our customer base grew by 28.1% year-on-year to reach 1.4 million.

This was achieved all while we sustained our net promoter score at 75, which is more than double that of an average high street bank. Many of our products continue to be award-winning. In 2024, we received numerous accolades, including Best Personal Loans Provider and Best Credit Card from the British Bank Awards, as well as Personal Savings Provider of the Year from MoneyNet.

As a result, not only are more customers choosing Zopa Bank, but once they join, they are choosing to do more with us. At the end of 2024, one in five customers had more than one product with us. In borrowing, 33.4% of customers had reborrowed a loan product directly from us within five years. In savings, customer cohorts who joined us in the last two years continued to grow their balances.

Our products have strong unit economics, creating a positive feedback loop. As more customers join and deepen their relationship with us, our financial performance gets stronger, allowing us to offer even better value to our customers.

In 2024, we launched the Zopa Bank Account in beta

Towards the end of 2024, we launched the Zopa Bank Account in beta to existing customers.

Like all our products, the Zopa Bank Account has been built with ease and great value in mind. It leverages technologies such as open banking to provide intuitive, innovative features that simplify everyday banking. Additionally, our business model enables us to provide more sustainable value to customers as standard. In 2025, we plan to launch it as the UK's best value current account.

The Zopa Bank Account will bring our ecosystem of products closer together, enabling us to have one of the broadest offerings of any neobank in the UK at scale. This will drive longer-lasting customer relationships through cross-sell and in-franchise lending, delivering greater lifetime value. The Bank will also benefit from a new, diversified source of cheaper funding.

Chief Executive Officer's letter continued

Our people

Our achievements in 2024 are a testament to our exceptionally talented team and their unwavering dedication. I feel incredibly proud of our special culture and was delighted to see external recognition of this with Zopa being on Newsweek's Most Loved Workplaces list for the third year in a row. I would like to take this opportunity to thank Zopians across the Company for their hard work and commitment in 2024.

Creating the Home of Money

Today, the banking landscape remains complicated, underwhelming and transactional. Its complexity and unfairness often make customers feel lost. Plus, as things stand, the onus is on the customer to get the best value from their financial services provider. At Zopa Bank, however, we are actively trying to change that, redefining banking by creating a bank that makes customers feel at home with their finances.

In 2024, we have taken big steps towards this purpose. While we are still early in our journey, the foundations are being laid for meaningful progress.

But there is still more we can do. Our target revenue pool – representing around £50bn – continues to be dominated by the top five incumbent banks in the UK. Today, the top four neobanks in the UK account for just £2.2bn, so the share to be gained remains significant¹.

Across the financial landscape, there is a large number of customers who are unsatisfied, with poor value products, bad and slow experiences, and complexity in their financial lives.

To address this, in 2025 we will continue to build out our product ecosystem, including the Zopa Bank Account. This will expand our offering from borrowing and savings into everyday banking, advancing our purpose of creating a true Home of Money for our customers.

Jaidev Janardana
Chief Executive Officer

16 April 2025

1. Analysis of the top five incumbent banks includes Barclays UK, NatWest, HSBC UK, Lloyds Banking Group and Santander UK. The top four neobanks include Monzo, Starling, Revolut (based on estimated UK income) and Zopa Bank.



Our business model and strategy

In 2024, we continued to build on being the **best digital platform for borrowing and savings** in the UK.

When we started our journey as a bank, we were focused on meeting the borrowing and savings needs of our customers. Our customers can now access affordable, fairly priced credit in the form of unsecured personal loans, car finance, credit cards and point-of-sale finance at checkout. They can also find a home for their cash savings across fixed-term savings, easy access, notice accounts and flexible cash ISAs, and enjoy attractive returns, all in one easy-to-use app.

The UK's borrowing and savings markets are substantial, with over £200bn in our borrowing segments and £1.8tn in savings. Together, these markets form a £50bn revenue pool for incumbent banks, of which the top four neobanks have only a £2.2bn share. This means we are only scratching the surface when it comes to possible growth in our borrowing segments.

Although we compete predominantly with large incumbents such as high street banks, as a new digital bank, we do things differently.

Our differentiation is underpinned by our three core capabilities: a customer-centric culture, lending and data expertise and use of cutting-edge technology. Together, these capabilities create an exceptional digital experience that helps customers reach their financial goals.

Each of these capabilities contains critical elements for differentiating our customer experience. When a customer joins us, they experience the best aspects of both a modern neobank and an incumbent high street bank, all in one compelling customer proposition.



Our business model and strategy continued

Our capabilities

Customer-centric culture

Our customer-centric culture is at the heart of the experience we provide. We always start with the customer, using insight to drive innovation and ensuring this focus covers every step of the journey, from product development to servicing. Our products are designed to provide more ease and value relative to other offerings in the market.

In borrowing, we demonstrate our customer-centric culture by offering ease through pre-approved, guaranteed rate loans. In addition, we offer value by ensuring those loan rates are competitive.

The same is true for savings, where we provide value by offering highly competitive rates, meaning we can deliver more interest to our customers than they would earn with other providers. Likewise, our app makes it easy for customers to manage their money, facilitating the use of personalised pots and allowing customers to boost their interest from an easy access pot to a notice account pot, combining both markets into a single proposition.

In our app, we enable customers to manage all their products in one place, with useful features to help them simplify and stay on top of their financial lives.

Lending and data expertise

Unlike other neobanks, we can leverage Zopa Group's long lending history and through-the-cycle data, which includes the 2008 global financial crisis, the COVID-19 pandemic and, more recently, the cost-of-living crisis.

In 2015, Zopa Group became the first mainstream lender to deploy machine learning models for credit decisioning. As part of the Bank's ongoing refinement, we continue to train those models on our proprietary historical data, continuously improving them. We then combine this with our people's deep experience in consumer credit to optimise our commercial strategy and scorecards.

We can thereby make optimal lending decisions at scale through varied economic environments, widen our acceptance range, operate with lower loss rates and thus deliver stronger returns for a given level of risk. To date, we have generated positive returns on all lending cohorts.

Use of cutting-edge technology

We are built on a cloud-first, digital-first, AI-enabled platform. Our proprietary technology platform has been built in-house, backed by market-leading software-as-a-service (SaaS) solutions. This enables us to offer best-in-class customer experience in an efficient, scalable and resilient manner. It also means we can plug and play into a wide range of partners to support our product experience, distribution and growth. This technology architecture provides us with flexibility and control over our products, including the end-to-end customer experience, allowing us to react quickly to customers' needs.

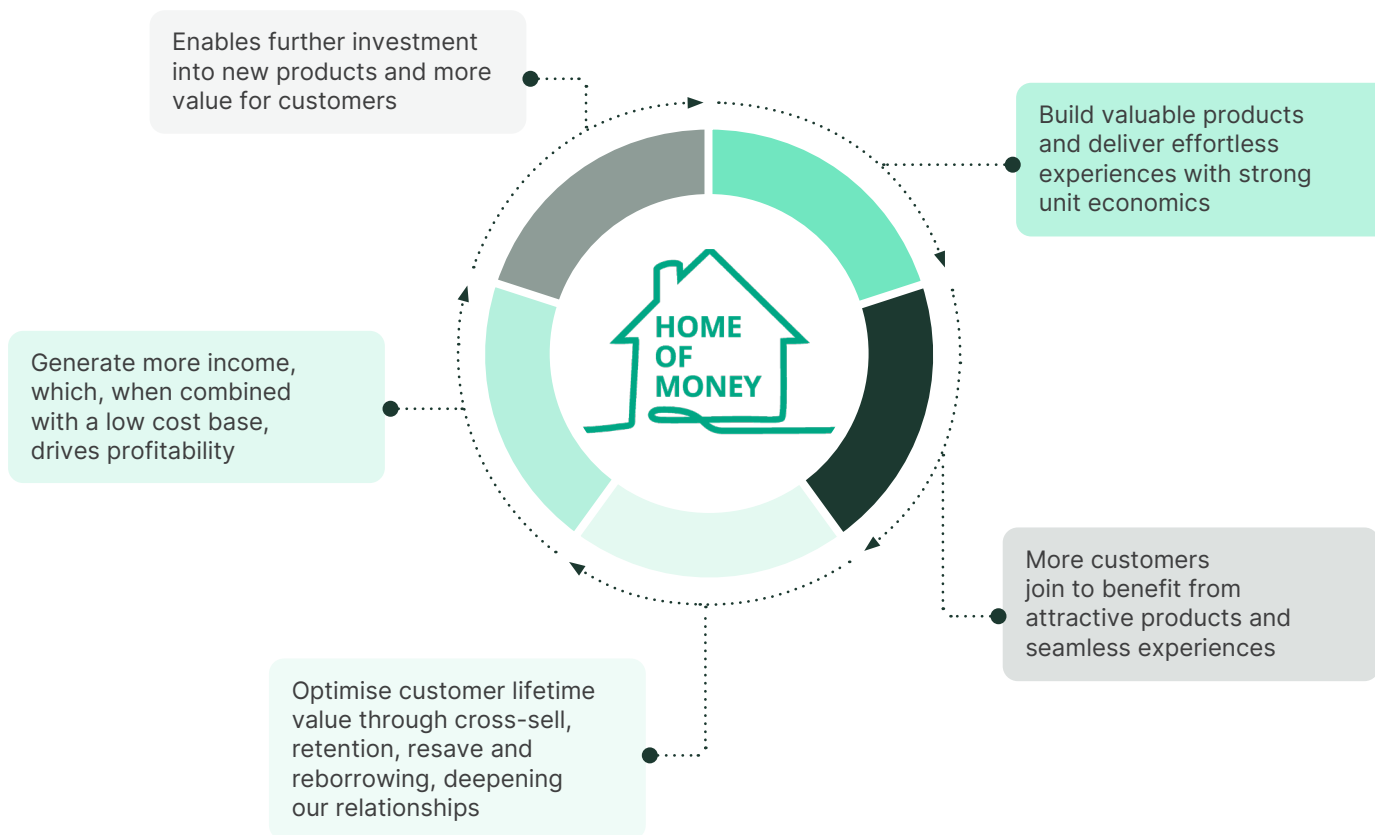
We continue to be at the forefront of new technologies, heavily investing in AI. To date, we have seen major benefits from our engineers using AI-enabled tooling and have started integrating this technology into our customer-facing chatbot.

Our digital platform, with no physical branches and a modern technology stack, means we benefit from a lean cost base as we scale, enabling us to operate with a best-in-class cost-to-income ratio for the neobank sector.

Our business model and strategy continued

Creating value for shareholders

Unlike other neobanks, our journey to date has focused on creating the best digital borrowing and savings products in the market. But with our wide-ranging capabilities, we know there is more we can do. In 2024, we started to expand our product set, going beyond the borrowing and savings needs of our customers towards their everyday banking needs. Through this evolution, we aim to advance from being the best digital borrowing and savings platform to creating a holistic Home of Money for our customers. In doing so, we can continue to create more value for shareholders.



Business review

Loans

Unsecured personal loans

Unsecured personal loans (UPLs) is Zopa Group's oldest and largest product; we have 20 years of lending experience in this segment, focused on the everyday borrower.

In 2024, consumers began to see the start of economic recovery as inflationary pressures subsided and increases in real wage growth improved their financial wellbeing. However, with the overall economic outlook remaining uncertain, we continued our tightened credit policy, lending responsibly.

In UPLs, we expanded through growth in the digital loan market, with ever more customers looking at options beyond their incumbent bank. Our organic distribution has grown significantly, with one in four customers now managing their personal loan through our app and one in three reborrowing from us directly within five years. Outside this, we partnered with John Lewis as part of our strategy to work with some of the UK's biggest brands, further diversifying our reach.

We grew our gross new lending by 25.4% to £1.6bn, while maintaining our track record of positive returns on every vintage.

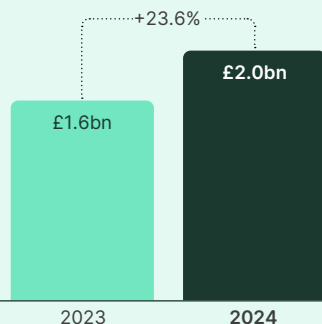
Car finance

Our car finance product provides buyers of used cars with affordable finance that is secured against the vehicle. We provide both hire purchase (HP) and personal contract purchase (PCP), targeting those looking to purchase mainstream vehicles.

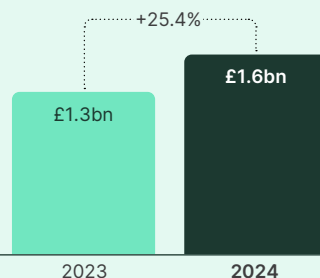
We use three distribution channels: direct-to-consumer, brokers and dealers.

Dealerships represent the largest share of the used car market and thus represent a significant market opportunity for us. Dealers are a relatively new and fast-growing channel, and we are seeing strong interest from dealerships in our digital lending proposition.

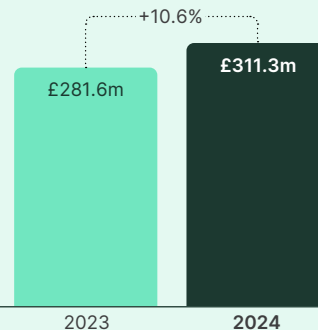
Total gross new lending



Gross new lending: UPLs



Gross new lending: Car finance



Business review continued

Loans continued

Car finance continued

As a result, we saw steady growth in car finance of 10.6% to £311.3m.

The UK car finance sector is facing ongoing complaints and legal claims regarding past commission practices around discretionary commission arrangements (DCA). In January 2024, the Financial Conduct Authority (FCA) launched a Section 166 review to investigate these historical arrangements at several firms. Should widespread misconduct and customer harm be discovered, the FCA intends to implement a consistent remediation process, potentially including settlements and addressing legal issues.

The October 2024 Court of Appeal (CoA) judgment in Wrench, Johnson and Hopcraft (WJH) has introduced further uncertainty, exceeding the initial scope of the FCA's motor finance commissions review.

The Supreme Court has granted the relevant lenders permission to appeal, with the hearing held on 1-3 April 2025 and their decision not expected until the second half of 2025. Zopa Bank has not recognised any provision in respect of the FCA's DCA review or the WJH judgment as explained in note 34 of the financial statements. Despite the immediate uncertainty for the industry, the long-term benefit of greater commission transparency for consumers is a positive outcome.

Point-of-sale

In 2023, the Group acquired DivideBuy's point-of-sale (PoS) lending business and technology assets and placed them into a new subsidiary company Zopa Embedded Finance Limited (ZEFL). In June 2024, the assets, liabilities, merchant relationships and people in ZEFL were transferred into Zopa Bank.

We offer both interest-free and interest-bearing credit, with most of our lending being delivered as interest-free credit under 12 months.

We operate across over 700 merchants, including large brands, with a focus on the longer-term and larger order value segments, such as home furnishings, mattresses and veterinary services. In 2024, we grew our merchant base, increasing our portfolio of merchants by over 40%. Most notably, we expanded into the renewables market through an agreement with Octopus Energy to provide financing for solar panels and electric vehicle chargers.

Gross new lending reached £95.6m in 2024 across 81,000 customers. In 2023, gross new lending was £65.8m across nine months of trading.

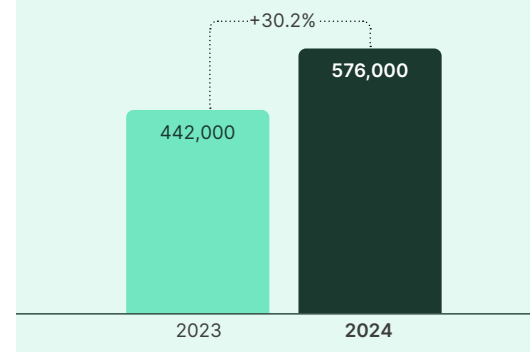
Credit cards

Our credit card product is designed to meet the needs of everyday spenders. We offer a best-in-class digital experience, with features that put users in control.

In 2024, we saw growth in our card volumes revert to historical norms, having been constrained in 2023 by UK macroeconomic uncertainty. In Q4 2024, we made improvements to the origination experience, notably for customers with an existing Zopa Bank relationship, where we improved conversion and reduced our operational cost to disburse.

Total credit card customers increased by 30.2%, reaching 576,000 at the end of 2024.

Number of credit card customers



Business review continued

Savings

Smart Saver

Smart Saver is our award-winning savings product, covering easy access, notice accounts and flexible ISAs. We target everyday savers through our Smart Savings Hub, with highly competitive rates.

Our savers find us through rate tables, organically through cross-sell or through our partners. Once with us, many of our savers either retain or grow their balances with us, which has driven sustained growth in revenue.

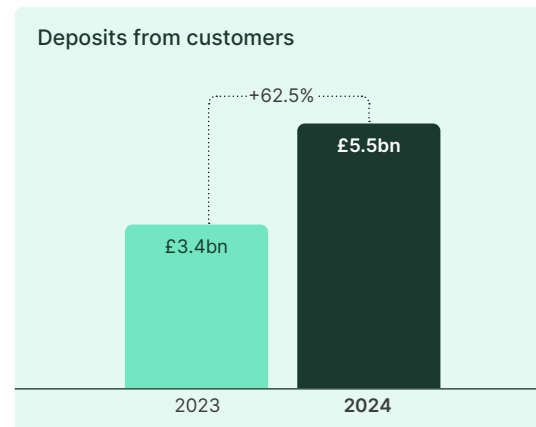
In 2024, we continued to develop new features in the Smart Savings Hub to further support growth and retention. These include Growth Hub, enabling savers to see how much interest they have earned with us, and other open banking-enabled features such as Auto Save, encouraging regular savings habits. We also utilise bonus rates to increase the attractiveness of our offering.

Overall, our retail savings balances grew by 62.5% to £5.5bn, including partnerships. Of this, £3.7bn is held in our Smart Saver and Smart ISA product (including fixed-term pots in Smart ISA).

Fixed-term savings

Fixed-term savings is our oldest savings product and remains a foundational part of our funding strategy.

Balances are managed by monitoring the savings market to ensure inflows are coming from the most attractive sources. In 2024, we managed rates and balances for fixed-term savings in line with our funding strategy. This meant balances reduced by 33.5% to £0.5bn.



Current account

The Zopa Bank Account

At the end of 2024, we launched the Zopa Bank Account in beta to existing customers. This will enable us to move beyond being the best digital platform for borrowing and savings, expanding to meet the everyday banking needs of our customers.

At launch, the Zopa Bank Account will be one of the best value current accounts in the UK. For Zopa, it will provide a new and diversified source of cheaper funding and increase customer lifetime value through cross-sell and in-franchise lending.

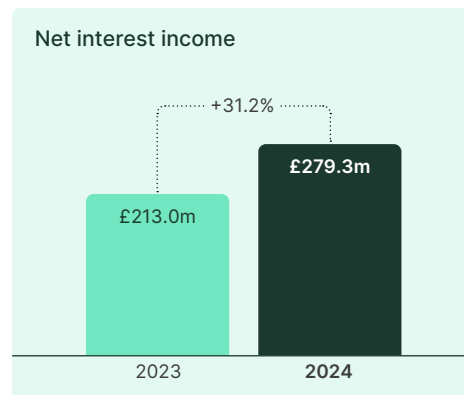
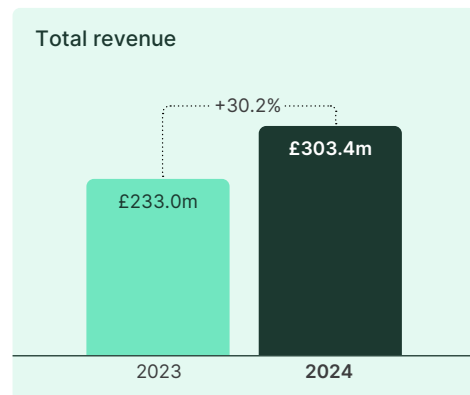
The app

All Zopa's products are brought together in the Zopa Bank app. We are investing further through enhancing cross-product journeys, providing more personalised suggestions and offering new financial insights.

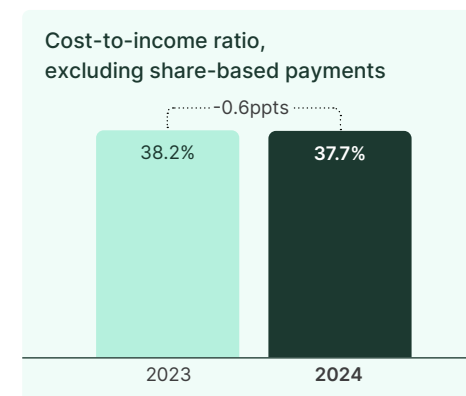
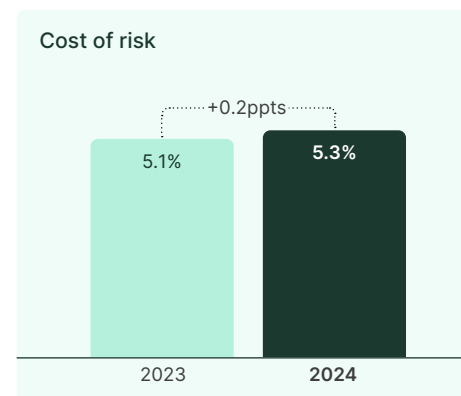
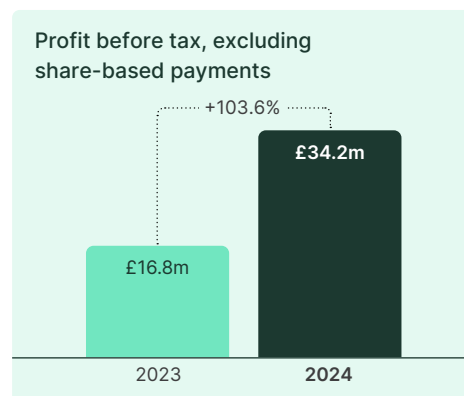
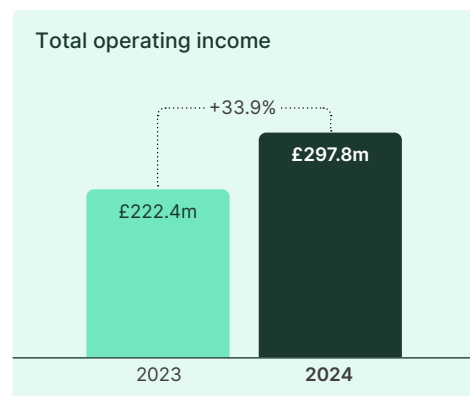
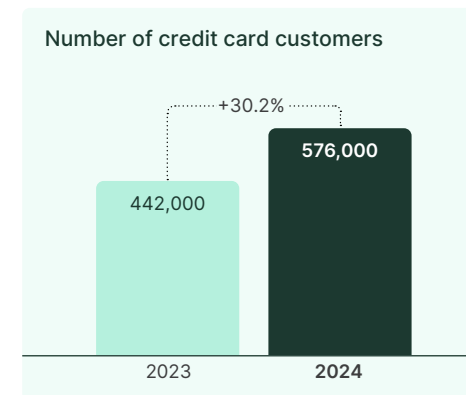
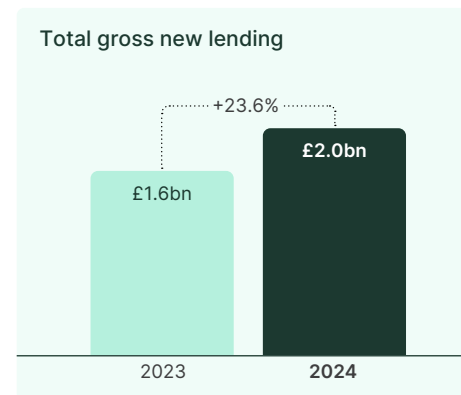
These investments continue to support our strategy of diversifying our distribution, originating more products organically through the app across our borrowing and savings products, particularly through cross-sell. In 2024, 24.0% of our originations in UPLs came through the app.

Key performance indicators

Income statement metrics



General performance metrics¹



1. Refer to alternative performance measures on pages 181 and 182.

Financial review



Steve Hulme
Chief Financial Officer

“In 2024, we doubled our profit before tax, excluding share-based payments, to £34.2m, with £3.1bn gross loans on the balance sheet, as well as £5.5bn in savings. We are therefore in a great position to continue our growth journey towards creating the Home of Money.”

2024 marked our second full year of profitability as a bank. We generated £34.2m profit before tax, excluding share-based payments, double that of last year, having been one of the fastest neobanks to reach profitability from launch. It was also another successful year in terms of customers and revenue, as we increased our customer numbers by 28.1% to 1.4 million, and our revenue by 30.2% to £303.4m. Our cost-to-income ratio, excluding share-based payments, also fell to 37.7%, 0.6 percentage points lower than last year. Amongst our closest neobank peers, this represents a best-in-class ratio, which we achieved despite our ongoing investments in new products and capabilities. We also grew our borrowing and savings balances, as many customers chose us to meet their borrowing and savings needs, with gross loans on the balance sheet increasing by 16.0% and our savings balances increasing by 62.5% to £5.5bn.

We delivered this strong performance against a backdrop of uncertainty for the UK economy. While inflationary pressures have somewhat abated and interest rates have started to fall, consumers are still recovering from the impact of the cost-of-living crisis.

We therefore made it a priority to provide great value to our savers, as well as to invest in product innovation to support financial wellbeing. While we expect affordability to improve over time for our borrowers, we maintained our tightened credit policy during 2024 and our outlook on the future remains conservative.

This year, we have once again shown our resilience and ability to thrive, even against uncertain economic backdrops, as we continue to deliver growth with stable credit performance. At the end of 2024, this enabled Zopa Group to successfully complete an equity raise of £67.5m from new and existing investors, and most of those funds were then injected into the Bank. As a result, our capital position is very strong, which enables us to continue investing for the future and advance towards our purpose: creating the Home of Money for our customers.

Financial review continued

Gross loans

	2024	2023	Change
Gross loans and advances to customers	£3.1bn	£2.7bn	+16.2%

We operate one of the broadest offerings of any neobank in the UK for customers looking to borrow. This includes unsecured personal loans (UPLs), car finance, credit cards and point-of-sale (PoS) lending, with 2024 being our first full year of originating PoS loans on the Bank's balance sheet.

Our gross customer balances grew to £3.1bn, driven by year-on-year growth of 23.6% in gross new lending – which reached £2.0bn – as we continued taking market share and diversifying our distribution channels. UPLs represent our largest lending product by loan balances, while credit cards is the largest by customer numbers.

Since the launch of the Bank in 2020, we have typically retained all our loans on the balance sheet. However, in 2024, we demonstrated additional flexibility by initiating a loan sale agreement of £151m of UPLs with an investment bank. This gave us balance sheet flexibility, provided tactical capital benefits and enabled us to continue originating new loans in line with our strategic plan.

Savings

	2024	2023	Change
Savings from customers	£5.5bn	£3.4bn	+62.5%
Cost of funds	4.6%	3.7%	+90.4bps
Loan-to-deposit ratio	52.5%	73.8%	-21.3%

Our Smart Savings Hub continued to be one of the most popular digital savings offerings in the market. Investment in our proposition, with innovative pricing strategies for our easy access and notice account pots, as well as useful digital features, has supported growth and retention in our savings balances. Our Smart ISA product took over £500m of new inflows during April 2024 as savers sought to maximise their tax-free allowance.

Competition in the savings market remained high in 2024, but thanks to the capabilities we have built, we still had a very successful year. Run-off relating to some very low-rate fixed-term savings balances resulted in a moderate increase in our cost of funding compared to 2023, as we sought to continue delivering good value to our customers.

Across the Smart Savings Hub we attracted large inflows from new savers as well as many of our existing savers who continued to deposit funds regularly each month. As a result, our savings book had significant excess savings during 2024, which reduced our loan-to-deposit ratio.

Financial review continued

Total operating income

Total operating income grew by 33.9% to £297.8m

	2024	2023	Change
Interest income	£503.8m	£349.9m	+44.0%
Interest expense	(£224.5m)	(£137.0m)	+63.9%
Net interest income	£279.3m	£212.9m	+31.2%
Fee and commission income	£14.3m	£13.0m	+10.2%
Fee and commission expense	(£14.0m)	(£10.7m)	+31.3%
Net fee and commission income	£0.3m	£2.3m	-86.6%
Total operating income	£297.8m	£222.4m	+33.9%
Net interest margin (NIM)	5.3%	5.3%	n.m. ¹

Having established ourselves as the leading digital platform for borrowing and savings in the UK, we saw continued growth in customers choosing to borrow and save with us, increasing our total operating income. Most of our income is derived from interest income on our loans, with the remainder being driven by fee-based activity, such as interchange income. Our strong savings performance also contributes to our income. We earn a positive spread on excess savings between what we pay our customers in interest and what we ourselves earn in interest. We earn interest at the Bank of England on additional cash balances and earn a return through our other treasury instruments that form part of our high-quality liquid assets.

In our borrowing products, the higher interest rate environment meant that, consistent with other players in the market, we passed our higher funding costs to borrowers through increased pricing, earning us higher interest income. However, our banking licence and ability to raise savings continued to give us favourable funding costs and funding availability compared to non-bank lenders, supporting our ability to provide good value to borrowers.

This assisted our growth in gross new lending, which drove higher interest income. Our growing credit card customer base also resulted in increased interchange income, as well as missed payment and cash withdrawal fees. As noted earlier, we also sold £151m of our UPLs in 2024, but given that we still service the loans, we will continue to earn a servicing fee until the loans mature.

In savings, our highly competitive rates and innovative Smart Savings Hub attracted significantly higher balances over the year. As a bank, savings are used to fund lending, but our treasury team also earns income from any excess savings not required for lending. These excess savings are mostly held as cash balances at the Bank of England, earning us interest at the base rate. We also diversified our liquidity management and further built up a low-risk treasury investments portfolio in highly rated investments such as covered bonds, earning us additional income.

We assess our performance across borrowing and savings through net interest margin. This remained steady year-on-year at 5.3%. Like last year, this metric is impacted by the mechanics of holding excess savings. Liquid assets provide increased income, as described above, but at a lower net interest margin than our lending. This means that, with all else equal, if our savings book expands faster than our lending book, our overall net interest margin reduces. For this reason, management also monitors our net interest margin for lending assets, to help assess the health of our underlying performance.

To support our financial performance, we must pay fee and commission expense to our partners. These fees are typically in relation to customer acquisition costs and transaction processing costs, and so they have risen in line with our customer growth.

1. n.m. – no meaningful figure.

Financial review continued

Cost-to-income ratio

Cost-to-income ratio fell to 37.7%, a best-in-class ratio among fintech peers

	2024	2023	Change
Operating expenses (excluding share-based payments)	£105.3m	£82.3m	+28.0%
Net interest, fee and commission income	£279.7m	£215.3m	+29.9%
Cost-to-income ratio (excluding share-based payments)	37.7%	38.2%	-55.1bps

We continued driving efficiencies through our cost programme to maintain our low cost-to-income ratio. This included making greater use of outsourcing in operations, achieving reductions in our payment processing costs and rigorously assessing our third-party supplier costs. In 2024, we had limited headcount growth, predominantly related to the Zopa Bank Account, as well as to support growth in our other existing products.

We also laid the foundations for future cost efficiency. We invested in our cloud-first strategy, moving our primary technology infrastructure from its previous hybrid strategy to a cloud-only strategy. This will yield cost efficiency improvements during 2025. Elsewhere, we continued our investment in AI, with the most impact seen in our technology functions. As this technology improves, we expect to elevate productivity and efficiency gains further.

We have presented cost-to-income ratio, excluding share-based payments, in our key performance indicators this year. Share-based payments are a one-off cost in relation to share awards for our staff. Under the accounting rules, the cost of share-based payment awards is heavily front-loaded and is capital neutral, with the income statement charge offset by an equivalent build in reserves. Since these movements are not related to underlying business performance, we have chosen to exclude them from this financial review.

1. Refer to alternative performance measures.

Expected credit losses

Higher lending growth led to higher expected credit loss (ECL) recognition

	2024	2023	Change
ECL charge	£156.2m	£122.8m	+27.2%
ECL allowance	£201.5m	£174.4m	+15.5%
Coverage ratio ¹	6.4%	6.5%	-3.9bps
Cost of risk	5.3%	5.1%	+16.0bps

Accounting rules require us to recognise an ECL of 12 months at the point a customer takes a loan with us. We must then recognise a full lifetime impairment if significant credit deterioration from that point onwards is observed. This front-loads our ECL numbers and means that, as a rapidly growing business, our ECL charge is higher than it would be if our loan growth was lower.

In 2024, our cost of risk remained very similar to the prior year with movements primarily related to product mix and volume growth, with a modest impact from the uncertain economic outlook. Our small increase in cost of risk was more than compensated for by increased lending interest margins. The cost of risk metric noted above is based on the ECL charge from the statement of comprehensive income. This number excludes the gain on sale we achieved from the debt sale of credit impaired loans which is separately presented within the net gains on derecognition of financial assets measured at amortised cost line item (note 4). Our credit management and recovery process includes the sale of defaulted loan balances. Therefore, incorporating the gain or loss from these credit-impaired loan sales provides a more accurate representation of overall credit performance. The gain on the sale of credit impaired loans was £4.97m in 2024 and including this benefit the cost of risk for 2024 would be 5.1% (2023: 4.9%).

Overall we maintained our deep focus on credit risk management in 2024. We continued to develop new advancements for our machine learning underwriting models and utilised additional data points, including from open banking. In car finance, we made improvements to our recoveries process, and in credit cards, we not only optimised our underwriting, but realised benefits through better pricing in relation to the sale of defaulted debt.

Financial review continued

Profitability

We doubled our profit before tax, excluding share-based payments

	2024	2023	Change
Net operating income	£189.8m	£139.2m	+36.4%
Profit before tax	£31.6m	£15.8m	+99.5%
Profit before tax (excluding share-based payments) ¹	£34.2m	£16.8m	+103.6%
Profit after tax	£21.8m	£38.9m	-44.0%

This year marks our second year of profitability as a bank, with profit before tax, excluding share-based payments, doubling to £34.2m. Our products operate with strong unit economics, meaning that as our customer base grows, so does our profitability.

As mentioned above, we have chosen to exclude share-based payments this year, which are a one-off charge in relation to share awards. These are capital neutral and not reflective of underlying business performance.

Our figure for profit after tax versus 2023 is primarily impacted by the full recognition of our deferred tax assets at the end of 2023, which delivered a sizeable tax credit. In 2024, we did not benefit from this adjustment and hence incurred tax charges on our profitable performance.

Capital

Our capital position remains strong thanks to a successful capital raise in 2024 and ongoing profitability

	2024	2023 ²	Change
Risk-weighted assets (RWAs)	£2,670.5m	£2,205.3m	+21.1%
Overall capital ratio	19.6%	19.9%	-33.0bps
Common Equity Tier 1 (CET1) ratio	16.8%	16.5%	+26.0bps
Leverage ratio ²	13.0%	13.5%	n.m.

Our capital position remained strong throughout the year. In 2024, the Bank received £62.5m of Common Equity Tier 1 (CET1) from the £67.5m capital raise completed by Zopa Group in December 2024. Proceeds will be used to invest in the future growth of our products.

Our overall capital ratio stood at 19.6% (2023: 19.9%), which includes both CET1 and Tier 2 capital, despite growth in risk-weighted assets (RWAs). The Bank 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's Board, Board Risk Committee and the Asset and Liability Committee. The Internal Capital Adequacy Assessment Process (ICAAP) is used to assess the adequacy and efficiency of our capital resources that are required to support our business model and the key stress assumptions that drive that requirement.

1. Share-based payments costs of £2.6m (2023: £1.0m).

2. The 2023 comparative numbers have been restated to reflect final regulatory returns submissions.

Financial review continued

Liquidity

Our liquidity position is conservatively managed well ahead of regulatory minimums

	2024	2023	Change
Net stable funding ratio (NSFR)	259.0%	190.0%	+69.0%
Liquidity coverage ratio (LCR)	548.0%	539.0%	+9.0%

We have a comprehensive suite of metrics that cover regulatory requirements (NSFR and LCR), as well as internal metrics that ensure sufficient liquidity is held to cover a liquidity stress. A strong liquidity position was maintained throughout the year against both regulatory metrics and internal risk appetite. High-quality liquid assets (HQLAs) stood at £3.2bn (2023: £1.4bn) at year end, providing sufficient liquidity should it be required.

In 2024, liquidity metrics continued to be well above the internal risk appetite, which was itself well above regulatory minimums, following continued growth in savings balances. The increase in LCR from 2023 reflects the growth in our ISA product, which was launched in June 2023. Zopa's Internal Liquidity Adequacy Assessment Process (ILAAP) provides an assessment of the adequacy of the liquidity resources in relation to both quality and quantity, and assurance that a prudent funding plan is in place to support future growth.

In addition to the liquidity held, eligible collateral is pre-positioned with the Bank of England, ensuring access to facilities such as the Discount Window Facility and Indexed Long-Term Repo, which provides contingent funding, further enhancing our liquidity position.

Creating the Home of Money

In 2024, we have continued to make outstanding progress in our financial performance, delivering growth and improvements across all our key metrics. The overall economic outlook remains uncertain, but having launched the Bank during the COVID-19 pandemic, we have consistently shown each year since then that we operate a robust and resilient business, capable of delivering strong through-the-cycle performance.

But we are not complacent. From a financial perspective, we will stay focused on the items that matter, growing our customer base and aiming to drive further profitability, while staying disciplined on cost and credit. As demonstrated in 2024, we continued to have a strong appetite for innovation and new product development, and this will continue in the future. Most notably, we plan to fully launch the Zopa Bank Account, delivering more customer value than incumbents and helping to lower our funding costs. For this reason, I remain optimistic and excited that we can deliver the broadest offering of any neobank in the UK at scale – and truly create a Home of Money for all our customers' finances.



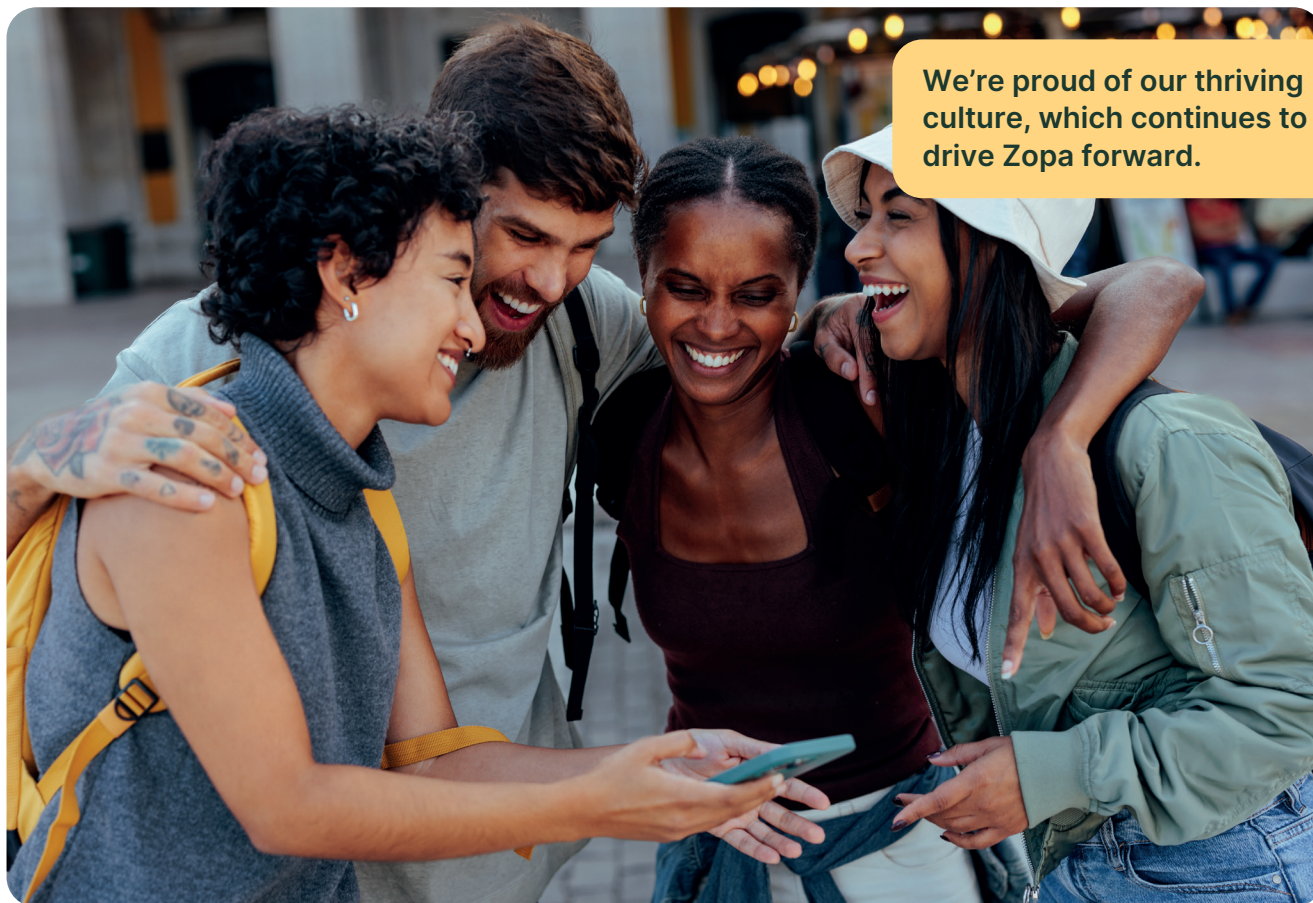
Steve Hulme
Chief Financial Officer

16 April 2025

Non-financial and sustainability information statement

At Zopa, our goal is to maintain a compelling workplace culture in which Zopians feel enthused, engaged, able to thrive and committed to working for Zopa, especially in a fast-growing and competitive industry. Zopa's people are our unique superpower, helping us to make Zopa everything it is and everything it aspires to be.

Together, we propel the business forward, in accordance with our values and behaviours, delivering great outcomes for customers. We invest in personal growth and career advancement, ensure our Zopians have a clear understanding of how their role feeds into our overall business strategy for the year and support their wellbeing both inside and outside the workplace.

[Our people](#)[Climate disclosures](#)

We're proud of our thriving culture, which continues to drive Zopa forward.

Non-financial and sustainability information statement continued

Our people



Rukia Nantambi
Head of Fraud and
Financial Crime Operations

"Zopa has played a pivotal role in supporting and nurturing my career. I began my journey as a Customer Service Agent, eager to take the next step in my professional development. Zopa quickly recognised my potential and provided access to valuable training opportunities that have significantly accelerated my growth. Their investment in my career was further demonstrated when I was promoted mid-year, a reflection of my dedication to the Company and Zopa's support for employee advancement. This experience truly highlights Zopa's strong commitment to investing in the growth and success of its team members."



Part of Newsweek's
Top 100 Most Loved
Workplaces in the
UK for the third year
running



Finalist for Health
and Wellbeing
Award, Workplace
Culture Award and
HR Team of the
Year at Personnel
Today Awards 2024

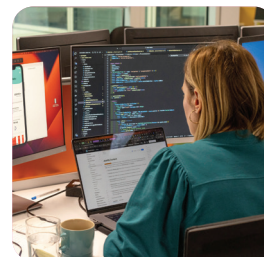


Winner of Business
Culture Team Award
– Business Culture
Awards 2024



Finalist for
Best Medium
Organisation for
Business Culture
– Business Culture
Awards 2024

One of the **top
10% most loved
companies** on
otta



First place at Spring
2024 cord Hiring
Leaders Awards



Non-financial and sustainability information statement continued

Our people continued

Our cultural evolution

Digital banking is a competitive and fast-moving industry, and our culture needs to evolve alongside our business in order to retain our valued Zopians, as well as attract new top talent into the fold.

We invest in our people, technology and processes, and foster a culture of excellence, collaboration and innovation.

We made a welcome addition in 2024 to enhance our employee offering: a job levelling framework that provides clarity and consistency in terms of how employees are evaluated and rewarded. The framework illustrates skills, competencies, values and behaviours expected from each role and level. The framework helps employees understand career progression pathways and development opportunities, which is a crucial pillar of our culture at Zopa.

Our business scorecard includes targets that relate to doing right by our people and customers. One of these targets is linked to engagement, as measured by our overall employee engagement survey, the Zopometer. The participation rate for the Zopometer, which happens twice a year, is consistently high, with over 90% of our workforce taking the time to share their honest feedback. This feedback enables us to build a people investment plan and improve employee-nominated focus areas. Different functions of the people team collaborate to create fresh, innovative ideas.

Examples from 2024 include flexible bank holidays and a new operations bonus scheme, as well as a complete redesign of our manager training modules, which started to roll out from December and received excellent feedback from participants. According to the data we've collected thus far, those who have taken part in the modules feel their awareness of manager responsibilities and Zopa's people processes increased by 48% thanks to the training.

Zopa's culture, values and behaviours guide everything we do. With Zopa Bank having recently integrated with Zopa Embedded Finance, we ensure that recently transferred employees feel equally valued, regardless of location, welcoming them as though they had always been part of the fabric of the Bank. We also conducted a 'culture audit', interviewing incoming employees to gain insights on where our cultures were similar and where they differed. We designed a plan to seamlessly integrate our new colleagues and performed pulse surveys to track the evolution of employee experience through integration.

Our annual end-of-year event has had its own evolution, as befits our Bank's growth and ever-expanding workforce. What had traditionally been a three-hour, theatre-based afternoon event became an interactive day for over 500 of our valued Zopians at the end of 2024, during which we reflected on our many 2024 business milestones and successes and looked forward to our purpose and strategy for 2025 and beyond. We look forward to more events of this scale and impact going forward.



Slavo Ingilizov
VP Software Engineering

"The combination of career development and flexibility that Zopa provides to employees is unmatched. I've been able to grow from an engineer to leading the entire engineering team. I'm really grateful that I had this opportunity to progress. What's more, after my daughter was born, I was able to use the equal parental leave benefit to spend time with her and support my wife when she was going back to work. We don't have other family around, so it was invaluable for me to be able to take an active part in the first few months of parenting and I never felt like I had to choose between my career and my family."

Non-financial and sustainability information statement continued

Our people continued

Career progression work

As previously mentioned, career progression at Zopa is a key pillar of Zopa's Employee Value Proposition (EVP) in 2024, and we delivered some significant pieces of work to enhance our offering in this space.

Career leapfrog

We're delighted with the results from our internal platform's first full year of operations. Designed to boost internal career development, it creates visible development opportunities and provides more information on the next possible career steps for all entry-level roles at Zopa.

Mentoring programme

2024 was another very successful year for our mentoring programme. This ever-popular Zopa offering is now in its fourth year and saw nearly 50 mentees matched with mentors, who offer six months of support with focused attention on an agreed professional development goal.

"Zopa's mentoring programme allowed me to connect with someone outside my core team and work on the softer skills that will be key for the next step in my career. My mentor has helped me work on finding my voice, elevating my confidence and navigating challenging conversations. It's a fantastic scheme and I would encourage all Zopians to jump in and learn from the many years of unique experiences our leaders have!"

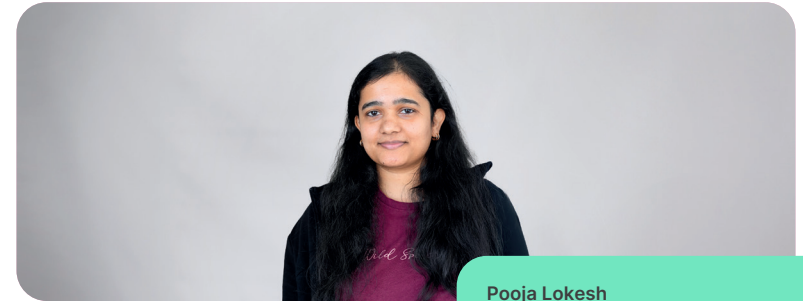
Olivia Harris – Associate Talent Partner

New manager training

Thanks to feedback from our Zopometer survey, we identified that we needed to overhaul some of our new manager training modules. We're delighted with the redesigned modules, which are the result of many months of research and collaborative work between our learning and development and people teams. The first cohort of new managers has already taken part in the one-day course, 'Managing The Zopa Way', and gave some fantastic feedback on the module structure and content.

"Having the opportunity to engage with other managers and share ideas about effective performance management had a great impact on me. I now have a much better understanding of the performance management lifecycle at Zopa and the resources available to support managers."

We look forward to seeing the impact of this new manager development programme in 2025 and beyond!



Pooja Lokesh
Senior Security Operations Analyst

"Working at Zopa has been a genuinely rewarding experience for me. The Company offers an impressive work-life balance and endless learning opportunities. I have always felt supported by my managers and team leads, who never hesitate to approve any course or new topic I want to explore. This encouragement allows me to grow continuously. When I face challenging tasks, the environment at Zopa shines through. Colleagues within my team, and even from other departments, step in without a second thought, providing support and answering all my queries until I fully understand the issue. Their readiness to help and explain things in detail ensures that I always feel like I have the tools I need to succeed. Due to this unwavering encouragement, I recently received a mid-year promotion. This personal milestone is a testament to the positive and nurturing culture at Zopa. It's this sense of camaraderie and support that makes me love working here."

Non-financial and sustainability information statement continued

Our people continued

Diversity, equity and inclusion updates

We value the broad range of experiences and insights that our people represent. We need all Zopians to feel seen, included, appreciated and comfortable bringing their whole selves to work. We continued our popular 'Neurodiversity in the Workplace' training and information sessions for managers and Zopians throughout 2024. This training has made a significant impact all across the business, even touching prospective candidates, who benefited from our Talent Acquisition team's bespoke recruitment module. In addition, we delivered 'Unconscious Bias and Menopause' training for all managers across the Company.

Our inaugural employee resource group (ERG), the Women In Business Network (WIBN), had its first full year of existence. The WIBN ended 2024 with an impressive number of internal events under its belt, as well as some very encouraging feedback results from an end-of-year survey sent out to members. One of the WIBN's events was a 'Speed Networking' evening, where Zopians had short time slots to ask senior leaders at Zopa Bank about anything they were curious about.

"The opportunity to meet and speak to so many senior leaders at Zopa was incredible, opening up new opportunities for the future."

"I loved talking to the senior women about their experiences – and I got some really great tips!"

We plan to evolve our ERG structure in 2025, with the support of our central Diversity, Equity and Inclusion (DE&I) Forum.

The WIBN also partnered with the Gender Equity Collective to deliver two impactful masterclasses, which were open to all Zopians. The first one featured specialised content on inclusive leadership, allowing Zopians to discuss how to adapt leadership styles to better accommodate the unique needs and experiences of every individual, all while promoting empathy, flexibility and unwavering commitment to inclusivity. The other session focused on reciprocal allyship across all genders, with particular emphasis on cultivating a collaborative environment at Zopa, where each and every individual acts as an ally, contributing to a more inclusive workplace. These sessions proved extremely popular – as a result, we have 10 more planned for 2025. Once again, they will be open to all Zopians.

Furthermore, a group of passionate Zopians formed a Trans Advocacy Group. After a 90-day sprint, the group presented a report outlining possible updates and improvements to be made in this space. These will be rolled out over the course of 2025.



Lucy-Ellen Steadman
PR Lead

"I joined Zopa in September 2022, and since then I've been fortunate to learn from professional challenges and make friends along the way. From day one, I was given opportunities to lead on exciting new PR projects, including helping Zopa create and run the 2025 Fintech Pledge, announcing our acquisition of DivideBuy and supporting several fundraising announcements. The Company has supported my career growth too, offering a range of training and learning and development opportunities, which has culminated in me being promoted from Senior PR Manager to PR Lead in 2024. Alongside my work, I've really enjoyed the culture at Zopa and getting to know so many talented, friendly people."

Non-financial and sustainability information statement continued

Climate-related financial disclosures

Zopa is dedicated to operating sustainably for all stakeholders. Transparency in our approach to climate-related issues is a crucial part of this commitment. In this section of our strategic report, we present our climate-related financial disclosures, focusing on governance, strategy, risk management and metrics and targets.

The UK Government recognises the recommendations of the Financial Stability Board's (FSB's) Task Force on Climate-related Financial Disclosures (TCFD) as one of the most effective frameworks for companies to use in analysing, understanding and ultimately disclosing climate-related financial information. The wide international support for the TCFD recommendations across large businesses, governments, stock exchanges and the investment community led the UK Government to adopt them as the basis for policy on climate-related financial disclosures across the UK economy. The Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022 place requirements on certain publicly quoted companies and large private companies such as Zopa Bank to incorporate TCFD-aligned disclosures in their annual reports. The regulations are effective for accounting periods which start on or after 6 April 2022. Therefore, this is the second time that Zopa Bank has included TCFD-aligned climate-related financial disclosures in its Annual Report.

In 2023, we made changes across governance, strategy and risk management to embed climate-related considerations into our enterprise systems and processes. In 2024, we've continued to integrate environmental, social and governance (ESG) factors into our business, building on our established strengths in social and governance initiatives, which have delivered tangible benefits for our customers, employees and communities. We recognise that our journey towards embedding environmental considerations, particularly climate-related matters, into our business model requires careful planning and prioritisation. While we initially aimed to define a climate action roadmap in 2024, reflections on the pace of change and evolving landscape of climate action have led us to refine our approach. We've determined that focusing our resources on other key strategic priorities will position us for meaningful and impactful climate action in the future. This strategic decision allows us to dedicate the necessary time and attention to developing a robust and comprehensive climate strategy and roadmap, ensuring alignment with both regulatory expectations and our broader business objectives. We remain committed to playing our part in supporting the UK's net zero target and share our people's passion for addressing climate change. We are confident that this considered approach will enable us to make a significant contribution in the long term.

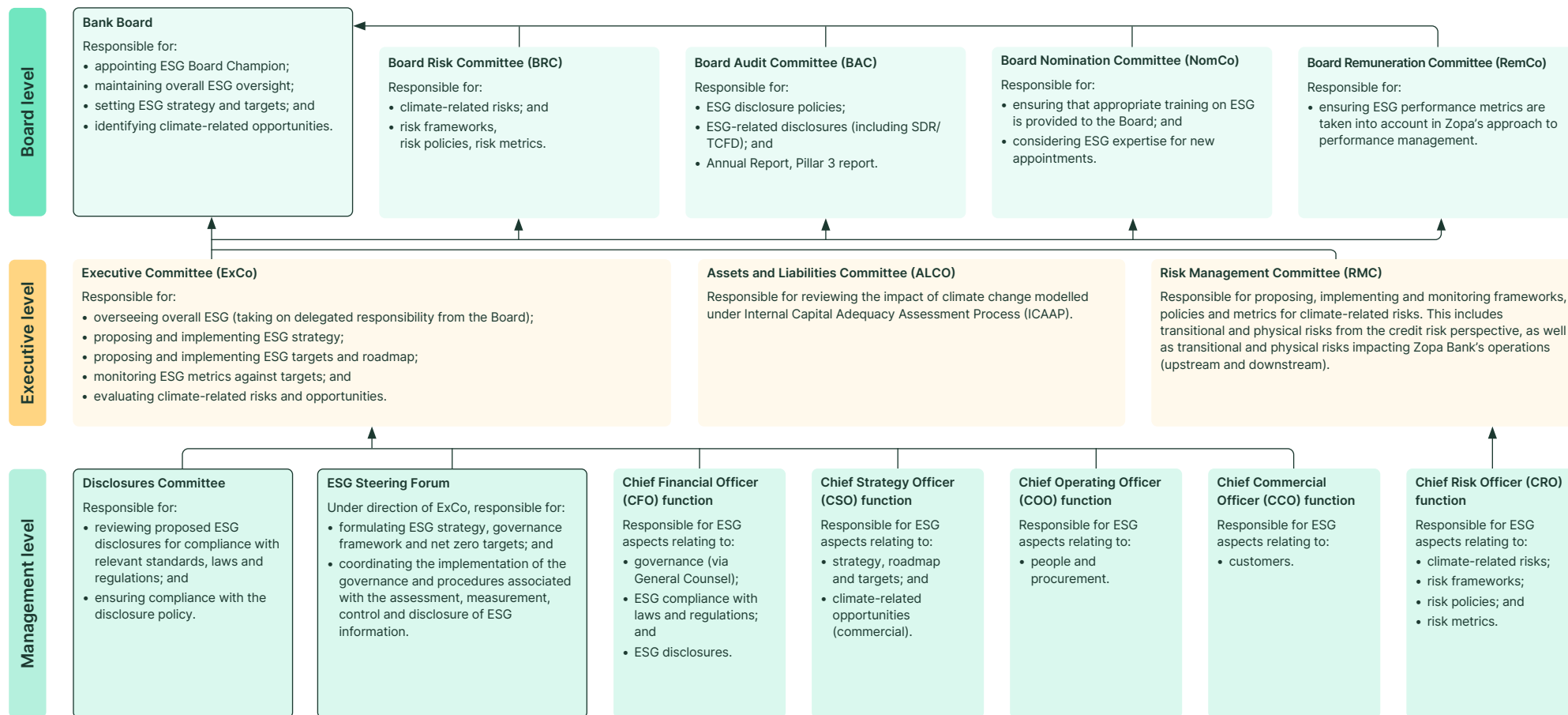
Governance

The role of the Board in oversight of climate-related risks and opportunities

The Board of Directors and the Board Risk Committee (BRC) reaffirmed their responsibilities to identify, measure, manage and control climate-related risks and opportunities. Following those foundational changes, we've focused on solidifying and embedding climate-related considerations more effectively into Zopa's enterprise systems and processes in the past year. Building on previous enhancements, including the appointment of Gaenor Bagley, an independent Non-Executive Director, as ESG Board Champion, alongside adjustments to the terms of reference of various Board and management committees, our efforts this year have centred on ensuring these established structures operate effectively and contribute to the ongoing management of climate-related risks and opportunities.

Non-financial and sustainability information statement continued

Climate-related financial disclosures continued



Non-financial and sustainability information statement continued

Climate-related financial disclosures continued

Governance continued

The role of the Board in oversight of climate-related risks and opportunities continued

The Board is ultimately responsible for all ESG matters, including climate-related risks and opportunities. This covers:

- considering and approving ESG strategy, roadmap and transition plans;
- monitoring the delivery of the ESG strategy and performance against targets;
- maintaining oversight, requesting periodic reports from management on the ESG performance of the business and evaluating any associated risks in light of its strategic ESG aims, objectives and business plans; and
- considering and approving recommendations on significant changes that extend or cease Zopa's ESG initiatives.

The Board receives ESG-related updates from management regularly through the year. Climate-related risks and opportunities are discussed at least once a year as part of the strategy and risk management matters.

During the past year, the Board approved changes to ESG governance and received updates on the formalisation of Zopa's ESG strategy and climate roadmap, including consideration of climate-related risks and opportunities.

Other Board-level committees have climate-related responsibilities. They include the following:

- the Board Risk Committee (BRC) is responsible for the oversight of climate-related risk frameworks, policies and metrics. In 2024, the BRC considered the Bank's exposure to climate-related risks, including physical and transitional risks. It also approved the Bank's compliance with requirements of the Prudential Regulation Authority (PRA) Supervisory Statement 3/19;
- the Board Audit Committee (BAC) is responsible for the oversight of ESG disclosures, including climate-related disclosures, and the related frameworks and policies. During the past year, the BAC was updated on the proposed level of climate-related disclosures and has approved the relevant report;
- the Board Nomination Committee (NomCo) is responsible for ensuring that appropriate training on ESG is provided to the Board and that ESG expertise, including on climate-related matters, is considered as part of new appointments. The Board considers the current level of expertise in this area to be commensurate with Zopa's current scale and complexity as well as the nature of climate-related risks the Bank is exposed to; and
- the Board Remuneration Committee (RemCo) is responsible for ensuring that ESG metrics, including climate-related metrics, are taken into account in Zopa's approach to performance management. At 2024 year end, there were no climate-related metrics linked to executive remuneration or the Bank's performance scorecard.



Non-financial and sustainability information statement continued

Climate-related financial disclosures continued

Governance continued

The role of management in identifying, assessing and managing climate-related risks and opportunities

Responsibility for ESG matters (including climate-related matters) is embedded across the organisation.

The Executive Committee (ExCo) is responsible for:

- considering and proposing an ESG strategy, roadmap and targets to the Board and overseeing their implementation;
- identifying and considering the impact of climate-related risks and opportunities for the Zopa Group at least annually;
- monitoring the delivery of the ESG strategy and performance against targets;
- managing the Bank's operating performance in light of its strategic ESG aims, objectives, business plans and budgets;
- reviewing reports on the ESG performance of the business and evaluating any associated risks; and
- considering and proposing to the Board recommendations for significant changes that extend or cease any ESG strategic activities.

The Risk Management Committee's (RMC's) responsibilities cover any financial risks from climate change, whether physical or transitional, including those arising from the Bank's lending activities and other operations.

The Disclosures Committee's responsibilities capture the review of ESG-related disclosures for compliance with relevant standards, laws and regulations.

The ESG Steering Forum has been established to drive formulation of the ESG strategy, monitor ESG initiatives and oversee implementation of related governance and procedures. The ESG Steering Forum includes senior representatives from across various functions of the business, and it reports directly to ExCo.

The ESG responsibilities of each business function, and the related senior management functions (SMFs), have also been clearly set out.

Climate change has been incorporated into the Risk Management Framework and various relevant policy documents, such as the Outsourcing, Procurement and Supplier Management Policy and the Travel & Expense Policy.



Non-financial and sustainability information statement continued

Climate-related financial disclosures continued

Strategy

Business model and strategy

We recognise that climate change is already having a very real impact on our key stakeholders, whether they be customers or suppliers. Changes in the environment, regulations and consumer behaviours present both risks and opportunities for the Bank. We continue to assess these in the context of our business model and strategy over the short, medium and long-term planning horizons. The annual strategy process, which usually runs through Q3 and Q4 each year, includes review of any potential climate-related opportunities. If identified, any such opportunities are assessed in the same manner as any other commercial opportunities and either added or excluded from the strategy presented to the Board at the start of each year. The assessment process involves understanding the market demand for products, market forces, and potential returns among other factors. As noted previously, identification of climate-related risks is incorporated into the Risk Management Framework. This has led to the identification of several climate-related risks and opportunities, as set out below – refer to page 53 for a summary of how risks are identified, assessed, mitigated, monitored, and reported.

Risks and opportunities

Physical risk

The indirect impact of climate-related disasters and weather events that affect our customers' ability to service their credit

Timeframe:

Medium and long term

Our strategic view

According to the UK Climate Projections published by the Met Office, the UK is likely to experience more unpredictable weather conditions in the coming years, including heatwaves, heavy rainfall, storms and droughts. These will have an adverse impact on the financial health of both consumers and businesses.

Zopa's exposure to financial risks arising from this physical climate risk are relatively low as a result of our current strategy, through which:

- we don't secure lending against property;
- we don't offer loans to businesses;
- our instalment loans have a maximum term of seven years, but the average term and weighted average life of our loans is much shorter – this reduces our exposure to longer-term shifts in economic climate; and
- our credit card offering is open-ended but has relatively low credit limits.

Physical risk

The direct impact of climate-related disasters and weather events on our value chain, consisting of operations, employees, suppliers and outsourcing partners

Timeframe:

Medium and long term

We have considered operational risks relating to climate change when entering into new material outsourcing arrangements. For example, severe weather event risk and mitigations were considered when selecting suppliers for our Zopa Bank Account product.

During the lockdown in 2020, all members of staff worked fully remote and since then we've been operating a hybrid work environment. Therefore, we're confident that, in the event of severe weather conditions preventing our staff from getting into the office, our business operations would be able to continue as normal.

Our business continuity plan and related testing plan consider severe weather event scenarios. We have a range of operational metrics, which are designed to monitor and limit operational risk exposure.

Non-financial and sustainability information statement continued

Climate-related financial disclosures continued

Strategy continued

Business model and strategy continued

Risks and opportunities

Transitional risk

The direct impact of laws and regulations impacting the values of petrol and diesel vehicles, affecting the value of our collateral on car finance loans

Timeframe:

Short, medium and long term

Transitional risk

The direct impact of laws and regulations impacting the cost of living, such as through sudden increases in the price of fuel, energy or other critical commodities, resulting in a sudden increase in the cost of living; in turn, this could lead to an increase in personal credit defaults if consumers have insufficient disposable income remaining to pay debts

Timeframe:

Short, medium and long term

Our strategic view

In 2022, we introduced personal contract purchase (PCP) loans, which allow customers to hand their vehicles over to Zopa at the end of the contract. This generates a higher financial risk exposure for Zopa, as the value of the vehicle might be impacted by factors related to climate change.

Our PCP portfolio is currently worth £81.4m, representing 14.7% of our total car finance portfolio and 2.7% of total lending. Therefore, we continue to consider Zopa's exposure to this financial risk to be relatively low. The Bank continues to monitor its exposure to PCP related risks and assesses any required changes in strategy through its annual process.

Our risk appetite statement (RAS), risk management framework (RMF) and credit and responsible lending policy have been designed to enable appropriate monitoring and mitigation of this risk. Specifically:

- Zopa's RAS sets an appetite for net losses and delinquency rate which would include losses triggered by severe weather. In addition, the credit risk appetite metrics regarding loan-to-value (LTV) and debt-to-income (DTI) further assist the Bank in assessing and limiting its exposure to assets which may be more vulnerable in a climate risk scenario;
- as part of our ongoing monitoring, we model residual error, which is designed to pick up on trends and, particularly, to identify sub-segments where risk is higher, such as specific geographic regions which are more exposed to severe weather risks;
- ongoing car finance monitoring includes monitoring of our mix of vehicle types, split by fuel type, and of vehicle depreciation rates; and
- our macroeconomic monitoring process includes inflation tracking, allowing the Bank to detect shifts that may impact borrowers' disposable income.

Non-financial and sustainability information statement continued

Climate-related financial disclosures continued

Strategy continued

Business model and strategy continued

The strategic risk posed by climate change has been considered as part of Zopa's annual strategic planning exercise and continues to be reviewed at least annually. The Bank's existing strategy assumes that we will not enter into any business lending, lending secured against property or long-term loans that would expose the Bank to physical or transitional risks caused by climate risk.

Risks and opportunities

Opportunities

Product and funding opportunities within the unsecured and secured retail consumer market

Timeframe:

Medium and long term

Our strategic view

Strategic opportunities in the green lending products and sustainability-linked funding options are considered as part of the annual strategy review. The Board challenges management to continually explore the viability of these products and funding options. While there are currently no plans in the short term to actively explore these climate-related opportunities, any commercial opportunities will be considered on a case-by-case basis. For example, in 2024 we entered into a partnership with Octopus Energy to provide a fully regulated Buy Now, Pay Later (BNPL) finance product to their UK customer base for purchase of solar panels.

The types of opportunities that Zopa could pursue in the future, given its business model, include:

- more BNPL partnerships to finance renewable sources of energy;
- tailored hire purchase (HP) and PCP products for electric vehicles;
- green lending and sustainability-linked lending across personal loans, credit cards and point-of-sale; and
- sustainability-linked capital funding, such as green bonds, which could be used to downstream green lending to Zopa's customers.

Non-financial and sustainability information statement continued

Climate-related financial disclosures continued

Strategy continued

Climate risk scenario analysis

Climate-related macroeconomic stress scenarios are considered as part of our annual strategic planning. We use two climate change scenarios to reflect the physical risk of a severe weather event and the transitional risk to our car finance assets.

'Physical risks' impacting all lending

In 2024, we simulated the impact of an extensive regional flooding event in the UK, assessing the direct costs to customers and indirect impact on their Zopa loan performance. We've continued to assume that this would impact default rates for all customers living in these regions, equivalent to that observed as a result of the first COVID-19 pandemic lockdown.

'Transitional risks' impacting car finance portfolios

Our car finance loans are based on the expectation that we will be able to recover a significant part of the outstanding balance of a defaulted account through the sale of the car.

A sudden drop in car valuations would mean that we'd incur higher net credit losses than expected (recoveries against defaulted loans would be lower). A drop in car prices could also lead to more people voluntarily terminating their loan contracts, as is their contractual right, as long as they have paid at least 50% of the total purchase amount (including any deposit), or handing the car over at the end of the loan term in the case of PCPs.

The two scenarios we have modelled are:

- a sudden drop in prices of diesel cars and cars that are more than 10 years old due to stricter regulations or higher charges applied by local councils in the UK for environmental reasons (such as the Ultra Low Emission Zone in central London); or
- a sudden drop in prices of electric and hybrid cars caused by the current battery technology becoming obsolete.

Our analysis concluded that the capital losses resulting from these scenarios would be minimal. Nonetheless, modelling scenarios affecting the car finance portfolio are used as part of ongoing credit decision-making within this business line.

Furthermore, we considered including a climate-related operational risk scenario in our operational risk assessment. However, we ultimately concluded that Zopa's online operating model and limited dependence on geographies that are vulnerable to climate-related events would make such a scenario either not severe or not plausible enough to warrant inclusion.

Given Zopa's current business strategy and stage of maturity, we do not consider it necessary to develop stress scenarios which stretch beyond a five-year horizon at this stage. This approach will be reviewed annually.



Non-financial and sustainability information statement continued

Climate-related financial disclosures continued

Strategy continued

Risk management

We review our approach to managing climate-related risks annually as part of risk appetite and the Internal Capital Adequacy Assessment Process (ICAAP). It would also be reviewed if the strategy were to change at any time to include lending secured against property, commercial lending or any form of fixed-rate lending with a term of greater than 10 years.

Zopa Bank's Board and the BRC consider financial risks from climate change as part of their existing responsibilities for maintaining risk management and internal control systems, as well as for the identifying, measuring, managing and controlling risks involving Zopa. Zopa's RMF sets out how the Board delegates the execution of these responsibilities to various individuals and Board and management committees. The terms of reference for the executive RMC were updated to make the responsibility for the management of climate-related risks more explicit.

Zopa's risk appetite statement (RAS) sets out that:

- credit losses must be controlled so that net losses do not exceed the capital conservation buffer, even under a severe but plausible stress scenario, and that the stress scenario must consider the potential impact of changing macroeconomic conditions that might arise from climate change;

- two new risk appetite metrics were added. One metric tracks the flood risk associated with Zopa's lending portfolio. The second metric limits exposure to older, more polluting cars on secured car finance. This complements an existing metric that limits exposure to electric and hybrid vehicles. These metrics help to measure and limit Zopa's exposure to borrowers and assets which may be more vulnerable to physical or transitional risks from climate change.

Individual risk oversight responsibility for identifying and managing climate-related risks was allocated to the Chief Risk Officer (CRO), who will hold the responsibility alongside their existing SMFs. The management responsibilities map and individual statement of responsibility have been updated accordingly.

The Bank's material risk assessment has also been updated and now includes specific guidance on how Zopa captures climate-related risks within its risk types.

The plan for Zopa's approach to climate-related risks, and the documents described above, have all been reviewed and approved by the Board. The Board also received training on regulatory expectations regarding climate-related risks from external expert advisers in 2024.

To manage climate-related risks in our value chain, we've enhanced our procurement and third-party management policies, which are now designed to capture ESG-related data. Our BCP and the related testing plan consider the impact of severe weather event scenarios on our value chain. We have a range of operational metrics designed to monitor and limit operational risk exposure. We currently consider this risk to be minimal.

Metrics and targets

We use a range of metrics to inform our strategic planning, allocate resources, track progress and report to our stakeholders on climate-related risks and opportunities. We also use specific metrics to measure and report on our greenhouse gas (GHG) emissions footprint. At present, we have not set any specific targets for climate-related risk or opportunities.

Non-financial and sustainability information statement continued

Climate-related financial disclosures continued

Strategy continued

Operational emissions

We report Zopa's UK energy use and associated GHG emissions as part of the UK's Streamlined Energy and Carbon Reporting framework, in line with the requirements introduced by the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018, which are relevant to large unquoted companies such as Zopa Bank, as well as large limited liability partnerships. This covers gas, electricity and transport fuel, as well as an intensity ratio and information relating to energy efficiency actions.

Our emissions are sorted into categories called 'scopes', which are set by the Greenhouse Gas Protocol, the international body that defines carbon accounting standards. Each scope is defined as follows:

Scope 1: direct release of GHG from sources we own or control. This includes fuel combustion on site, such as in gas boilers, fleet vehicles and air conditioning leaks.

Scope 2: indirect emissions from electricity purchased and used by us. The generation and consumption of heat or steam are included. Emissions are created during the production of the energy and eventually used by Zopa.

Scope 3: upstream emissions of products and services that Zopa purchases and uses in its own operations.

Our emission footprint under each scope noted above is calculated using emission factors from verified sources, such as the U.S. Environmental Protection Agency or the Carbon Disclosure Project, as well as our own internal business data, including energy usage, employee mileage, employee surveys and financial data (for example supplier spend). This gives us our emissions in tonnes of carbon dioxide equivalent (tCO₂e).

As a fully digital bank, our Scope 1 and Scope 2 emissions are already relatively low, this is why the Scope 3 emissions represent 98.4% of Zopa's total emissions. This is the second time that we have measured the impact of GHG emissions arising from our operations and not just staff travel.

Greenhouse gas emissions

GHG emissions	2024	2023
Scope 1	16.7 tCO ₂ e	15.8 tCO ₂ e
Scope 2	59.7 tCO ₂ e	60.4 tCO ₂ e
Scope 3	4,737.1 tCO ₂ e	3,918.8 tCO ₂ e
Total (location-based)	4,813.5 tCO₂e	3,995.0 tCO₂e
Total emissions per full-time employee (intensity ratio)	6.0 tCO₂e	5.7 tCO₂e



Non-financial and sustainability information statement continued

Climate-related financial disclosures continued

Strategy continued

Greenhouse gas emissions continued

Key year-on-year changes include:

- The marginal increase and decrease in Scope 1 and 2 emissions respectively, are due to year on year variations in heating and cooling of our premises.
- The increase in Scope 3 emissions is due to growth in our operations and headcount during the year, including changes introduced as part of the Group reorganisation, which saw addition of the point-of-sale business into Zopa Bank.

Scope 3 emissions

We measure our Scope 3 emissions by business categories. The largest category contributing to our Scope 3 emissions were goods and services (65%), business travel (11%), staff travel and home working (9%), and cloud hosting (9%). This reflects the nature of our business as a fully digital bank. We have not yet set any specific targets for reducing our emissions in each of these business categories.

Energy efficiency actions

In 2024, the principal efficiency actions taken by Zopa were:

- expanding the scope of suppliers from whom we collect data on GHG emissions;
- continuing the roll out of an electric vehicle leasing scheme to employees through salary sacrifice;

- promoting the cycle-to-work scheme for employees who wish to use a bicycle as their commuting method; and
- assessing the way we use our office location and premises to determine appropriate strategy.

Financed emissions

In addition to our operational emissions, Zopa's carbon footprint also includes downstream financed emissions. These arise from the products and services that we provide to our customers. These types of emissions are measured using industry GHG accounting standards. The Partnership for Carbon Accounting Financials is a financial industry-led initiative created in 2015 that helps financial institutions to assess and disclose their GHG emissions from loans and investments. Measuring financed emissions is important to understand both downstream and upstream climate-related transitional risks and opportunities, as well as to set the baseline emissions for target setting.

Zopa recognises that measuring, controlling and reporting financed emissions is going to be critical when determining our transitional planning and targets for achieving net zero. However, we do not expect to make any significant progress towards measuring and disclosing our financed emissions until the approach to measuring these emissions, as well as the market and regulatory disclosure expectations, evolve further.



Stakeholder engagement

Section 172 disclosure

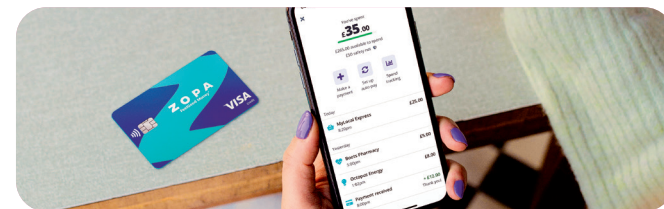
When making decisions, the Directors of the Bank must act in a way that they consider, in good faith, to be most likely to promote the Bank's success for the benefit of its members as a whole while also considering the broad range of stakeholders who interact with and are impacted by our business. Throughout 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;
- the interests of the Bank's employees;
- the need to foster the Bank's business relationships with suppliers, customers and others;
- the impact of the Bank's operations on the community and the environment;
- a desire for the Bank to maintain a reputation for high standards of business conduct; and
- the need to act fairly between members of the Bank.

The Bank strives to understand the views and needs of its broad range of stakeholders, which are covered in detail in this section of the report. The directors recognise that conflicting needs may arise across the Bank'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 Bank in a manner that's consistent with its purpose, values and strategic priorities. The directors adhere to the following steps when making decisions.

01 Identify

We identify our stakeholders based on mutual influence and impact.



02 Assess

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



03 Engage

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



04 Review

We perform an ongoing review of our assessment and change our plans if that is in the best interests of the Bank and our stakeholders.



Stakeholder engagement continued

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. The statement is available on our website at www.zopa.com/modern-slavery.

Our stakeholders

The Bank engaged with key stakeholders throughout the year to understand their priorities and needs. As a result of that engagement, a number of actions were taken, as described below.

Our shareholders

Directors and senior management engage in regular and fair dialogue with the Company’s shareholders to share strategic and financial updates, as well as seek feedback.

During 2024, those discussions covered a broad range of topics, including the medium and long-term strategic direction of the Bank, financial performance and planning, market dynamics, regulatory areas of focus and engagement with other stakeholders.

Stakeholder	How we engage	What matters to them	How the Board considers it
Zopa Group investors	- Some of our largest investors are on the Board and participate or observe in Board committee meetings. - Large investors had regular dialogue with key management. - All investors receive periodic shareholder updates, with larger investors receiving more detailed information and access to the Bank’s financials each month.	- Corporate strategic direction. - Product growth. - Financial performance. - Strong management and aligned incentives. - Market perception. - Impact of future dilution. - Valuation outcomes and exits.	Our largest shareholders currently sit on the Board and therefore have direct input into key decisions. The Board considers those decisions based on: - an annual strategy and budget process – the Board considers the likely capital needs and valuation outcomes as part of this process; - product growth and financial performance monitoring through the regular receipt and discussion of management information; - management performance assessed against an annual scorecard agreed at the start of the year, with short-term management incentives aligned to those of the scorecard, including a discretionary downward risk modifier to ensure performance is not met by taking inappropriate risks, and longer-term incentives aligned to overall long-term business and share price performance; and - where required, external advice on key topics like management incentives, market outlook, valuation, strategy and growth.

Stakeholder engagement continued

Our stakeholders continued

Our employees

Our people are at the heart of our success, and we strive to serve their needs. We are proud of our unique culture, which is fuelled by our purpose, drive, empowerment and collaboration. The Board is committed to reinforcing, recognising and rewarding this culture throughout the governance framework at Zopa Bank.

We conduct our employee engagement survey (the Zopometer) twice a year. We set an overall engagement target score to maintain and that is submitted to the Board as a scorecard metric annually. Our participation rates are always high; the last three surveys have seen over 90% participation from our people. This is now a well-established and trusted survey that has driven positive change and gives the business essential data from which to learn and shape our people strategy.

Diversity, equity & inclusion continues to be a focal point for the Board, and we made further investments in 2024 to improve our diversity and inclusion efforts. Zopa Bank’s community encompasses 41 nationalities with some 24% of our employees identifying as ethnically diverse. We encourage Zopians to disclose their ethnicity during our bi-annual engagement survey and our Talent Acquisition team has dedicated DE&I targets for talent sourcing and recruitment to ensure we have a diverse talent pipeline. In 2024, we also launched Zopa Bank’s first Trans Advocacy Group, which is open to all and bolsters inclusiveness at Zopa Bank for the LGBTQ+ community.

We also continued with initiatives launched in 2022 and 2023, including ongoing Unconscious Bias, Neurodiversity and Menopause training for managers and employees across the business.

Stakeholder	How we engage	What matters to them	How the Board considers it
Employees	- Employee engagement measured twice a year. - Strategy updates. - Regular Bank-wide announcements.	- Gender pay gap. - Fair remuneration. - Flexible working. - Wellbeing. - Sense of belonging. - DE&I. - Learning and development.	The Board evaluates results relating to the employee engagement surveys and management’s plans to address areas for improvement. The Board also evaluates data on the gender pay gap and DE&I, and how management plans to make further improvements.

Stakeholder engagement continued

Our stakeholders continued

Our customers

Zopa Bank’s growth has been underpinned by understanding and addressing unmet customer needs, and delivering products that improve their financial wellbeing. This principle guides our product development, where regular interactions through surveys, interviews, social media and service channels help us paint a holistic picture of our customer base. We complement this qualitative data with in-depth analytics to uncover usage patterns, potential obstacles and how macro trends might impact their experience. Using this rich insight, we aim to deliver solutions that truly address our customers’ pain points and resonate with what they desire.

Our unyielding focus on addressing our customers’ needs and dedication to creating positive experiences enables us to retain a strong overall net promoter score (NPS) at 75. Our highly rated customer experience means that we continue to grow our customer base and that those customers are increasingly seeking a deeper, multi-product relationship with Zopa Bank.

The Board actively directs our customer strategy, and receives regular updates on both the customer experience we deliver and the outcomes we achieve. This ensures ongoing alignment between customer needs and strategic direction.

Our customer strategy is actively directed by the Board, which receives regular updates on both the customer experience we deliver and the outcomes we achieve. This ensures ongoing alignment between customer needs and strategic direction.

By continuing to focus on understanding and meeting customer needs, Zopa Bank strives to be a driving force for positive financial change, empowering one individual at a time.

Stakeholder	How we engage	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 our customer base.	- Value (interest rate, fees, etc.). - Certainty (of rate and acceptance). - Speed of disbursement for loans. - Understanding and managing their financial wellbeing.	The Board evaluated this through regular review of information packs covering customer outcomes, complaint reviews, and customer satisfaction levels. Similarly, the Board received customer call listening updates highlighting the quality of service that our customers received. The Board monitors and evaluates customer outcomes on an ongoing basis to ensure our products and services are aligned with the principles of Consumer Duty.
Depositors	Monitoring of online sources such as Trustpilot and social media channels to understand customer sentiment; and we also analyse our own data such as call recordings to share emerging themes.	- Security of their savings Financial Services Compensation Scheme (FSCS) coverage. - Interest rates. - Ease of application and management.	The Board assessed whether the Bank’s actions and products will benefit Zopa Bank’s customers. In 2024, the Board maintained oversight of deposit pricing in the context of a rising rate environment and competitive dynamics. The Board also evaluated the Bank’s ISA plans and growth in overall deposits.

Stakeholder engagement continued

Our stakeholders continued

Our suppliers

2024 saw us focus on selecting key partners to support our product growth and the build of the Zopa Bank Account. We continued to leverage a diverse network of suppliers to deliver essential goods and services across our business domains, including critical operations. To maintain our high service standards, we continuously ensure our procurement processes align with stringent Prudential Regulation Authority (PRA) regulations and expectations. This ensures careful selection of partners who share our commitment to excellence.

Furthermore, we have integrated sustainability and diversity considerations into supplier onboarding, solidifying our commitment to responsible sourcing. This approach helps us to identify partners who not only meet our operational needs, but also align with our values.

By maintaining a comprehensive supplier management framework, we ensure a risk-based approach, minimising potential issues for our customers and ourselves. Key outsourcing decisions, which include ongoing monitoring of critical suppliers, remain firmly under Board oversight. This rigorous approach guarantees reliable partnerships and fuels our dedication to operational excellence.

Stakeholder

Suppliers and outsourcing partners

How we engage

- Running fair selection processes, proportionate to the size and risk of the business objective.
- Ensuring that our suppliers and outsourcing partners meet Zopa Bank's minimum standards by performing due diligence assessments before onboarding and throughout the supplier relationship.
- Performing proportionate ongoing supplier due diligence.
- Conducting proportionate monitoring and oversight of suppliers throughout the business relationship, on both commercial performance and suppliers' continuing adherence to Zopa Bank's agreed standards.

What matters to them

- Understanding which services can add value to our business model and operations.
- Being remunerated fairly and in a timely fashion for their services.
- Building long-lasting business relationships founded on a deep understanding of each other's strategic priorities.
- Being satisfied that we follow the rule of law, comply with all relevant regulations and act ethically.
- Communicating openly and honestly where and when performance is a concern and improvements are required.

How the Board considers it

- The Board maintains oversight of supplier performance and risk assessment, including review of regular management reports.
- The Board oversees the selection process for new material suppliers to ensure that the chosen supplier is the best choice for Zopa Bank.
- Ensures appropriate action is taken where performance is a concern and improvements are required. The Board reviewed some of our material suppliers to ensure that they align with our long-term strategic goals.

Stakeholder engagement continued

Our stakeholders continued

Our industry bodies

We actively participate in leading industry bodies like the Finance and Leasing Association (FLA) and UK Finance. These memberships offer a valuable exchange of information, including:

- sharing best practices: we learn from and contribute to industry standards, ensuring we continuously improve our operations;
- navigating regulation: we gain timely insights on new regulatory developments that help us to stay compliant and proactive;
- participating in a collective voice: joining forces with other industry players allows us to shape industry responses to consultations and influence positive change; and
- increasing market knowledge: access to research, statistics and analysis keeps us abreast of industry trends and consumer behaviours.

Our FLA engagement focuses on car finance, while we engage with UK Finance on matters related to credit cards, personal banking and fraud prevention. Subject matter experts across the Bank engage with relevant forums and working groups, while a central contact facilitates information sharing. Regular membership-level reviews ensure we optimise our participation in and derive maximum value from these bodies.

Stakeholder

How we engage

What matters to them

How the Board considers it

Industry bodies

- Attending working party meetings, forums and discussion groups.
- Contributing to consultation papers, research and management information as appropriate.
- Participating in networks for senior executives.
- Using publications for horizon scanning.

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

The Bank and industry bodies share similar views on the matters that are important to the sector and its customers. In 2024, Zopa's management provided updates to the Board on key industry trends and developments. The Board draws on this information whenever it makes strategic decisions regarding the Bank.

Stakeholder engagement continued

Our stakeholders continued

Our regulators

The Bank is subject to regulatory approvals, reviews and regulations as a result of its operations in the financial services sector. Members of the Zopa Bank executive team and 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.

By fostering strong relationships with the regulators, Zopa Bank demonstrates its commitment to transparency, accountability and responsible financial practices.

This proactive engagement ensures the Bank operates within the highest standards, safeguarding the interests of its customers and contributing to the stability of the financial system.

Stakeholder	How we engage	What matters to them	How the Board considers it
UK regulators	• Holding periodic meetings between management, directors and the regulators. • Sharing copies of our Board papers and reports. • Submitting key prudential documents such as the Internal Capital Adequacy Assessment Process (ICAAP), Internal Liquidity Adequacy Assessment Process (ILAAP) and Recovery Plan. • Requesting approvals as part of the Senior Managers and Certification Regime. • Requesting variation of regulatory permissions to enable expanded product offerings. • Escalating matters of interest on an ad hoc basis.	• Governance, culture and accountability at Zopa Bank. • How we treat our customers, and whether we deliver good outcomes for them, consistent with the Consumer Duty. • Operational resilience of our business. • Ensuring we are appropriately capitalised and have sufficient liquidity, including for stress events.	The Board receives updates on the Bank’s engagement with the PRA and FCA and on new regulatory initiatives and publications, at every meeting. A full review of the regulatory environment is also conducted annually as part of the strategy process.

Stakeholder engagement continued

Our stakeholders continued

Our communities, environment and climate change

This year we partnered with Coding Black Females, a non-profit organisation whose primary aim is to address the underrepresentation of black women in technology and grow the community of black women in software development and technical roles, from entry to executive level.

We were proud to collaborate with them on two of their charitable initiatives in 2024: their Back to School Drive and their Winter Coat Drive. Zopians across the Company donated stationary, school supplies and uniform for the Back to School Drive and a small task force then volunteered to pack the bags, which were donated to 290 disadvantaged kids ahead of the first day of term in September. Likewise, the Winter Coat Drive culminated in 151 disadvantaged children receiving a brand-new, good-quality winter coat ahead of the cold weather. This was achieved through a combination of generous personal donations from our Zopians, money raised through an internal raffle and Zopa matching employee donations. In total we raised £14k for Coding Black Females initiatives in 2024.

Zopa Bank also continued their partnership with the Step Change Debt Charity.

In 2024, the Bank made direct charitable donations totalling over £19k.

Stakeholder	How we engage	What matters to them	How the Board considers it
Community and environment	- Employee volunteering days. - Lunch and learn sessions. - Offering financial health tools. - Promoting financial inclusiveness, budgeting and resilience. - Showing how to spot and avoid financial fraud. - Mentoring. - Partnership with Code First Girls.	- Mentoring. - Equal opportunities. - Knowing how our activities impact the environment (for example, greenhouse gas emissions). - Sustainability commitments. - Social impact.	During the past year, the Board continued to support the Bank's environmental, social and governance (ESG) initiatives. These include, notably, the 2025 Fintech Pledge, launched by Zopa and joined by multiple partners from across the UK's fintech community. It aims to drive 25 million consumer actions that build up the financial resilience of UK consumers by 2025. The Board also reviewed the climate-related financial disclosures in the Annual Report.

Risk management

Risk management framework

The risk management framework (RMF) sets out how the Bank manages risk. The RMF defines types of risk and describes how Zopa sets its appetite for those risks. It also describes how those risks are identified, assessed, mitigated, monitored and responded to effectively. The rest of this section outlines the key features of the RMF.

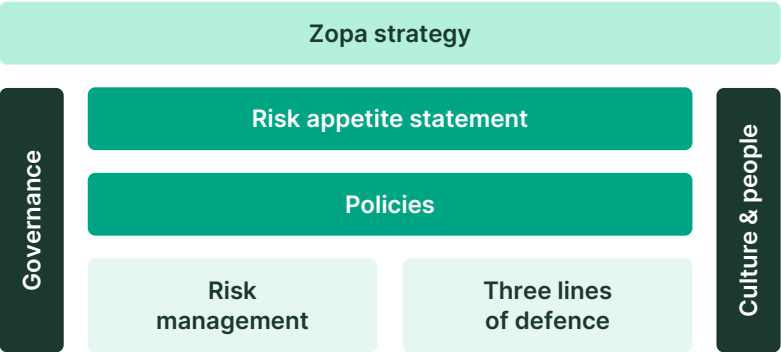
Risk culture and people

Zopa’s culture and people are key tools in delivering its strategy within the defined risk limits set out in the risk appetite statement (RAS).

Culture

Zopa’s culture, as defined by its values, supports strong risk management, by promoting:

- balanced decision-making, where both risk and reward are appropriately considered and reflected on; and
- a healthy control environment, underpinned by openness, directness and focus.



The direct application of our values to risk management is summarised in the table below.

Values

Application to risk management

Customer
champions

We focus on customers in everything we do. We particularly focus on risks to customers in our risk management activity, reflecting our very low risk appetite for poor customer outcomes.

Fearless
choices

We make decisions that balance risk and reward. We take risks where we judge that they will be rewarded, and we respond proactively when risks worsen to focus on sustainable growth over short-term gains. We clearly establish ownership and accountability to promote an environment where our employees feel empowered to take responsibility for risk management.

In it
together

We have an open, truth-seeking culture. We share and learn from weaknesses in risk management, with honest and open communication across lines of defence, and high levels of risk awareness across the business.

Walk
the talk

We challenge each other in search of the best outcomes. We directly raise and explore differences of opinion on risk assessments, and encourage employees to speak up when they have concerns.

Win
smarter

We focus on the things that matter most. We prioritise the most significant risks. Our reporting is focused and informative. We target controls to allow us to be agile and innovative without compromising risk management. We take steps to address the underlying root cause of risks, not their symptoms.

Risk management continued

Culture continued

This culture is embedded by the Board and management, which set the tone from the top and establish enabling structures, including:

- for all employees, a hiring and performance appraisal process, and a reward scheme, that rewards behaviour consistent with Zopa's values;
- for senior employees, a remuneration structure including equity awards, which aligns individual interests with the Bank's long-term performance. For Executive Committee (ExCo) members designated to perform senior management functions (SMFs), performance assessments and remuneration outcomes are also in part determined by an assessment by the Chief Risk Officer (CRO) of their performance against risk objectives over the previous year;
- a whistleblowing process that allows any employee to raise concerns directly to the Senior Director, Risk and Compliance or the Chair of the Board Audit Committee (BAC), Zopa's Whistleblowing Champion;
- a conflicts of interest policy that ensures that any potential conflicts between the interests of employees or directors and the interests of the Bank are declared and managed appropriately; and
- an anti-bribery and corruption policy that limits the risk of employees becoming subject to inappropriate external incentives.

People

Employing and retaining skilled and competent people across all levels is critical for ensuring that Zopa can deliver its strategy and effectively manage risk. The Board entrusts this task to the Chief Executive Officer (CEO), who delegates the facilitation to the Chief People Officer.

The people function plays several important roles in facilitating an effective three lines of defence structure by:

- designing a remuneration and incentive scheme, which is approved by the Board via the Board Remuneration Committee, based on behaviours that balance risk and reward;
- managing succession planning, which is overseen by the Board Nomination Committee;
- managing resource requirements through effective recruitment and retention strategies;
- developing the training strategy for both compulsory and development requirements, and by supporting first-line SMFs in ensuring their employees are trained and competent to identify and assess risk;
- supporting the Senior Director, Risk and Compliance to map responsibilities to job descriptions so that all senior managers falling under the Senior Managers and Certification Regime (SM&CR) have clear statements of responsibilities and the related risk limits are translated into employees' individual objectives;

- maintaining records of managers subject to SM&CR training and competency requirements; and
- centrally managing the performance appraisal process to ensure a consistent application in line with Zopa's values and risk culture across the business.

Risk appetite

The Board sets a 'risk appetite' for each risk type by expressing the maximum level of risk of that type that the Bank 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 business implements risk appetite through the three lines of defence structure in the Bank, as described below, with performance monitored against risk appetite. Breaches of triggers or limits are escalated to the Board via the Bank's Board Risk Committee (BRC) and the executive Risk Management Committee (RMC), with remedial actions then agreed.

Risk management continued

Three lines of defence

Zopa Bank's risk management processes are operated under a structure consisting of three lines of defence:

1. In the **first line**, business areas are responsible for managing risks in their activities, in line with the framework set out in the RMF, to ensure that the business remains within risk appetite.
2. In the **second line**, Zopa's risk function designs the overall approach to risk management. It monitors and conducts assurance on the first line's implementation, to ensure that the Bank remains within risk appetite. It reports regularly to the Board and management on this.
3. In the **third line**, internal audit performs independent periodic checks to evaluate the effectiveness of the first two lines against the standards approved by the Board, and reports on findings to the BAC.

Risk governance

Zopa establishes clear roles and responsibilities around risk management. In broad terms:

- The **Board**, with the support of its Board committees, sets the major, strategic-level elements of Zopa's framework for managing risk, establishes a culture that supports strong risk management, and delegates the execution and embedding of these to management, while maintaining appropriate oversight.
- **Management** executes and embeds the risk framework and culture defined by the Board.
 - First-line ExCo members holding SMF roles under the SM&CR bear primary responsibility for risk management. This includes the responsibility of all ExCo members to ensure that the RMF is properly implemented in their areas, and of the CEO to ensure the desired culture is embedded.
 - The CRO, Senior Director of Risk and Compliance and the Money Laundering Reporting Officer (MLRO) hold SMF responsibility for overall second-line risk management, compliance and financial crime risk. In turn, second-line individuals nominated by the CRO act as 'risk oversight owners', who are responsible for second-line oversight of each individual risk type, including establishing policies and conducting monitoring and assurance activities.
- Management committees provide a forum for the first line and second line to review and discuss risk issues to aid in the discharge of their responsibilities. Committees perform regular review of reporting, challenge first-line SMFs and issue recommendations on various matters to final decision-makers.

Policies, standards and procedures

Policies, as set by the second line, establish the minimum standards that the Bank must follow in its business activities to ensure that risk types are managed within the risk appetite. In some technical subject areas, the second line supplements policy requirements with standards.

Procedures, as established 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 continued

Risk management

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

- **Identification:** Zopa identifies risks through a range of methods, including: review of management information; bottom-up analysis (e.g. of process design, credit performance and asset and liability characteristics); horizon scanning; audits and assurance reviews; scenario and stress testing exercises; operational risk event logging; and top-down material risk reviews.
- **Assessment:** Zopa assesses and judges identified risks through a range of measures, including: quantification of the likelihood and potential impacts of operational risks; modelling and data analysis; and the application of prescribed methods for quantifying capital and liquidity risks.
- **Mitigation:** Zopa takes action to reduce identified risks to within appetite, including through: the implementation of policy standards and controls to reduce the likelihood and severity of risk events; credit acceptance criteria to limit credit risk; decision-making authorities around new risk exposures; limits on financial exposures; and incident and crisis management processes.
- **Monitoring and reporting:** responsible business areas regularly monitor the output of Zopa's identification, assessment and mitigation activities, and report on this to senior individuals and committees at management and Board level to enable appropriate visibility, discussion and challenge. This includes: monitoring of risk appetite; other items of management information; forecast and actual performance data; and regular reporting on these to the relevant management and Board committees.
- **Response and learning:** when risks crystallise, or when Zopa's residual risk exposure increases, Zopa escalates to the appropriate individuals and committees, who agree on an appropriate response. For example, root-cause analysis of operational risk events informs changes that may be required to policies and controls, and adverse performance in particular lending segments may inform changes to credit strategy.

Stress testing

Stress testing is an important risk management tool. It forms part of the 'Identification' and 'Assessment' headings under the risk management approach, with specific approaches documented for the Bank's key annual assessments, including the Internal Capital Adequacy Assessment Process (ICAAP), the Internal Liquidity Adequacy Assessment Process (ILAAP) and the Recovery Plan.

Principal risks

Given its business model, the principal risks – or major 'risk types' under Zopa's RMF – faced by the Bank are credit risk, capital risk, liquidity risk, market risk, operational risk and strategic risk. The Bank also considers customer outcomes risk: a lens through which to view the aspects of operational risk that could cause poor customer outcomes.

Risk management continued

Principal risks continued

Credit risk

Definition

Credit risk is the risk that borrowers or other counterparties default on their loans or obligations.

Credit risk includes the following subtypes:

- counterparty credit risk: the risk that counterparties to which Zopa has non-loan exposures default; and
- concentration risk: the risk that Zopa's credit losses are exacerbated by large exposures to individuals or a high correlation between individual borrowers.

Risk profile

The material credit risk that Zopa faces is:

- consumer borrowers defaulting on their unsecured personal loans, secured car loans or credit card loans.

Appetite

Overall credit risk

The Bank is willing to take risks that will be rewarded, maintaining losses that are acceptable in relation to financial return. It will seek to meet this objective over the economic cycle, accepting that losses in periods of stress will be significantly higher than those in benign conditions.

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

Credit concentration risk

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

Counterparty credit risk

The Bank seeks to limit counterparty credit exposures to the minimum required to support its liquidity management and its high-quality liquid asset (HQLA) diversification activities.

Mitigation

The Bank 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:

- credit scorecards are designed to assess the credit risk of loan applicants using models trained on historic Zopa and credit bureau data;
- minimum affordability and eligibility criteria are applied to all incoming applications;
- the Bank 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 Bank's credit exposures are all in the UK.

Risk management continued

Principal risks continued

Credit risk continued

Definition

Credit risk is the risk that borrowers or other counterparties default on their loans or obligations.

Credit risk includes the following subtypes:

- counterparty credit risk: the risk that counterparties to which Zopa has non-loan exposures default; and
- concentration risk: the risk that Zopa's credit losses are exacerbated by large exposures to individuals or a high correlation between individual borrowers.

Assessment and measurement

The Bank's accounting policy for the measurement of expected credit losses (ECLs) can be found in note 37.

The Bank 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 Bank must set aside capital equal to 8% of its total risk-weighted assets to cover its Pillar 1 capital requirements.

As part of ICAAP, the Bank also performs an assessment of additional Pillar 2 capital that should be held to protect against potential credit losses. This includes using external benchmarks on retail credit risk weights and applying the quasi-internal ratings based (IRB) methodology.

The Bank must then assess whether a Pillar 2A capital add-on is required through portfolio stress testing and (optional) benchmarking against IRB standards.

The Bank also defines a range of internal indicators on credit and model performance to measure the quality of originations and the portfolio on both a backwards and forwards-looking basis.

Monitoring and reporting

The Bank 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, and 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 37 to the financial statements for more information on the risk management of financial instruments held by the Bank.

Risk management continued

Principal risks continued

Capital risk

Definition

Capital risk is the risk of having insufficient capital to support the business strategy.

Risk profile

The material capital risk that the Bank faces is:

- unexpected credit or operational losses leading to capital resources being below required levels.

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 satisfy the minimum regulatory requirements at all times.

Mitigation

The Bank's capital risk is managed in line with its internal standards based on policies, limits, triggers, continuous monitoring and stress testing.

Through the ICAAP, material risks to the Bank's capital position are analysed in light of the Bank's strategy, operations and risk profile. The ICAAP includes stress testing, in which stress scenarios are used to develop an informed understanding and appreciation of the Bank's capacity and resilience to withstand shocks of varying severities. It also identifies management actions, which could be taken to mitigate the impact of stresses on the Bank's capital position. The ICAAP is treated as a live document and used to inform ongoing capital management. Throughout 2024, the Bank continued to maintain capital ratios within the Board's risk appetite and regulatory requirements.

A key mitigation that the Bank uses to manage capital risk is the efficient deployment of its existing capital resources. This ensures that risk-adjusted returns are maximised while remaining above regulatory requirements.

Assessment and measurement

The Bank is subject to a total capital requirement (TCR), which comprises Pillar 1 and Pillar 2A, and to capital buffer requirements which help ensure that the TCR can be met at all times. These requirements are quantified as part of the ICAAP, based on prescribed regulatory methodologies and best-practice industry approaches. The Prudential Regulation Authority (PRA) sets the Bank's final TCR and capital buffers based on its capital supervisory review and evaluation process, which includes a review of the Bank's ICAAP.

Throughout the financial year, the Bank complied with the capital requirements in force as set out by the PRA. Further details can be found in the financial review on page 24, note 37 to the financial statements and in the Bank's published Pillar 3 disclosures report.

Monitoring and reporting

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 Board, as well as to the Bank's Asset and Liability Committee (ALCO), RMC and BRC, on a regular basis. The BRC reviews and recommends the Bank ICAAP, which the Bank Board approves.

Forward-looking assessments of capital resources and requirements are produced, summarised in the ICAAP document and capital management plan, and 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 Bank is well-positioned to meet them when implemented.

Risk management continued

Principal risks continued

Liquidity risk

Definition

Liquidity risk is the risk of being unable to meet obligations as they fall due.

Risk profile

The material liquidity risks that the Bank faces are as follows:

- Maturity mismatches and unexpected customer behaviour lead to liquidity shortfalls.
- Zopa's liquidity resources are not sufficiently liquid or of high enough credit quality to meet commitments as they come due.
- Market conditions hinder Zopa's ability to raise new deposits.

The Bank's liquidity profile can be found in note 37.

Appetite

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

Mitigation

The Bank actively manages liquidity resources to ensure that they meet net outflow requirements and minimum standards for asset quality. The Bank produces short, medium and long-term cash flow forecasts, and monitors actual flows, to inform the level of liquidity resources that must be held.

Furthermore, the Bank has established repo lines with different counterparties, which can be used if the HQLAs mentioned above need to be converted into cash in a period of stress. This avoids any potential loss that could crystallise if these assets had to be sold instead.

Assessment and measurement

The Bank produces forward-looking assessments of liquidity resources and requirements, which are summarised in the ILAAP document and agreed at Board level. The ILAAP requires the Bank 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. Key liquidity ratios are disclosed and discussed in the financial review on page 25.

Monitoring and reporting

Liquidity risk appetite metrics are reported to ALCO, the RMC, the BRC and the Board each month. In-depth discussion takes place within ALCO. The Bank sets additional liquidity metrics as part of the ILAAP to support the minimum regulatory requirements and internal liquidity risk appetite.

Risk management continued

Principal risks continued

Market risk

Definition

Market risk is the risk of loss due to changes in the market price of financial instruments, or adverse movements in interest rates that affect banking book positions. It includes the following subtypes:

- credit spread risk in the Banking Book: the risk of financial loss due to changes in the credit spread of assets Zopa holds as part of its liquidity diversification activities; and
- interest rate risk in the Banking Book: the risk of net interest expense owing to a change in market interest rates which affects Zopa's assets and liabilities to different extents.

Risk profile

The Bank 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 HQLAs. The Bank has no exposure to the London Interbank Offered Rate (LIBOR).

In 2024, the Bank maintained most of its liquid asset buffer in the reserves account with the Bank of England, and a portion in a portfolio of HQLAs in the form of covered bonds, money market funds and multilateral development bank bonds, which falls outside of the scope of market risk.

The material market risk that the Bank faces is:

- large, unexpected changes in interest rates or interest rate bases adversely impacting net interest income.

The Bank's repricing gap and sensitivity to interest yield curve analysis can be found in note 37.

Appetite

Zopa takes market risk through its HQLA diversification activities, to support its primary business activities.

Zopa does not engage in any form of proprietary trading and conducts its HQLA diversification activities in a manner that doesn't materially impact the risk profile of its primary business objectives.

Mitigation

Hedging activity is performed to reduce residual interest rate risk exposure. Specifically, during 2024, Zopa continued booking interest rate swaps for hedging purposes, with a total nominal of £705m at the end of the year.

The Bank implemented hedge accounting in 2022. The Bank has monitored and achieved hedge effectiveness since, in line with requirements under the relevant accounting standards. This acts as a protective measure against risks from hedge accounting operations.

Assessment and measurement

The Bank quantifies market risk using prescribed regulatory and industry best practice methodologies, including through applying regulatory stress scenarios for interest rate risk in the banking book. Customer behaviour, in line with guidance from the regulator, is taken into account when calculating this risk.

Monitoring and reporting

Levels of market risk are monitored at Bank level. ALCO, the RMC, the BRC and the Board monitor risk appetite and other key aspects of management information during their regular meetings at Bank level. The Bank carries out monthly supervisory outlier tests and reports the relevant results to ALCO.

Risk management continued

Principal risks continued

Operational risk

Definition

Operational risk is the risk of loss stemming from inadequate or failed internal processes, people and systems, including fraud or risks from the impact of external events including legal risks.

Operational risk includes the following subtypes:

Subtype	Description
Employee and company conduct	The risk of failure to instil good conduct in Zopa’s employees or corporate culture, leading to poor customer outcomes or damage to market integrity
Products and customer interactions	The risk of Zopa’s products or customer service interactions failing to deliver good outcomes for customers
Financial crime	The risk of breach of Zopa’s statutory and regulatory financial crime obligations
Compliance	The risk of breach of Zopa’s financial regulatory obligations (excluding those relating to data, financial crime, employee and company conduct, employment practices and remuneration)
External fraud	The risk of external theft or fraud affecting Zopa’s or customers’ assets
Internal fraud	The risk of fraudulent acts committed by those associated with Zopa
Business continuity	The risk of disruption to critical business processes due to a failure of the business to respond appropriately to adverse events
Technology failure	The risk of disruption to Zopa’s business processes due to failure or inadequacy of technology
Information security and cyber	The risk of unauthorised access to, damage to or unavailability of data or services due to malicious internal or external activity
Data management	The risk that data is improperly captured, stored, processed, transferred or disposed of
Legal	The risk of unenforceability or legal claim
Finance processes	The risk of errors in executing key financial processes (including accounting, financial reporting, tax and payments)
Regulatory and external reporting	The risk of regulatory returns or other external reports being inaccurate, incomplete or not submitted in line with regulatory requirements or timeframes
Model	The risk of models being flawed or misused
Distributor	The risk of any operational risk events originating from the Bank’s external distribution partners, including intermediaries, merchants and dealers
Supplier and outsourcing	The risk of any operational risk events originating from suppliers or outsourcing providers
Employment practices and workplace safety	The risk of breaches of employee-related legal or regulatory obligations
Resourcing	The risk of Zopa failing to retain adequate levels of expertise and employees

Risk management continued

Principal risks continued

Operational risk continued

Definition

Operational risk is the risk of loss stemming from inadequate or failed internal processes, people and systems, including fraud or risks from the impact of external events including legal risks.

Risk profile

The material operational risks that the Bank faces are:

- fraudulent personal loan or credit card applications;
- cyber attacks resulting in service outage or data breach;
- issues at a material outsourcer or intermediary resulting in service outages, data breaches, regulatory breaches or customer detriment;
- internal technology failure causing service outages or data breaches;
- data management failure, resulting in non-compliant processing or data integrity issues;
- regulatory reporting failures;
- credit model errors leading to loans written outside policy;
- product design failures resulting in poor customer outcomes;
- pre or post-sale customer servicing failures, including incorrect affordability assessments or failure to provide statutory notices, resulting in poor customer outcomes, unenforceable loans or regulatory breaches;
- financial crime breaches; and
- internal fraud events in areas processing money movements or personally identifiable information resulting in financial loss or data breaches.

Appetite

The Bank 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 in the Bank must identify the operational risks present in its activities, assess these risks, implement suitable controls to prevent the risks from materialising and detect any that do. These assessments are documented in each area's Process, Risk and Controls (PRC) Register. Any risks identified as being outside risk appetite must be addressed, whether through applying enhanced controls to reduce residual risk or changes to the activity or process to reduce inherent risk.

Key controls include:

- a suite of automated detective and preventative controls to enforce policy standards around key risks and detect any breaches or control failures;
- the maintenance and regular testing of business continuity and disaster recovery plans;
- quality control on operational processes;
- change management and quality assurance processes;
- expert reviews and sign-offs of important business changes; and
- maintenance of a comprehensive log of regulatory requirements.

A risk events management process is also in place. Under this process, the Bank registers any risks that materialise and communicates these to relevant staff, before containing, remediating and closing them with a root-cause analysis to identify any steps that must be taken to avoid similar events in future.

Assessment and measurement

Operational risk is measured in terms of potential financial losses, impact on customers and regulatory breaches. All risks identified in PRC Registers must be quantified according to the severity and likelihood of these adverse outcomes. In terms of the capital required to protect against severe operational risk events, the operational risk requirement for the Bank 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. Under that approach, the Pillar 1 operational risk requirement was £33.7m as at 31 December 2024.

Monitoring and reporting

Regular reporting on residual operational risk assessments, control effectiveness and operational risk appetite metrics is produced by first line and reviewed by second line, as well as by the Bank RMC and BRC, with summary risk appetite reporting on this delivered to the Bank Board.

Risk management continued

Principal risks continued

Customer outcomes

Definition

Customer outcomes risk captures actions by Zopa that result in poor outcomes for customers. This is a lens through which to view the aspects of operational risk that could cause poor customer outcomes.

Risk profile

The material sources of customer outcomes risk in the Bank’s business are listed in the table below:

Possible sources of customer outcomes risk	Potential risk area
Product	Product design/targeting Customer journey/life cycle 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)

Mitigation

The most senior levels in the Bank own, sponsor and evidence customer outcomes risk management:

- the Bank Board sets culture, values, behaviours and standards within the parameters set by the Zopa Group Board for the Zopa group of companies. The culture is designed to promote good customer outcomes;
- the Bank Board promotes adoption of the required culture within the Bank and sets the customer outcomes 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 Bank Board.

In practice, customer outcomes risk is managed through the minimum standards and controls in place for overseeing the relevant aspects of operational risk under Zopa’s RMF, which are set out in activity-specific policies.

Assessment and measurement

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

Monitoring and reporting

The Bank regularly monitors reporting on customer outcomes appetite and supporting indicators, and presents results, including reports on Consumer Duty, to the Board and senior management.

Risk management continued

Principal risks continued

Strategic risk

Definition

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

Strategic risk includes:

- reputational risk: the risk of a negative impact on stakeholder perceptions of Zopa, which affects Zopa's ability to attract or maintain its business.

Risk profile

The material strategic risks that the Bank faces are:

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

Appetite

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

Mitigation

Strategic risk is managed through the Bank's strategic planning process. The CEO leads the process, which includes analysing the market on an ongoing basis, identifying strategic opportunities and designing detailed product proposals. Any barriers to successful execution of the strategy are identified and acted upon in the normal course of business management.

Assessment and measurement

The strategic plan sets out key goals and performance indicators. These are used to measure the success of the Bank's strategy execution.

Monitoring and reporting

The Board monitors performance against the strategic plan throughout the year.

Risk management continued

Uncertainties and emerging risks

In addition to climate-related financial risks and opportunities disclosed on pages 31 to 41 of the report, the Bank has identified the following key uncertainties about events that could adversely impact it:

Theme	Risk	Mitigation
UK macroeconomic performance	Economic conditions are a major driver of credit performance, potential capital losses and Zopa Bank’s ability to grow the business. Economic conditions for UK consumers remained uncertain throughout 2024. While the Bank of England began to cut the Bank Rate – with further cuts expected in 2025 – inflation remained above target, albeit at a lower level than in 2023. Growth exceeded 2023 expectations, but forecasts for 2025 are beginning to be downgraded. Geopolitical tensions remain high and could change the macroeconomic environment materially, including through less liberal trade policy.	• The Bank undertakes continued monitoring, forecasting and stress testing to guide underwriting and impairment provisioning, to manage the resulting credit and capital risks. • The Bank assesses credit applications in light of potential stress scenarios.
Funding conditions	Funding costs are a key determinant of Zopa’s ability to price loans competitively and drive profitability. Cuts to Bank Rate during 2024 lowered interest rates in the retail savings market, delivering a funding cost benefit. However, increased competition for retail savings could push funding costs up again in 2025.	• The Bank closely monitors market trends. • The Bank continues to diversify its funding sources. • The Bank undertakes considered investment of high-quality liquid assets to optimise returns.
Failure of a critical outsourcing provider or supplier	A failure or defect in an outsourcing provider’s performance of critical functions for the Bank could cause service outages or detriment to customers. During 2024, Zopa continued to make further use of third-party providers as it expanded its product set.	• The Bank carries out initial and ongoing due diligence on all critical outsourcing providers, including across business continuity, information security, data protection and customer treatment. • The Bank keeps service-level agreements and contracts in place with providers, and undertakes monitoring to ensure services are delivered to the specified standards. • The Bank identifies the material third parties that support its ‘Important Business Services’ under regulatory Operational Resilience requirements, and ensures business continuity plans are sufficient to ensure these services can be recovered within ‘Impact Tolerances’.

The Directors confirm that they have undertaken a robust assessment of the emerging and principal risks facing the Bank.

Company viability statement

In assessing Zopa Bank's viability in accordance with Provision 31 of the UK Corporate Governance Code, the Board has considered the following:

- the impact of current and emerging risks as identified through the Bank's established risk management framework, and the overall control environment to manage these risks appropriately;
- updates on the business performance and the progress of its strategy execution at various times during the year to assess the current and future financial performance and business position;
- the current and forecast liquidity and funding plans supporting the strategic objectives and plans;
- the updated business strategy, together with short-term and long-term (five-year) financial plans. These were considered by the Board in November 2024 and January 2025, and included various stress scenarios such as the impact of the changing interest rate environment. The plans demonstrated that the Bank continued to operate within regulatory requirements for both capital and liquidity over the period;

- the quantity and quality of capital resources available to support the delivery of the Bank's objectives. This included consideration of the effects of a changing regulatory landscape on the total capital requirement, Pillar 2B and the Capital Requirements Directive V combined buffer requirements, together with the effect of the Bank's Recovery Plan to restore the capital position in scenarios of capital headwinds;
- the annual Internal Capital Adequacy Assessment Process (ICAAP) and Internal Liquidity Adequacy Assessment Process (ILAAP) results; and
- viability under specific internal and regulatory stress scenarios, as explained further below, including scenarios that could affect operational resiliency.

Zopa Bank performs regular stress testing. Internal stress testing encompasses a series of extreme but plausible scenarios, covering a wide range of outcomes, risk factors, time horizons and market conditions. The Bank also conducts reverse stress testing by identifying and assessing scenarios that could cause its business model to become unviable.

The directors review the outputs of stress testing as part of the approval processes for the ICAAP, ILAAP, risk appetite and regulatory stress tests.

As part of such stress testing, key ongoing risks were considered, including:

- economic uncertainty arising from the ongoing cost-of-living crisis, changes in the interest rates environment, inflation and the wider UK economy;
- geopolitical impact of the war in Ukraine and the Middle East on the UK economy and consumers; and
- financial risks arising from the transitional impacts of climate change on the Bank's business.

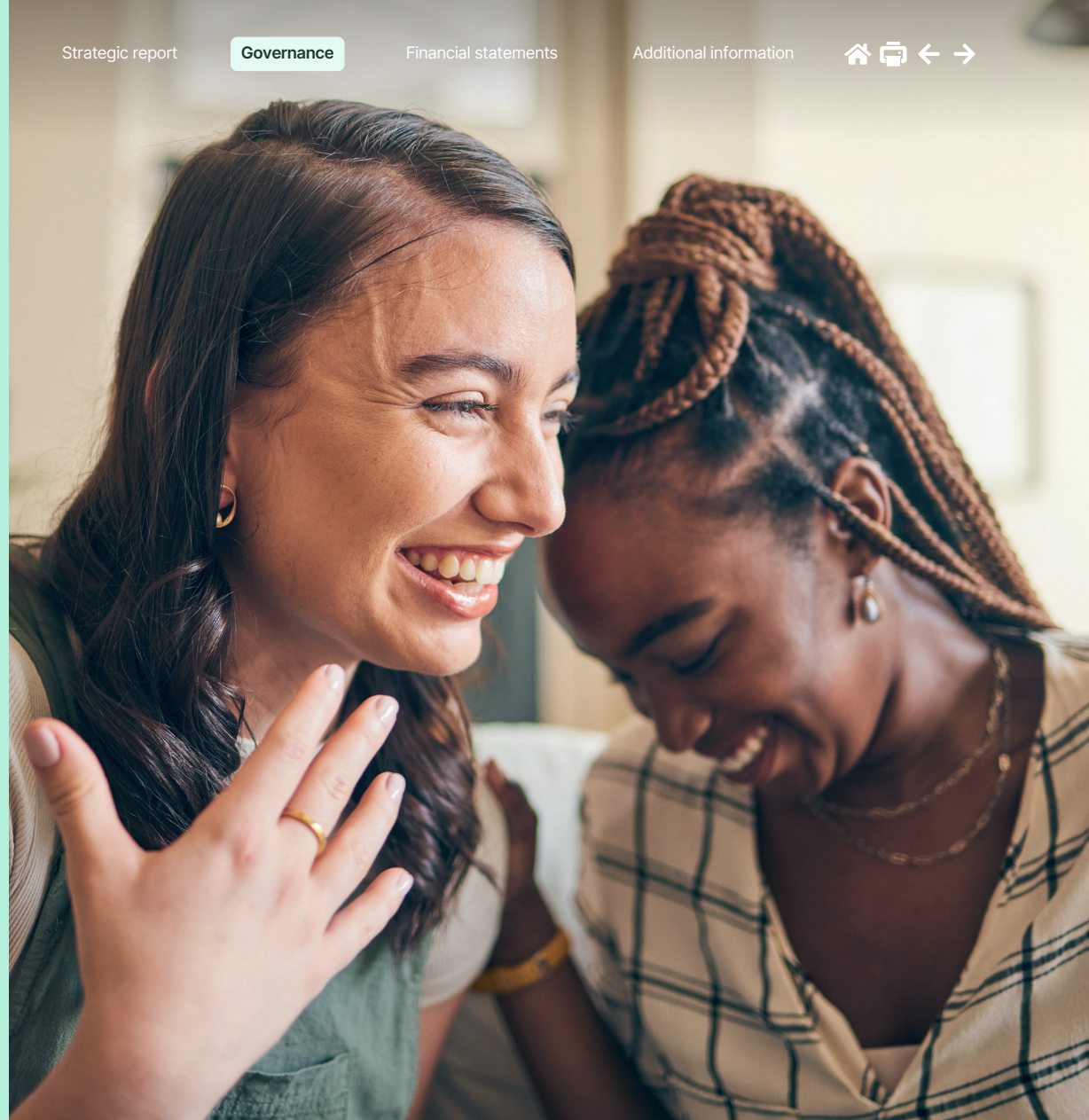
The Board is satisfied that the range of scenarios considered for stress testing over the period of three years is appropriate to help in assessing Zopa Bank's viability.

The formal viability statement is included under the 'Board's assessment of prospects' on page 82.

Governance

What's in this section

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Board of Directors

Gordon McCallum

Appointed: 12 January 2022
Roles: Independent Non-Executive Director, Chair of the Zopa Group Board and Chair of the Zopa Bank Board, Chair of the Board Nomination Committee

Committees:  

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 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.

Gordon is currently a Senior Adviser to private equity group Searchlight Capital and a Non-Executive Director (NED) at a number of companies, including Argent Energy (a major European producer of biodiesel from wastes) and Swire Pacific and Cathay Pacific (both of which are publicly listed in Hong Kong).

Gaenor Bagley

Appointed: 13 December 2018
Roles: Independent Non-Executive Director, Chair of the Board Audit Committee

Committees:    

Gaenor has over 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. Gaenor is the Board’s Environmental, Social and Governance (ESG) Champion.

Richard Goulding

Appointed: 30 January 2018
Roles: Independent Non-Executive Director, Chair of the Board Risk Committee

Committees:    

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: 30 January 2018
Roles: Independent Non-Executive Director

Committees:  

Paul has spent 25 years as a technology leader, building and leading technology teams for global digital businesses such as Flutter Entertainment plc, BSkyB and AOL. He brings knowledge of advanced digital technologies combined with modern software engineering techniques and strategies to grow and develop technology people. He is now focused on building a portfolio career as a Non-Executive Director and an adviser to technology leaders.

Key

-  Board Audit Committee
-  Board Nomination Committee
-  Board Remuneration Committee
-  Board Risk Committee
-  No appointments to Board committees

Shown are the directors who held office as at 10 April 2025.

Board of Directors continued

Michael Woodburn

Appointed: 12 January 2022
Roles: Independent Non-Executive Director

Committees: ●

Michael is the Chief Data Officer at ClearScore and also works with a venture capital consultancy, Blenheim Chalcot. Michael acts as the non-executive Chair at Kriya (formerly MarketFinance), the fintech platform that's advanced over £3bn in credit and processed over £28bn in B2B payments. Previously, Michael was CEO 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.

Michael was appointed as a member of the Board Risk Committee in January 2024.

Giles Andrews, OBE

Appointed: 12 January 2022
Roles: Co-founder and Non-Executive Director

Committees: ○

Giles was one of five people who dreamed up Zopa in 2004. By 2007, he was Chief Executive Officer (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 carwow, the marketplace helping over 12 million users discover the best new car for them. Giles is an independent Non-Executive Director (iNED) and Chair of the Transformation Oversight Committee at the Bank of Ireland Group plc in Dublin. Giles is also an iNED on the board of private bank C Hoare & Co. and Octopus Electric Vehicles Limited.

Scott Christopher Jones

Appointed: 12 January 2022
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 Partners' European portfolio companies. Chris was previously 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.

Nicholas Aspinall

Appointed: 12 January 2022
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. Nick was previously a partner with Cambridge Place Investment Management Group, Aon and Norton Rose Fulbright. Nick is a European Board Member for Kroll Bond Rating Agency.

Key

- Board Audit Committee
- Board Nomination Committee
- Board Remuneration Committee
- Board Risk Committee
- No appointments to Board committees

Shown are the directors who held office as at 10 April 2025.

Board of Directors continued

Philippa Lambert

Appointed: 1 June 2023
Roles: Independent Non-Executive Director and Chair of the Remuneration Committee

Committees:  

Pippa was previously Global Head of Human Resources at Deutsche Bank where she was responsible for leading the development of a successful and progressive HR transformation programme, focused on improving the group’s culture, diversity and inclusion and digital agendas.

Prior to that, Pippa was Group Head of Reward at the Royal Bank of Scotland Plc (2011-2013) where she worked closely with the RBS Board on the redevelopment and restructure of the bank’s compensation and benefits programme.

Pippa is currently a Non-Executive Director and Board Remuneration Committee Chair at Aviva plc and a trustee at Future Dreams Charity.

Marina Troshina

Appointed: 13 August 2024
Roles: Non-executive shareholder director

Committees: 

Marina is a Vice President of investments at SoftBank Vision Fund, a Zopa shareholder, working with multiple European startups in fintech and software. Prior to SoftBank, she worked at Revolut focusing on M&A, having started her career in investment banking, latterly with Morgan Stanley.

Jaidev Janardana

Appointed: 31 March 2017
Roles: Bank CEO and Executive Director

Committees: 

Devoted to creating simple and fair financial products and services, Jaidev joined Zopa in October 2014 and became the CEO of Zopa Bank from its launch. 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) plc, including Chief Credit Officer and Chief Marketing Officer, and he has almost 20 years’ experience in consumer financial services and lending.

Stephen Hulme

Appointed: 30 March 2021
Roles: Bank Chief Financial Officer (CFO) and Executive Director

Committees: 

Steve leads Zopa’s finance and legal teams. Steve joined Zopa at the start of 2018 after two decades in financial roles with a range of innovative financial services companies. Prior to joining Zopa, Steve was CFO at Tandem Bank, and he was previously CFO of PayPal’s Credit division. Prior to PayPal, Steve spent 14 years with Capital One, completing his tenure there as CFO, International.

Neil Cunha-Gomes

Appointed: 19 July 2023
Resigned: 25 June 2024
Roles: Non-executive shareholder director

Committees: 

Neil was previously the Head of EMEA Fintech at SoftBank Vision Fund, a Zopa shareholder. He has led numerous investments into fintech, insurtech and software scale-ups. Prior to SoftBank, Neil worked in private equity at Collier Capital and in structured finance at Deutsche Bank.

Key

-  Board Audit Committee
-  Board Nomination Committee
-  Board Remuneration Committee
-  Board Risk Committee
-  No appointments to Board committees

Shown are the directors who held office as at 10 April 2025.

Our executive team



Jaidev Janardana
Chief Executive Officer (CEO)

Devoted to creating simple and fair financial products and services, Jaidev joined Zopa 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) plc, including Chief Credit Officer and Chief Marketing Officer, and he has more than 20 years' experience in consumer financial services and lending.



Steve Hulme
Chief Financial Officer (CFO)

Steve leads Zopa's finance and legal teams. Steve joined Zopa at the start of 2018, after two decades in financial roles with a range of innovative financial services companies. Prior to joining Zopa, Steve was CFO at Tandem Bank, and he was previously CFO of PayPal's Credit division. Prior to PayPal, Steve spent 14 years with Capital One, completing his tenure there as CFO, International.



Merve Ferrero
Chief Strategy Officer (CSO)

Merve oversees some of Zopa's most important products and services such as deposits and the Zopa Bank Account, as well as the overall strategy of the business.

Merve led the launch of Smart Saver, a new savings product, and Zopa's banking licence readiness, which has allowed the Bank to grow and become profitable. As CSO, Merve is responsible for ensuring Zopa has a clear view of its future and the strategy in place to get there.

Merve has over 15 years' experience across strategy, product and business development. Before she joined Zopa in 2015, Merve was in China building and scaling tech companies and in investment banking prior to that.



Peter Donlon
Chief Technology Officer (CTO)

Peter oversees Zopa's 250-strong technology team, expanding its best-in-class products and technology infrastructure while ensuring its platform retains an unrivalled leadership position in the use of artificial intelligence and machine learning. Along with engineering and data, Peter also leads the information technology (IT), information security (InfoSec) and programme management functions.

Prior to Zopa, Peter scaled Moonpig PLC's product, technology and data functions to 300 employees, and was key to its £1.2bn London Stock Exchange listing. Previously, he led Sainsbury's 500-person engineering team, delivering customer and back-office solutions for Sainsbury's 25 million weekly customers.

Shown are the executive team members who held office as at 10 April 2025.

Our executive team continued



Kate Erb

Chief Operations Officer (COO)

Kate joined Zopa in June 2023 and leads the customer operations, people and first-line risk functions, including operational resilience and third-party management. She has over two decades of financial services experience working across startups, scale-ups and mature businesses in the UK and Australia. Prior to joining Zopa, Kate was Director of Risk Operations at Capital One and Chief Customer Officer at Oakbrook Finance. She started her career at KPMG, where she qualified as a chartered accountant.



Clare Gambardella

Chief Customer Officer

Clare is responsible for Zopa's brand, customer experience and communications, ensuring they all come together to make us the best place for people to borrow and save. She also leads product design and cross-product channels like our app, ensuring our teams are delivering the award-winning experience Zopa is known for.

Clare has close to 20 years' 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 network. She began her career at Procter & Gamble and has also worked in strategy consulting at The Boston Consulting Group.



Jeremy Penzer

Chief Analytics Officer

Prior to joining Zopa, Jeremy worked at Visa, the digital payments network, where he was Head of Data Science for Europe. He also served as Capital One Europe's Chief Analytics Officer and as an academic statistician at the London School of Economics. Jeremy leads a team of 80 data scientists and analysts - machine learning, business intelligence, credit decisioning, and valuations experts.



Iain Kendrick

Chief People Officer

Iain is responsible for creating and delivering our People Strategy and Employee Value Proposition, aiming to attract, develop and retain the best talent in the industry.

Prior to Zopa, Iain was the Head of People at Canonical, the company behind Ubuntu, where he led a global team of HR professionals and supported the growth and development of over 1,000 employees in 70 countries.

Iain is passionate about creating a culture of trust, collaboration and empowerment, where people can thrive and do their best work. He is also a strong advocate for DE&I and believes that Zopa's strength lies in its driven, diverse and talented team.

Shown are the executive team members who held office as at 10 April 2025.

Our executive team continued

**Tim Waterman**

Chief Commercial Officer

Tim leads Zopa's lending products, which include unsecured personal loans, credit card, point-of-sale (PoS) and secured car finance. He's responsible for lending business profitability while ensuring Zopa delivers good customer outcomes.

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.

**Graham Robinson**

Chief Risk Officer (CRO)

With over 25 years' experience of leadership across credit risk, operations and digital, Graham leads on risk management at Zopa as its CRO. Prior to Zopa, Graham worked at Capital One for over 18 years across various senior risk positions, and more recently he 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.

Shown are the executive team members who held office as at 10 April 2025.

Corporate governance

This part of the strategic report sets out the corporate governance structure, arrangements and approach.

As a public interest entity authorised by the Prudential Regulation Authority (PRA) and regulated by both the Financial Conduct Authority (FCA) and PRA, the Bank is required to comply with a number of statutory and regulatory governance requirements. We recognise the importance and value of robust corporate governance and aim to reflect best practice in our governance structure and arrangements to ensure the highest standards are achieved. With this in mind, we voluntarily apply the UK Corporate Governance Code 2018 (the 'Code'), as published by the Financial Reporting Council on its website, www.frc.org.uk, in addition to our statutory and regulatory requirements. More information about how we comply with the Code can be found on page 72 of this report.

The Bank's progress and achievements in 2024 are testament to the strength of its governance structure, which has provided a stable framework for navigating the sustained economic and political challenges. Looking ahead, the Bank's robust corporate governance framework will continue to evolve to support its mission and ensure that innovation and growth promote the Bank's long-term, sustainable success.

Compliance with the UK Corporate Governance Code (2018)

For 2024, the Bank voluntarily applied the principles and provisions of the Code. To help our stakeholders evaluate our approach to governance, the table below identifies the parts of this report which demonstrate how we've applied each of the principles. The Board considers that, for 2024, the Bank has applied all the principles set out in the Code.

Application of the Principles of the Code	Principle	Pages
Board leadership and company purpose		
Section 172 statement	A	42
Who we are, and what our mission is	B	2
Risk management	C	50 to 63
Stakeholder engagement	D	42 to 49
Whistleblowing	E	90
Division of responsibilities		
Corporate governance	F, G, H & I	72 to 82
Composition, succession, evaluation		
Board Nomination Committee report	J & K	91 and 92
Board effectiveness	L	76
Audit, risk and internal control		
Policies and procedures	M	85 to 90
Directors' report	N	97 to 99
Risk management – Principal risks	O	53 to 62
Remuneration		
Board Remuneration Committee report	P, Q & R	93 to 96

Corporate governance continued

Compliance with the UK Corporate Governance Code (2018) continued

As we aren't a publicly listed company, there are some provisions of the Code with which we don't currently comply for various reasons relating to the Bank's size, complexity, history and/or ownership structure. In each case of non-compliance, we have an appropriate and proportionate alternative arrangement in place to ensure we maintain the highest standards of corporate governance. The Bank wasn't compliant with the following provisions of the Code in 2024:

Provision 4

Provision 4 states that when 20% or more of votes have been cast against the Board recommendation for a resolution, the Bank should explain, when announcing voting results, what actions it intends to take to consult shareholders to understand the reasons behind the result. The Bank doesn't currently comply with this provision because it isn't publicly listed and so is not required to hold a general meeting or to announce the results of shareholder resolutions.

Provision 11

The Board does not currently comply with Provision 11 which requires that at least half the Board, excluding the Chair, should be non-executive directors whom the Board considers to be independent.

The Board's composition meets the PRA's expectations for governance in its new Supervisory Statement SS3/21 for new and growing banks to have at least three iNEDs, including the Chair.

The Board has a total of 12 directors, comprised of both executive and non-executive, of which six (including the Chair) are independent, and it considers that the Chair's casting vote is sufficient from an independence perspective.

Following an external Board effectiveness review in 2024, the Board has committed to completing a full review of the composition of the Board, including independence of the directors in 2025, to ensure it remains fit for purpose to deliver against the Bank's strategic priorities and long-term business plan.

Provision 12

Provision 12 requires that the Board should appoint one of the iNEDs to be the senior independent director (SID) to provide a sounding board for the Chair, serve as an intermediary for the other directors and shareholders and lead the appraisal of the Chair's performance.

The Board hasn't appointed a SID, but in the absence of a formally appointed one, the Chair of the Board Remuneration Committee is responsible for evaluating the performance of the Chair of the Board in line with the performance evaluation process approved by the Board Nomination Committee. This process is formalised in the Board Nomination Committee's terms of reference. The appropriate timeline for appointment of a SID will be considered during 2025 as part of the Board Nomination Committee's review of the recommendations from the external Board effectiveness review in 2024.

Provision 18

Provision 18 provides that all directors should be subject to annual re-election. The Bank's Articles of Association do not currently require re-election of directors and therefore isn't required to put the directors forward for annual re-election. However, all iNEDs are retained on three-year contracts, the terms of which are fully reviewed by the Board Nomination Committee and Board when considering extension of the contract at the point of expiry. These contracts also aren't extended beyond nine years. Investor-appointed NEDs are appointed in accordance with the terms of Zopa Group Limited shareholders' agreement. Directors who perform a senior management or certified function are subject to fitness and propriety assessments on an annual basis which includes consideration of honesty, integrity and reputation; competence and capability; and financial soundness. The Chair of the Board, with input from the Board Remuneration Committee, also reviews the performance of the Board on an annual basis.

Provision 41

Provision 41 requires that there should be a description of the work of the remuneration committee in the annual report. The Board Remuneration Committee and the Board are satisfied that the level of disclosure related to the work of the Board Remuneration Committee in the Annual Report is fit for purpose given that the Bank is not a publicly listed entity, but the level of detail will be developed over time to more closely comply with Provision 41 of the Code. The Bank's approach to remuneration also complies with the FCA's Remuneration Code (SYSC 19D).

Corporate governance continued

Governance highlights 2024

- Commissioned an independent evaluation of the Board to review the effectiveness of the Board, its committees and the performance of individual directors. The evaluation provided valuable insight into the strengths of the Board and opportunities for improvement. For more information on the external effectiveness review, see page 76.
- The terms of reference for the Bank Board and its committees were fully reviewed and updated to strengthen alignment with the UK Corporate Governance Code (2024) in preparation for reporting on the new Code effective from the financial year commencing 1 January 2025.
- The Board re-appointed Gaenor Bagley as an independent Non-Executive Director and Chair of the Board Audit Committee for a further three-year period. For further information about Gaenor, see our Board of Directors on page 66.
- The Board re-appointed Michael Woodburn as an independent Non-Executive Director for a further three-year period. For further information about Michael, see our Board of Directors on page 67.

Governance structure

Our governance structure provides a robust and resilient framework through which the Bank is directed and controlled effectively. It's comprised of the Board, Board committees and executive committees, and it's designed to support the delivery of the Bank's mission and vision with all our stakeholders at the heart of our approach.

Our Board

The Board sets the strategy for the Bank and is responsible for ensuring that it delivers against its financial and business objectives in a way that promotes the desired culture at Zopa and with regard to the risk appetite and interests of all stakeholders. The Board also holds responsibility for the oversight and control of the management of risk and setting the risk appetite.

The Board ensures that the Bank and the Board itself comply with the Articles of Association and all relevant legal, regulatory and governance requirements. The Board has adopted a formal schedule of matters reserved for its approval, which includes decisions related to strategy and budget, financial control, risk management, governance, remuneration and key policies. Certain responsibilities are delegated to the Board committees. For more information on the responsibilities of Board committees, see the committee reports on pages 83 to 96.

The Board is chaired by Gordon McCallum and comprises of Executive, independent Non-Executive and non-independent Non-Executive Directors who represent key shareholders.

Board committees

The Board has delegated certain responsibilities to its committees to help it fulfil some aspects of its role. There are four committees: Audit, Risk, Nomination and Remuneration. Each committee has its own written terms of reference which detail the objectives of its work and the authority delegated to it by the Board.

Those are reviewed and approved annually. The committees play a crucial role in the Bank's governance structure, providing opportunities for deeper discussion and analysis by our expert iNEDs. Every committee has access to external independent expert advice and the services and support of the Company Secretary.

Our committees are chaired by iNEDs, who provide regular updates to the Board on their activities after each meeting. The composition of each committee is reviewed annually by the Board to ensure that it continues to be fit for purpose and meet any legal and regulatory requirements. To find out which Board members sit on our committees, see 'Board of Directors' on pages 66 to 68. For further information on our Board committee activities, see our committee reports on pages 83 to 96.

Corporate governance continued

Governance structure continued

Executive Committee

The Executive Committee (ExCo) meets monthly and it's chaired by the CEO. It plays a vital role in executing the strategy set by the Board and ensuring effective monitoring and control mechanisms are in place. The ExCo is supported by management committees which provide specialist oversight and responsibility for areas including risk management and assets and liabilities.

Division of responsibilities

There's a clear division of responsibilities between the executive and non-executive functions of the Bank, as set out in the Bank's delegated authority framework (DAF). The DAF delineates the process applied for authorities for business decisions, financial transactions and contracts, and approval paths for key governance documents. It identifies how authority for all these decisions is determined, including the origination for all decisions at Board level, and whether it can be delegated to the CEO or further delegated to management below it in the wider business.

In line with Provisions 9 and 14 of the Code, the roles of Chair and CEO are held by separate individuals, and the responsibilities of each role are set out in writing, reviewed and approved by the Board.

Key roles

Chair

The principal role of the Chair is to provide leadership to the Board of Directors and to ensure good governance of the Board and its committees. The Chair promotes the desired culture of open, impartial and appropriate debate at the Board level and monitors its performance and composition. They play a key role in ensuring effective communication with shareholders and other stakeholders. The Chair also ensures that the Board plays a full and constructive role in the development and determination of the Bank's strategy, risk appetite and commercial objectives. Our Chair role is held by an iNED.

CEO

The CEO is responsible for leading the execution of the Bank's long-term strategy to create shareholder value through a sustainable and viable enterprise. The CEO is responsible for day-to-day management decisions and acts as a direct liaison between the Board and management, while providing leadership to the executive team and harnessing their skills to realise the Bank's mission.

Company Secretary

All directors always have access to the Company Secretary's advice and services. The Company Secretary provides legal and governance support to the Board and executive management, and they ensure that the flow of information between the Board and the ExCo is fit for purpose, facilitates discussion and promotes effective decision-making.

NEDs

As mentioned in 'Governance structure', we have iNEDs and non-independent NEDs who represent key shareholders. All our NEDs provide constructive challenge to executive management and use their experience and expertise to develop the Bank's strategy. Certain NEDs hold key senior management function (SMF) roles by chairing our Board committees. For further information on our NEDs, see 'Our Board' on page 74.

Corporate governance continued

Key roles continued

ExCo members

ExCo members support the CEO with the implementation of the Board-approved strategy and oversee the day-to-day management of the Bank. They implement the policies and procedures set by the Board and play a key role in managing the workforce and promoting the desired culture of the Bank. ExCo members include our executive team (see pages 69 to 71), those who hold senior management function (SMF) roles and the General Counsel.

Board effectiveness

Board evaluation cycle

The Board takes its role and responsibilities seriously and carries out regular effectiveness reviews to ensure continuous improvement and development. The last external evaluation of the Board was conducted in 2021 so, in line with Provision 21 of the Code and PRA expectations, the Board commissioned an externally facilitated evaluation in 2024 to review its overall performance, performance of its committees and individual performance of the Chair and directors.

The Board intends to conduct an internal effectiveness review in 2025 which will be facilitated by the Company Secretary to monitor progress made on the actions arising from the 2024 review and to identify any further improvement opportunities for the Board's effectiveness.

External evaluation process

Following a pitch process with a number of potential providers, the Board appointed Genius Boards to carry out an external evaluation of the Bank Board. Genius Boards are a consultancy of independent practitioners accredited by the Chartered Governance Institute (CGI) to provide external Board evaluations in line with the CGI's Principles of Good Practice. Genius Boards do not provide any other services to the Bank and have no connections with any of the directors.

The agreed scope of the evaluation covered the Bank's corporate governance structure and approach including Board composition, company secretarial support, demonstrated expertise of the directors, director performance, boardroom dynamics and leadership.

The reviewer observed meetings of the Board, Board Risk Committee (BRC) and Board Audit Committee (BAC) and also held individual interviews with every director on the Board as well as the Company Secretary and the Chief Risk Officer.

Evaluation findings

Following observation of the meetings and the individual interviews, the reviewer's findings were collated into key themes and initially discussed with the Chair and Company Secretary. The full Board received a comprehensive presentation of the outcomes of the evaluation and suggestions for an action plan moving forward in June 2024, following which the final report was issued. The Chair also received an individual effectiveness report which was compiled following the reviewer's observation as well as input provided by the Non-Executive Directors as part of their individual interviews.

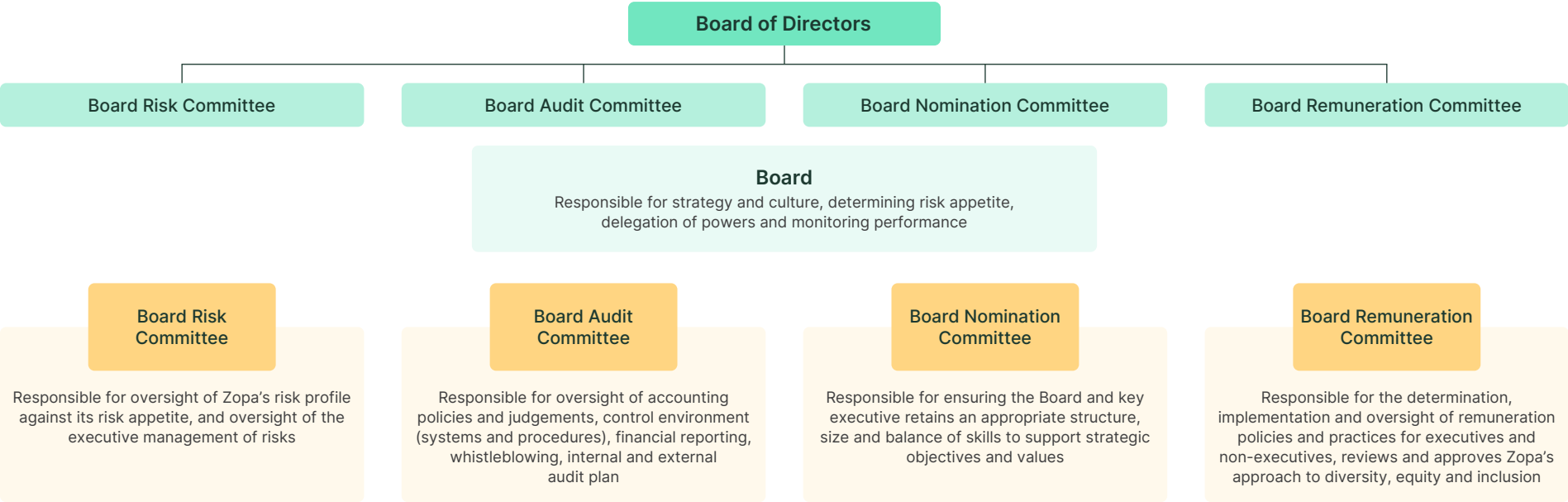
Action plan for 2024/2025

The overall conclusion from the external evaluation was that the performance of the Board was good with a high level of engagement, passion and commitment demonstrated by all members of the Board. There were a number of recommendations raised for the Board's consideration, the majority of which fell under the remit of the Nomination Committee, and which the Board has committed to addressing over the next 12 months.

The key recommendation areas were size and composition of the Board and potential appointment of a Senior Independent Director (SID).

Corporate governance continued

Board and Board-level committees

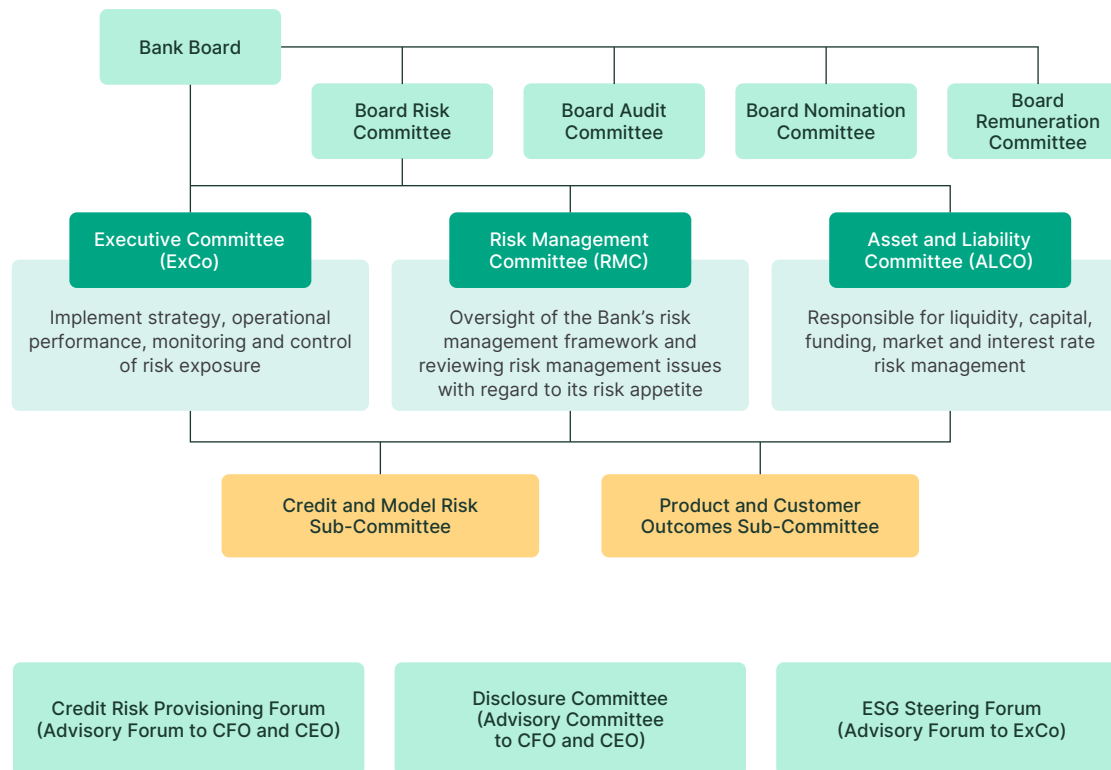


Composition of the Board as at:	No. of individuals	
	31.12.24	31.12.23
Number of independent directors	6	6
Number of non-independent directors	6	6
of which Executive Directors	2	2
Total number of directors	12	12

Corporate governance continued

Committees

Board committees	The Board sets strategy and monitors its execution. It delegates detailed oversight of specific matters to its sub-committees.
Executive committees	ExCo oversees operational execution of the strategy. It delegates detailed oversight of specific matters to its sub-committees.
Executive risk sub-committees	RMC delegates detailed executive oversight of specific risk types to its sub-committees.
Advisory bodies	Various advisory bodies provide advice and guidance to executives and committees on areas of interest for the Bank.



Corporate governance continued

The Board and its activities

Board leadership and company purpose

The Board recognises the value of good corporate governance in underpinning the Bank’s strategic pillars to fulfil its mission and ensure the long-term sustainable success of the business. The frequency of Board meetings and the quality of discussions, constructive challenge and decision-making in the boardroom are key to this. The directors met nine times in 2024, enabling them to perform their duties effectively and to support the executive team in executing the strategic goals set at the beginning of the year. The Board directors provide a strong combination of skills, experience and knowledge which is utilised effectively through delegated authority to specialist committees and, as a whole, at Board meetings to support the delivery of the strategy.

Setting our strategy

The Board holds an annual full-day strategy offsite session with the executive leadership team to discuss the progress made on the current strategy and to provide constructive challenge and guidance on the proposed strategy for the following year. The strategy offsite meeting took place on 31 October and provided the opportunity for the directors to focus on the Bank’s strategic direction, challenge assumptions and decisions, and build relationships between the leadership team members and NEDs.

To find out more about the strategy set by the Board and how we met our goals and objectives for 2025, see ‘Our business model and strategy’ on pages 13 to 15.

Attendance

The Board, as part of its effectiveness review process, keeps under review the attendance of each of its directors. On appointment, directors are assessed to identify whether they can meet the time demands of their role on the Board, and during annual effectiveness reviews, the Board analyses individual director attendance at Board and Board committee meetings. Directors must seek Board approval when taking on additional non-executive or executive appointments to ensure they can continue to meet their responsibilities and comply with any statutory or regulatory rules related to the number of appointments held.

In 2024, the Board was satisfied that all directors had sufficient time available for meeting their duties and responsibilities. Where absence occurred at Board or committee meetings, this was due to reasons related to urgent personal matters or prior commitments and was confirmed in advance of the meeting. All directors receive all Board materials in advance and are encouraged to raise any questions or provide feedback on the papers ahead of the meeting when they’re unable to attend.

Board members (attendance)

Composition of the Board as at:	No. of individuals	
	31.12.24	31.12.23
Number of independent directors ¹	6	6
Number of non-independent directors	6	6
of whom Executive Directors	2	2
Total number of directors	12	12

1. The number of independent directors includes the Chair.

Member	Total meetings attended/meetings eligible to attend
Gordon McCallum (Chair)	9/9
Paul Cutter	9/9
Gaenor Bagley	9/9
Richard Goulding	9/9
Jaidev Janardana	8/9
Steve Hulme	9/9
Giles Andrews	8/9
Nicholas Aspinall	9/9
Scott Christopher Jones	5/9
Neil Cunha-Gomes	5/6
Michael Woodburn	9/9
Pippa Lambert	8/9
Marina Troshina	3/3

Note: The following changes to the Board took place during the year:

- Marina Troshina was appointed as a NED on 13 August 2024. She represents a significant shareholder and replaced the previous shareholder representative, Neil Cunha-Gomes;
- Neil Cunha-Gomes resigned as a director of the Board on 25 June 2024;
- Gaenor Bagley was re-appointed as an INED and Chair of the Board Audit Committee; and
- Michael Woodburn was re-appointed as an INED.

Corporate governance continued

The Board and its activities continued

Board activity

The table below shows the Board’s decisions linked to the strategic objectives set out at the beginning of the year and the key areas of focus.

Area of focus

Actions, decisions and outcomes

Strategy

- Approved the launch of the Zopa Bank Account product.
- Integrated the point-of-sale lending business previously operated through the Bank’s sister company, Zopa Embedded Finance Limited, into the Bank’s operations.
- Approved appointment of a second operations outsourced supplier.
- These decisions supported delivery on the strategic objective to support profitability through customer acquisition and engagement and through operational efficiencies.

Finance and business performance

- Review and approval of 2024 annual budget and proposed budget for 2025.
- Constructive challenge and approval of 2024 performance scorecard and proposed scorecard for 2025. These decisions supported delivery on the strategic objective of strong profitable growth through effective monitoring and challenge of the path to profitability.

Area of focus

Actions, decisions and outcomes

Governance

- Implemented an action plan to address recommendations made by an external Board effectiveness review.
- Applied revisions to the DAF related to Bank decision-making.
- Approved 2023 Annual Report and Accounts and the Pillar 3 disclosures.
- Approved appointment of replacement investment director representing significant shareholder.
- Reviewed and approved periodic updates to policies.
- These decisions supported the delivery of the strategic objectives to deliver strong profitable growth on strong foundations while doing right by our people and society by strengthening governance arrangements, helping to manage risk and contributing to the long-term sustainable success of the business.

Risk and compliance

- Approved annual second-line risk assurance plan.
- Approved amendments to the Bank RMF to clarify how financial risks arising from climate change are managed.
- The Board’s monitoring of risk and decisions related to risk management supports the delivery of the strategic objective of delivering growth on strong foundations.

Corporate governance continued

The Board and its activities continued

Board activity continued

Area of focus

Regulatory matter

Actions, decisions and outcomes

- Approved annual updates to the Bank Recovery Plan.
- Oversaw the outcome of the Bank's periodic capital stress testing.
- Approved the Bank's operational resilience self-assessment in line with regulatory requirements.
- Reviewed and approved the annual fitness and propriety assessment of the Bank's senior managers.
- Approved the Bank's Internal Capital Adequacy Assessment Process (ICAAP) and Capital Management Plan.
- Approved updates to the risk appetite statement (RAS) as part of the Bank's ICAAP and Internal Liquidity Adequacy Assessment Process (ILAAP).
- Approved the long-term financial plan for use in the Group's ICAAP.
- Approved the interim profit verification to support application to the PRA to recognise the Bank's interim profits within its CET1 capital.
- Approved PRA application to reduce the Bank's nominal share capital to create distributable reserves ahead of future debt issuances.
- Approved the Bank's tax strategy for publication in line with legislative requirements of businesses with the Bank's balance sheet size.
- The Board's decisions related to regulatory matters fulfil the Board's regulatory responsibilities and support delivery of all the strategic objectives.

Area of focus

Remuneration, culture and people

Actions, decisions and outcomes

- Approved the bonus payout against the 2023 scorecard performance.
- Regularly reviewed evaluations of Company culture, including through two employee engagement surveys.
- Re-appointed iNEDs to the Board and extended their service contracts.
- Approved release of option liquidity to key management to incentivise retention.
- These decisions enabled the Board to support the strategic objective to do right by our people and society as they related to staff engagement and Zopa culture.

Equity

- Approved issuance of shares to the Group following the Group's completion of a £67.5m fundraise.
- Reviewed for approval by the Group Board a proposed increase to the option pool to facilitate implementation of a new management incentive plan and further equity awards to key staff.
- The review of the Group's option pool supported delivery on the strategic objective to do right by our people and society.

Corporate governance continued

Conflicts of interest

All directors have a duty to avoid situations that may give rise to a conflict of interest. To manage this, we have formal procedures 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 to waive the potential conflict or impose conditions on the director in the Bank'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.

In 2024 all directors of the Board completed refresher training on conflicts of interest which was produced by the Company Secretary.

Board's assessment of prospects

As part of conducting its activities in respect of the year ended 31 December 2024, the Directors approved the Annual Report for the year ended 31 December 2024, and considered that taken as a whole, the Annual Report is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy. As further set out in the Company Viability section at page 64 and the Going Concern assessment at 97, the Directors have a reasonable expectation that Zopa will be able to continue in operation and meet its liabilities as they fall due.

Gordon McCallum

Chair of the Board

16 April 2025



Report of the Board Risk Committee

Committee members (attendance)

Member:	Total meetings attended/meetings eligible to attend
Richard Goulding (iNED and Chair)	9/9
Paul Cutter (iNED)	9/9
Gaenor Bagley (iNED)	7/9
Michael Woodburn (iNED)	8/9

Introduction

The Board Risk Committee (BRC) advises the Board on the Bank’s overall risk appetite and strategy, taking into account the current and future macroeconomic and financial environment. The BRC reviews the Bank’s risk assessment processes, methodology and ability to identify and manage new risk types. It also advises on proposed product developments and strategic transactions, and reviews reports on any material breaches of risk limits. The BRC provides the advice, oversight and challenge required to embed and maintain a supportive risk culture throughout the Bank, including recommendations about the risk management framework and the internal financial and risk management controls and systems. The BRC also reviews the risk function’s effectiveness and the Bank’s capital and liquidity adequacy requirements on an ongoing basis.

The BRC also oversees:

- the Board’s risk appetite;
- credit risk;
- operational risk;
- capital risk;
- liquidity risk;
- market and interest rate risk;
- environmental, social and corporate governance risk;
- stress testing and capital requirements;
- recovery and resolution planning; and
- inputs into remuneration decisions.

For in-depth information related to risk management and how the Bank assesses its principal and emerging risks, please refer to ‘Risk management’ on pages 50 to 63.

BRC composition, skills and experience

The BRC’s membership is comprised of independent Non-Executive Directors (iNEDs) with relevant competency and experience. Richard Goulding, Chair of the BRC, provides vital expertise as the business continues to grow. Biographies for the BRC members can be found on pages 66 to 68.

Summary of activities

Area of focus

Strategy

Oversight

Actions, decisions and outcomes

- Recommended the total capital requirement, capital and liquidity buffers, stress testing, and capital management plan in the Bank’s Internal Capital Adequacy Assessment Process (ICAAP) and Internal Liquidity Adequacy Assessment Process (ILAAP) to the Board for approval.
- Provided advice to the Board on the core assessments of prudential adequacy (ICAAP, ILAAP and Recovery Plan).
- Approved the integration of point-of-sale business into the Bank for recommendation to the Board.
- Reviewed and considered implications of the Bank choosing to opt in to the Small Domestic Deposit Takers regime.
- Reviewed assessment of risk in the technology function.
- Reviewed assessment of risk regarding recent Financial Ombudsman Service and court rulings on auto commission disclosures.
- Set and recommended an annual second-line assurance plan and oversaw the plan’s execution.
- Approved annual operational resilience self-assessment in line with regulatory requirements for recommendation to the Board.
- Advised the Board on annual updates to the Bank’s Recovery Plan.
- Received quarterly updates from the Product Customer Outcomes Committee regarding Consumer Duty.
- Reviewed and approved periodic updates to policies.

Report of the Board Risk Committee continued

Summary of activities continued

Area of focus	Actions, decisions and outcomes	Area of focus	Actions, decisions and outcomes
Development of the risk function	- Approved updates to the Risk Appetite Statement (RAS) for recommendation to the Board as part of the Bank's ICAAP and ILAAP. - Approved revisions to the Delegated Authority Framework (DAF) for the Bank's decision-making for recommendation to the Board. - Approved revisions to the Operational Risk Assessment Matrix for recommendation to the Board. - Approved a new wholesale credit risk policy to support the Bank's diversification of liquidity resources.	Products	- Approved readiness assessment, implementation plan and associated changes to policies regarding the launch of a Zopa current account. - Advised the Board on the appointment of a second material outsourcer in the operations function.
Scenario planning	Approved the stress scenarios, stress assumptions and management actions to be used in the Bank's ICAAP and ILAAP.	Remuneration and people	- Provided advice to the Board Remuneration Committee on risk weightings to be applied for performance objectives and remuneration, and recommended bonus payout proposal to the Board. - Conducted bi-annual review of the Bank's resourcing and engagement to inform the operational risk taxonomy.
Climate change	Recommended for approval to the Board an update to the Bank's risk management framework to document the Bank's approach to managing financial risk that arises from climate change.		

Richard Goulding
Chair of the Board Risk Committee
16 April 2025

Report of the Board Audit Committee

Committee members (attendance)

Member:	Total meetings attended/meetings eligible to attend
Gaenor Bagley (iNED and Chair)	7/7
Richard Goulding (iNED)	7/7
Paul Cutter (iNED)	6/7

Introduction

The role of the Board Audit Committee (BAC) is to assist the Board with discharging its duties and responsibilities for financial reporting, corporate governance and internal control. The BAC is also primarily responsible for making recommendations to the Board around appointing, re-appointing and removing external auditors, and to approve the auditors’ remuneration and terms of engagement. The BAC’s duties include keeping under review the scope and results of the audit work, its cost effectiveness and the auditors’ independence and objectivity. The BAC also monitors the volume and nature of non-audit services provided by the auditors.

The other key areas that the BAC oversees are:

- quality and appropriateness of financial reporting;
- effectiveness of internal controls;
- external audit;
- internal audit; and
- whistleblowing.

BAC composition, skills, experience and operation

The BAC composition fully complies with Provision 24 of the UK Corporate Governance Code. The BAC is comprised of three independent Non-Executive Directors (iNEDs) to ensure appropriate governance and compliance with the Code, and to ensure that the interests of the shareholders are properly protected in relation to financial reporting and internal control.

All members of the BAC are iNEDs with competence in the financial and technology sectors. Their biographies can be found on pages 66 to 68. The Chair, Gaenor Bagley, is a former Big Four Tax Partner, with extensive board-level experience and knowledge encompassing audit, tax, mergers and acquisitions, corporate purpose, diversity, talent management and sustainability. She has held many roles in banking, central government, education and health.

The BAC’s effectiveness is reviewed as part of the Board’s evaluation process. For further information see ‘Board effectiveness’ on page 76.

While the BAC’s membership comprises the NEDs noted above, the Chief Executive Officer (CEO), Chief Financial Officer (CFO), Chief Risk Officer, Group Finance Director, Director of Financial Control and internal and external auditors also attend meetings, as appropriate. Details of BAC membership and meeting attendance can be found in the committee members (attendance) table. Throughout 2024, the BAC also held separate sessions with the internal and external audit teams, without members of the executive management present.

Report of the Board Audit Committee continued

Summary of activities

Area of focus

Internal audit

- Approved the annual internal audit plan and Internal Audit Charter.
- Considered internal audit reports.
- Monitored management's resolution of internal audit findings.
- Ensured ongoing independence and suitability of the internal audit function.

External audit

- Approved the independence policy for the external auditors.
- Considered the external audit plan presented by PwC.
- Received regular updates from the external auditors and reviewed the findings of their work on the financial statements.
- Monitored management's resolution of external audit findings.
- Ensured ongoing independence of the external auditors and approved non-audit services.
- Evaluated effectiveness of the external auditor.

Area of focus

Financial reporting

- Reviewed and challenged significant accounting policies, accounting judgements and estimates.
- Reviewed management judgement papers over significant judgements and estimates, such as the IFRS 9 expected credit losses (ECLs), effective interest rate adjustments, hedge accounting, measurement and recognition of a deferred tax asset and treatment of potential contingent liabilities.
- Reviewed and recommended the Annual Report to the Board for approval.
- Reviewed and recommended the Pillar 3 disclosures report to the Board for approval.
- Reviewed and recommended the Bank's tax strategy for publication.
- Received an update on revenue recognition treatment of point-of-sale assets acquired into the Bank.
- Received an update on the accounting treatment of a limited management incentive plan liquidity realisation event.
- Received updates on effectiveness of the internal control over financial reporting.
- Reviewed and approved periodic updates to disclosure and reporting policies.

Whistleblowing

- Reviewed the annual whistleblowing report and policy.

Report of the Board Audit Committee continued

Fair, balanced and understandable

The BAC, fulfilling its responsibility under Code Provision 25, carefully assessed whether the 2024 Annual Report and financial statements were presented in a fair, balanced and understandable manner. This rigorous process, mirroring past practices, involved:

- Early engagement: The BAC provided feedback throughout the drafting stages, ensuring subsequent drafts reflected its insights.
- Comprehensive oversight: The BAC monitored senior management's timely and active participation, offering input, evaluation and verification.
- Direct dialogue: Private sessions with the external auditor allowed for in-depth discussions.

Both the BAC and the auditor closely examined key areas of judgement, estimation and uncertainty, along with emerging issues (detailed on page 113). The going concern assumption was particularly scrutinised.

To ensure compliance with the Code, the BAC evaluated the report against specific criteria:

- Fairness: Does it accurately reflect the full story of the year, consistent with communicated messages throughout?
- Balance: Does the narrative align with financial data, and are statutory and adjusted measures presented in a balanced way?

- Understandability: Is the information presented logically and clearly? Are key messages highlighted, and are tables or graphs used effectively to aid reader comprehension?
- After thorough assessment, the BAC concluded that, as a whole, the 2024 Annual Report and financial statements are fair, balanced and understandable.

Going concern statement

The BAC reviewed management's assessment of the Bank's ability to continue as a going concern. The results of the assessment are disclosed on pages 63 and 97. The assessment included an analysis of risks and uncertainties that could affect the going concern assertion. As part of the review, the BAC challenged and discussed management's assessment, asking questions about specific risks and uncertainties, and how they could be mitigated. The BAC also assessed whether the going concern disclosures in the financial statements are adequate.

Significant matters and areas of judgement considered in relation to the financial statements

The BAC assessed how appropriate the Bank's financial reporting and significant accounting policies were, and whether these policies had been adhered to. It reviewed whether the accounting estimates and judgements made by management were appropriate. The significant matters and accounting judgements considered by the BAC, regarding the 31 December 2024 year end, are set out below.

Reporting matter

Allowance for expected credit losses (ECLs) on loans and advances to customers

The ECL allowance depends on management's judgements on matters such as forecasts of unemployment and debt-to-income ratio, indicators of a significant increase in credit risk and material post-model adjustments.

The total allowance for ECLs as at 31 December 2024 was £201.5m (2023: £174.4m).

Board Audit Committee (BAC) action

The BAC reviewed management judgement papers setting out key judgements and assumptions to determinate the ECL allowance. As part of this review, the BAC challenged the appropriateness of these judgements and assumptions in the context of model performance monitoring results, external macroeconomic and political developments, and benchmarks provided by the external auditor. In particular, the BAC challenged changes made to the macroeconomic model as well as changes to the selection of macroeconomic variables used within the model.

The BAC also challenged the rationale and appropriateness of any post-model adjustments introduced by management to determine the final ECL allowance. Note 1.7 to the financial statements provides further detail on the significant judgements made.

Conclusion: The BAC was satisfied that the ECL allowance and the disclosures provided in the financial statements were appropriate. The disclosures relating to ECL allowance are set out in note 15 and note 37 to the financial statements.

Report of the Board Audit Committee continued

Significant matters and areas of judgement considered in relation to the financial statements continued

Reporting matter

Motor finance consumer redress provision

The UK motor finance sector is facing ongoing complaints and legal claims regarding past commission practices. Despite the immediate uncertainty for the industry, the long-term benefit of greater commission transparency for consumers is a positive outcome. Zopa Bank has not recognised any provision in respect of the FCA's discretionary commission review or the Court of Appeal's ruling in Wrench, Johnson, and Hopcraft (WJH) case as explained in note 34 to the financial statements.

BAC action

The BAC considered the potential impact of the legal and regulatory issues in respect of commissions on the bank's motor finance business, including the management's analysis and modelling of probability-weighted scenarios and potential outcomes, which used a range of assumptions. The BAC also considered the appropriateness of related disclosures in the financial statements and the annual report more widely.

Conclusion: The BAC was satisfied that no provision should have been recognised, and that the disclosures set out in note 34 are appropriate.

Reporting matter

Fair, balanced and understandable reporting and alternative performance measures (APMs)

The Board is required to report as to whether the 2024 Annual Report and Accounts, when taken as a whole, is fair, balanced and understandable.

The Bank uses APMs in its reporting of financial performance, including the profit/loss before tax on an adjusted basis. These measures are used to provide insight into the underlying performance of the business. These measures are defined within the APMs and key ratios information on pages 181 and 182.

BAC action

The BAC reviewed the disclosures made in the Annual Report, in particular, statements referring to strategy, performance, key performance indicators, alternative performance measures and risks disclosures. The BAC challenged the understandability and consistency of some disclosures and requested management to make changes.

The BAC also reviewed all alternative performance measures used in the Annual Report and disclosed on pages 181 and 182. As part of this review, the BAC challenged the appropriateness of the APMs used and the extent to which these are monitored by the Board and used in management reports.

The BAC further challenged whether it was appropriate to remove the profit/loss before tax on adjusted basis measure from the list of APMs disclosed in the 2023 Annual Report. The BAC was satisfied with management's rationale for this change and that the metric has now been discontinued in internal reporting and monitoring.

Conclusion: The BAC was satisfied that the disclosures, including the APMs, made in the Annual Report are fair, balanced and understandable.

Report of the Board Audit Committee continued

External audit

Appointment and tenure

PricewaterhouseCoopers LLP has been Zopa Bank's external auditor since the Bank was established in 2017. Consistent with the Financial Reporting Council's requirement for public interest entities, the Bank intends to undertake a formal external audit tender at least every 10 years. The next tender will need to be completed in time for the 2030 year end. The BAC has the authority to commission a formal tender process at any time it decides that this may be in the Bank's best interests.

Independence and objectivity

To ensure the independence and objectivity of the external auditor, the BAC maintains appropriate safeguards, including:

- an independence policy for the external auditor, including a list of prohibited non-audit services, and the governance and limits over other audit-related and non-audit-related services;
- confirmations from the audit partner on the effectiveness of PwC's internal quality assurance process;
- reports by the external auditor on its independence and objectivity at the start and throughout the audit process, including a formal attestation on an annual basis; and
- rotation of the audit partner every five years.

Effectiveness

The BAC Chair held at least quarterly private meetings with the external auditors throughout 2024. Any member of the BAC or the external auditor can also request a private committee session without members of the executive management present. This allows the external auditor and BAC members to raise any issues of concern.

On an annual basis, the CFO shares feedback on the audit process, which the BAC considers when assessing the overall effectiveness of the external auditor. The external auditor and senior management representatives from across the business meet after the completion of the audit to debrief and agree on actions that can make the audit process more effective. A summary of actions is then presented to the BAC, including regular monitoring.

Overall, the BAC is satisfied with the effectiveness of the external auditor.

Non-audit work

PwC provided non-audit services during 2024 relating to the interim profit verification of the 30 June 2024 balances. The non-audit fees disclosed on page 117 relate to an annual subscription fee to PwC's digital platform, Viewpoint, that provides accounting standard, financial reporting, business and regulatory hot topics insights that are generic in nature and not specifically tailored to Zopa.



Report of the Board Audit Committee continued

Internal audit

The internal audit function is fully outsourced to BDO, with BDO's engagement leader fulfilling the role of the Head of Internal Audit (BDO Head of Internal Audit). The primary role of the internal audit is to help the Board and executive management protect the assets, reputation and sustainability of Zopa Bank Limited. It does this by assessing whether all significant risks are identified and appropriately reported by management and the risk function to the Board and executive management; by assessing whether they are adequately controlled; and by challenging executive management to improve the effectiveness of governance, risk management and internal controls.

The internal audit acts primarily to provide the BAC with the information it needs to fulfil its own responsibilities and duties. Implicit, the internal audit supports management with fulfilling its own risk, control and compliance responsibilities.

The annual audit plan of the internal audit function will include a cross section of report areas and include topics which assess the effectiveness of the system of risk management and internal control, supporting the BAC's compliance with Provision 29 of the Code.

Independence

The BDO Head of Internal Audit has free and full access to the BAC Chair. The BDO Head of Internal Audit liaises with and reports administratively to the CEO, who provides day-to-day oversight, but the reporting line is to the BAC Chair.

The appointment or removal of the BDO Head of Internal Audit is performed according to established procedures and is subject to the approval of the BAC Chair.

BDO have an impartial, unbiased attitude and avoid conflicts of interest. If the independence or objectivity of the internal auditor is impaired, details of the impairment should be disclosed to either the CEO or the BAC Chair, depending on the nature of the impairment.

Further, BDO is not authorised to perform any operational duties for Zopa, to initiate or approve accounting transactions external to the service, or to direct the activities of any Company employee not employed by the internal auditor.

Objectivity

The BAC approves the Internal Audit Charter on an annual basis. It also monitors and evaluates BDO's performance against the Internal Audit Charter and the Internal Audit Plan. In assessing the objectivity and performance of the internal auditor, the BAC considers feedback from internal stakeholders, BDO's self-assessment and the results of findings from across the four lines of defence.

Whistleblowing

We want all our staff to be able to raise any concerns they might have in a safe and secure manner, without any fear of recrimination. The whistleblowing policy, which is accessible on the Bank's intranet, provides guidance to staff on how to raise their concerns. Gaenor Bagley is the Bank's Whistleblowing Champion and is responsible for overseeing the integrity, independence and effectiveness of the Bank's whistleblowing procedures. In addition, the BAC reviews all reports on whistleblowing, to ensure arrangements are in place that can be used by staff in confidence. The BAC reports on its review to the Board.

Gaenor Bagley

Chair of the Board Audit Committee

16 April 2025

Report of the Board Nomination Committee

Committee members (attendance)

Member	Total meetings attended/meetings eligible to attend
Gordon McCallum (iNED and Chair)	3/3
Pippa Lambert (iNED)	3/3
Gaenor Bagley (iNED)	3/3
Richard Goulding (iNED)	3/3

Note: Attendance calculated based on the number of meetings the member was eligible to attend.

Introduction

The Board Nomination Committee (NomCo) was established to assist the Board with ensuring that it retains an appropriate structure, size and balance of skills to support the Bank’s strategic objectives and values, and to appropriately reflect its approach to equality and diversity.

The NomCo focuses on the following key areas:

- composition of the Board;
- executive and non-executive appointments; and
- succession planning for the Board.

Committee composition

The composition of the NomCo complies with Provision 17 of the UK Corporate Governance Code. The NomCo comprised of four independent Non-Executive Directors (iNEDs), including the Chair of the Board, Gordon McCallum. Gordon chairs the NomCo but does not chair any discussions relating to the Board Chair post.

Summary of activities

Area of focus

Non-executive appointments

Governance

Succession planning

Senior Managers Regime

Actions, decisions and outcomes

- Recommended the re-appointment of Michael Woodburn as an iNED to the Board.
 - Recommended the re-appointment of Gaenor Bagley as an iNED to the Board.
 - Recommended the appointment of Marina Troshina as a NED to the Board.
-
- Agreed an implementation plan for relevant actions arising from the external Board effectiveness evaluation and recommended it to the Board.
-
- Agreed plan for review of Board composition and skills to support Board succession planning.
-
- Approved the appointment of Gregory Stevens as senior management function (SMF) 16.
 - Approved the appointment of Elizabeth Morgan as SMF 17.
 - Approved additional Prescribed Responsibility relating to payment services for SMF 18, Merve Ferrero.
 - Provided oversight of the annual fitness and propriety checks of SMFs and reviewed the Bank’s annual assessment of the certified functions.

Report of the Board Nomination Committee continued

Board training and induction

Induction

Zopa provides newly appointed Board directors with a comprehensive induction that goes beyond the boardroom. The induction consists of reading material and face-to-face meetings with key members of staff to ensure they have access to all the information they need to perform their duties in their new role.

The aims of Zopa's director induction programme are: to provide new directors with information which covers legal and regulatory and which helps directors build an understanding of Zopa, its business and the markets in which it operates; to assist them with building relationships with key Zopians; and to help them understand the main stakeholder relationships for Zopa. The programme considers the previous experience of the appointee and is flexibly designed to ensure both content and delivery are tailored to individual needs. All new directors are given the opportunity to meet with Zopians from all levels of the organisation.

Ongoing director training

At the beginning of the year, the Board reviews and approves the Board's training programme, which considers the Bank's strategy and the continued professional development needs of the Board both as a collective and individually. In 2024, the training programme comprised a variety of presentations and seminars conducted by internal and external facilitators. It included the following topics: legal and regulatory horizon scanning, artificial intelligence, the Economic Crime and Corporate Transparency Act 2023, market environment and conflicts of interest. Zopa encourages directors to attend external seminars on areas relevant to their role.

Gordon McCallum

Chair of the Board Nomination Committee

16 April 2025

Report of the Board Remuneration Committee

Committee members (attendance)

Member	Total meetings attended/meetings eligible to attend
Pippa Lambert (iNED and Chair)	4/4
Gaenor Bagley (iNED)	4/4
Richard Goulding (iNED)	4/4

Note: Attendance calculated based on the number of meetings the member was eligible to attend.

Introduction

The Board Remuneration Committee (RemCo) was established to assist the Board with meeting its responsibilities to determine, implement and oversee the Bank’s remuneration and talent management policies and practices, both executive and non-executive, and to ensure these arrangements allowed the Bank to deliver its long-term strategy.

The RemCo focuses on the following key areas;

- culture;
- diversity, equity and inclusion (DE&I);
- Remuneration Policy;
- executive and non-executive remuneration;
- workforce performance;
- executive succession planning; and
- equity option grants.

Our approach to remuneration

The Bank adheres to the requirements of the Remuneration Code as defined by the Financial Conduct Authority (FCA). The Bank’s compliance with the code is supported through its Remuneration Policy which is designed to ensure that Zopa’s remuneration practices are established in a way such that the Bank:

- sets fair and appropriate remuneration to attract, motivate and retain employees of high calibre;
- encourages behaviour consistent with Zopa’s values;
- sets the right incentives to promote and reward behaviour aligned with prudent risk management, positive customer outcomes, long-term strategy and success;
- remains compliant with regulatory and legislative requirements (including applicable guidance) on remuneration;
- sets remuneration independently of gender, transgender identity or expression; ethnicity; religion or other belief; disability; sexual orientation; age; or other unlawful means of discrimination; and
- delivers remuneration that is affordable and appropriate.

The RemCo is responsible for overseeing the policy and approach to remuneration, plus recommending its adoption to the Board. Remuneration is set in accordance with the Remuneration Policy.

In its annual assessment of proposed salary increases, the RemCo considers how the proposal measures up against the principles set out in the Remuneration Policy. This includes assessing how the Bank performed against the annual performance scorecard approved by the Board and considering an assessment from the Chief Risk Officer (CRO) on the appropriateness of the proposed payout.

The RemCo is responsible for determining the total remuneration package of the Bank’s directors and individuals performing roles under the Senior Managers Regime. In its annual assessment of Executive Directors’ remuneration, the RemCo considers the Bank’s performance against its annual performance scorecard, the CRO’s assessment of the Bank’s performance against risk objectives for the year and the Executive Directors’ individual performance as assessed in the Bank’s end of year performance management process.

Report of the Board Remuneration Committee continued

Our approach to remuneration continued

The Remuneration Policy sets out principles for the structure of remuneration, including any variable components. In December 2023, the FCA issued final guidance on applying proportionality to the Remuneration Principles in the FCA Handbook. This guidance removed the requirement for Bank, as a proportionality Level 3 firm, to apply performance adjustments such as malus and clawback to the variable remuneration awarded to its material risk takers. The Bank's Remuneration Policy includes malus and clawback provisions that reflect the criteria set out in the FCA Handbook. The RemCo found that these malus and clawback provisions promote the intended culture of the Bank and appropriately reflect the Bank's risk appetite. It concluded that the Bank's Remuneration Policy should continue to include malus and clawback provisions, with their application subject to investigation and Board discretion (as delegated to the RemCo).

The RemCo receives regular management information on the gender pay gap and the Bank's performance against its annual target, as set in the performance scorecard approved by the Board.

The RemCo reports to the Board on how the Bank has set remuneration in accordance with the principles laid out in the Remuneration Policy. Certain key shareholders are represented on the Board, but as a private company with a diverse shareholder base, the Bank does not otherwise engage with any of its shareholders on Remuneration Policy and outcomes.

The RemCo is responsible for assessing and monitoring the Bank's culture. To do so, it considers the results of its bi-annual employee engagement surveys, in which the Bank seeks feedback from its employees. The RemCo also has oversight of the message that is delivered to staff on the outcome of the annual performance assessment and pay review.

RemCo composition, skills and experience

The composition of the RemCo fully complies with Provision 32 of the Code. The RemCo is comprised of three independent Non-Executive Directors (iNEDs). The Chair of the Board does not attend RemCo meetings unless invited to do so. The Chief Executive Officer and Chief People Officer have standing invitations to attend RemCo meetings. No individual is present for the part of the meeting where their remuneration is discussed by the RemCo. The Chair has the appropriate skills and experience to lead the RemCo.

Report of the Board Remuneration Committee continued

Summary of activities

Area of focus	Actions, decisions and outcomes	Area of focus	Actions, decisions and outcomes
Culture	- In-depth review of the Zopometer survey results throughout 2024, leading to an action plan to address key areas of improvement. - Review of bi-annual culture scorecard to measure key data points under engagement, attrition, DE&I and presence.	Executive succession planning	Discussed senior management function (SMF) succession planning.
Diversity, equity and inclusion (DE&I)	- Monitored evolution of the Bank's compensation philosophy to ensure it considers gender and ethnic diversity. - Reviewed the workforce ethnicity disclosure data and discussed how to support staff in a way that naturally increases disclosures.	Workforce performance	- Reviewed and approved salary budget, including impact of budget on workforce considering macro-environment and cost-of-living challenges. - Monitored the effect of mid-year and end-of-year salary and bonus reviews on the gender pay gap across the Bank.
Remuneration Policy	Extensively discussed ongoing appropriateness of the Remuneration Policy, including retaining malus and clawback provisions in respect of variable remuneration of material risk takers.	Equity	- Approved for recommendation to the Board an incentive liquidity realisation event for certain senior executives. - Reviewed initial proposals for a new management incentive plan.
Executive remuneration	- Reviewed senior manager performance and approved salary and bonus compensation. - Reviewed proposed annual bonus payout for employees and executives based on the 2023 scorecard performance.		

Report of the Board Remuneration Committee continued

Diversity policy

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

Our culture, values and standards

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

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

Employee engagement is one of the Bank's key objectives. It conducts an employee opinion survey twice per year. Team engagement scores form part of manager assessments and performance reviews. The survey results also provide an opportunity for the Board and executive management team to gain insight into the employees' view of strategy, leadership, culture and values. Management assesses the survey results and takes appropriate actions.

Pippa Lambert

Chair of the Board Remuneration Committee

16 April 2025

Directors' report

Corporate governance

The directors of Zopa Bank Limited (henceforth 'the Bank' or 'the Company') present their Annual Report together with the audited financial statements for the year ended 31 December 2024 (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 3 to 64. As noted in the table below, the Bank 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.

Subject	Pages
Business review and future developments	10 to 18
Results for the year	19 to 25
Composition of the Board and Board committees	66 to 79
Approach to corporate governance	72 to 82
Relationship with shareholders	43
Employees and employees with disabilities	44
Relationship with suppliers	46
Charitable donations	49
Environment and greenhouse gas emissions	31 to 41
Risk management	50 to 63
Use of financial instruments	120 to 123
Post balance sheet events	179

Dividends

The directors are not recommending any dividend in respect of the year ended 31 December 2024 (2023: £nil).

Going concern

The financial statements have been prepared on a going concern basis, as the directors are satisfied that the Bank will have the resources to continue business for a period of at least 12 months from the date of approval of these financial statements. 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 Bank's capital and liquidity plans, including alternative scenarios such as inflation remaining at similar or higher levels for longer than current expectations, increases to interest rates and a stagflation scenario, have been reviewed by the directors. When preparing the forecasts, the Bank has reflected the economic repercussions of the current increased geopolitical tensions and uncertainties over economic growth.

Political donations

The Bank made no political donations in 2024 (2023: £nil).

Share capital

Zopa Bank 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 10627575).

Details of the Bank's issued share capital, together with details of any movements in the Bank's issued share capital during the year, are shown in note 29 of the financial statements. As at 31 December 2024 the Bank has one class of ordinary share of £1 each. As at 31 December 2024, 554,819,069 ordinary shares were in issue (2023: 486,319,069).

Substantial shareholdings

As at the date of publication of this report, 100% of the Bank's issued share capital is owned by Zopa Group Limited (the 'Shareholder').

Restrictions on the transfer of shares

There are no specific restrictions on the transfer of shares of Zopa Bank Limited. In practice, any transfer of shares in Zopa Bank Limited would need to be approved by Zopa Group Limited and its ultimate shareholders.

Directors' report continued

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

Subject to the requirements of the Capital Requirement Regulation (CRR), the Prudential Regulation Authority (PRA) Rulebook and any applicable law, in accordance with Section 550 of the Companies Act 2006, the directors of Zopa Bank Limited have a general authority to allot equity securities. The Company has disapplied Sections 561 and 562 of the Companies Act 2006 and no right of pre-emption applies on an issue of its shares.

Purchase of own shares

Subject to the requirements of the Companies Act 2006 (including any requisite shareholder consents), the CRR and the PRA Rulebook, the Bank 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.

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 be amended by a special resolution of the Company passed by the shareholders at either a general meeting or in writing.

The following director appointments and resignations have taken place in 2024 and until the date of publication of this Annual Report and Accounts:

Director	Appointed	Resigned
Neil Cunha-Gomes		25.06.2024
Marina Troshina	13.08.2024	

Directors' remuneration

The Bank adheres to the requirements of the Remuneration Code as defined by the Financial Conduct Authority, the UK regulator. The Non-Executive Directors don't receive variable remuneration. Information on the Company's Remuneration Code is set out in the Pillar 3 disclosures, which are available on our website¹. 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.

1. Annual Reports and Pillar 3 reports are available on our website at www.zopa.com/investor-information.

Directors' report continued

Statement of directors' responsibilities in respect of the financial statements

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

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

Under company law, directors must not approve the financial statements unless they're satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

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

- select suitable accounting policies and then apply them consistently;
- state whether applicable 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 Company will continue in business.

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

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

The directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' confirmations

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

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

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:



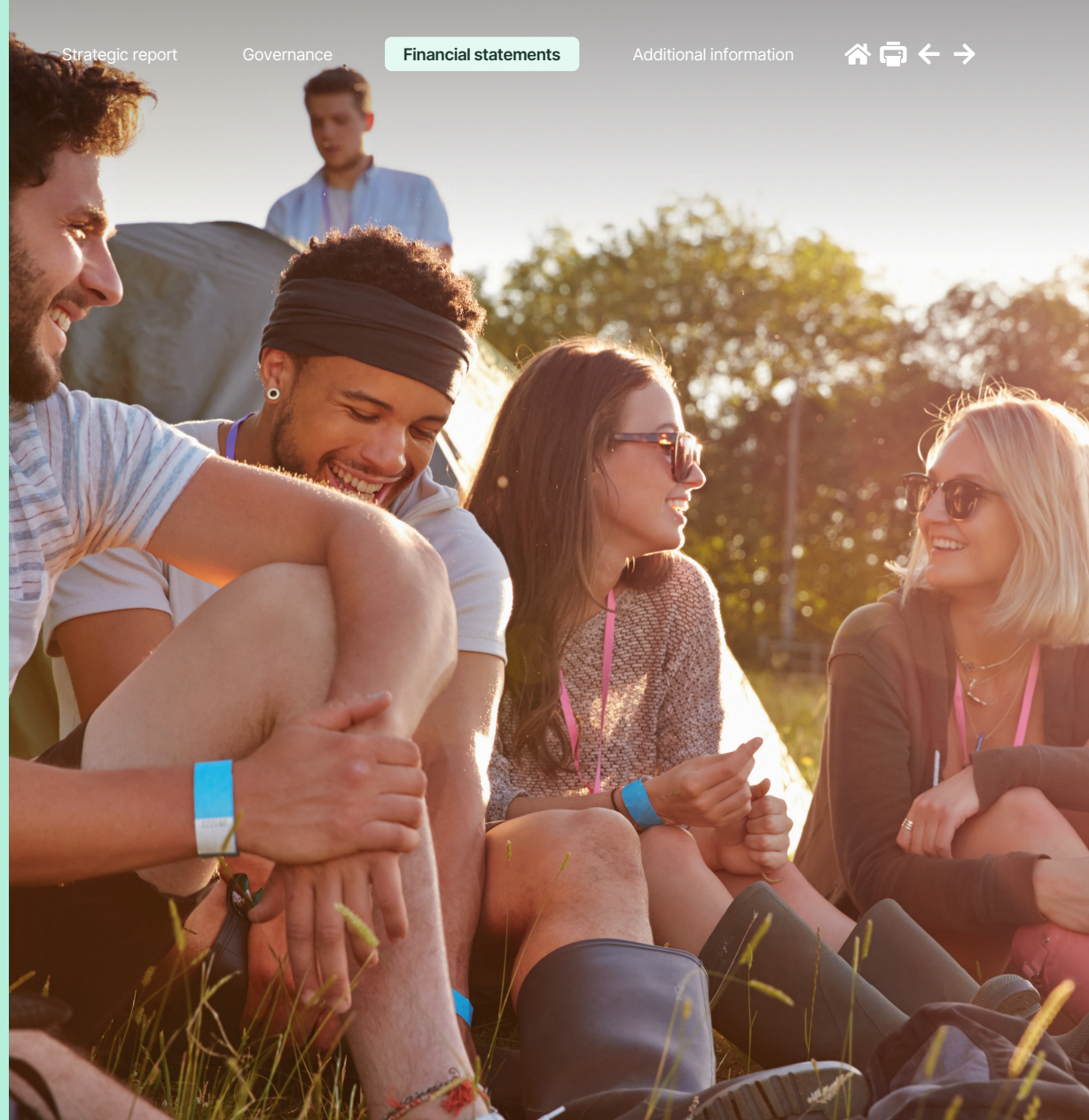
Jaidev Janardana
Chief Executive Officer

16 April 2025

Financial statements

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Independent auditors' report to the members of Zopa Bank Limited

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the Company's affairs as at 31 December 2024 and of its profit and 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 Accounts (the "Annual Report"), which comprise: the Statement of financial position as at 31 December 2024; the Statement of comprehensive income, the Statement of changes in equity, and the Statement of cash flows for the year then ended; and the notes to the financial statements, comprising material accounting policy information and other explanatory information.

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

Basis for opinion

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

Independence

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

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

Other than those disclosed in Note 8, we have provided no non-audit services to the Company in the period under audit.

Our audit approach

Overview

Audit scope

- As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. The scope of our audit and the nature, timing and extent of audit procedures performed were determined by our risk assessment and other qualitative factors.

Key audit matters

- Determination of allowance for expected credit losses on loans and advances.

Materiality

- Overall materiality: £4,934,000 (2023: £4,044,000) based on 1% of net assets.
- Performance materiality: £3,700,500 (2023: £3,033,000).

The scope of our audit

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

Key audit matters

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

Independent auditors' report

continued

to the members of
Zopa Bank Limited

Report on the audit of the financial statements continued

[Our audit approach](#) continued

Key audit matters continued

This is not a complete list of all risks identified by our audit. The key audit matters below are consistent with last year.

Key audit matter

Expected credit losses for loans and advances to customers

Determining expected credit losses ('ECL') is inherently judgemental and involves making various assumptions. This can give rise to increased estimation uncertainty.

ECL is calculated using historical default and loss experience but requires judgement to be applied in predicting future economic conditions.

Modelling methodologies are used to estimate ECL. These may not appropriately address relevant risks and therefore judgemental adjustments may be applied.

Our audit focused on the significant assumptions for which variations had the most material impact on ECL.

We considered the following elements of the determination of ECL to be significant:

- forward-looking economic scenarios, and the weighting assigned to these;
- judgements involved in determining probabilities of default ('PD'); and
- judgemental adjustments made in the development of the macro model.

Refer to relevant disclosures in Note 15 'Loans and advances to customers', Note 37.1 'Financial Risk Management – credit risk', and Note 1.7: 'Basis of preparation and material accounting policies – critical judgements and accounting estimates' in the financial statements.

How our audit addressed the key audit matter

We engaged the support of our credit risk modelling specialists and economic experts to critically assess the appropriateness of the ECL.

Forward-looking economic scenarios and assigned weightings

We involved our economics experts to assess the reasonableness of the forward looking economic scenarios and weightings assigned to them, and benchmarked them against market consensus data. The severity of the scenarios was evaluated with reference to external forecasts, including data from historical economic downturns.

Model methodology and judgements relating to PD and the macro model

We involved our credit risk modelling specialists to critically assess the appropriateness of the methodology used in the in-scope impairment models and evaluated compliance with IFRS 9 requirements.

We evaluated the methodology, appropriateness and implementation of material judgemental adjustments made in the development of the macro model and the judgements involved in determining PD. We performed our own independent macroeconomic modelling to assess a plausible range of ECL results and compared this to Management's estimates.

We assessed and independently tested the accuracy of the results of model monitoring performed by management. We quantified any model performance issues, assessing these against post model adjustments held by Management.

We validated that the in-scope models were implemented in line with the methodology through a combination of independent model replication and code reviews.

We evaluated and tested the audited Credit Risk disclosures made in the Annual Report.

Independent
auditors' report

continued
to the members of
Zopa Bank Limited

Report on the audit of the financial statements

continued

Our audit approach

continued

How we tailored the audit scope

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

The Company provides a variety of financial services to retail customers in the UK. Our overall approach to setting our audit scope was to focus our audit in areas where we identified a higher risk of material misstatement to the financial statements, including areas where management made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events. To conduct this risk assessment, we considered the inherent risks facing the Company, including those arising from its respective business operations, and how the Company manages these risks, as well as our knowledge and experience obtained in prior year audits. We also considered a number of other factors including the design and implementation of the Company's control environment relevant to the audit, the appropriateness of the use of the going concern basis of accounting in the preparation of the financial statements and the risk of management override of controls.

The impact of climate risk on our audit

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

Materiality

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

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

Overall Company materiality	£4,934,000 (2023: £4,044,000).
How we determined it	1% of net assets.
Rationale for benchmark applied	The Company's net assets is considered the most appropriate benchmark as it is correlated to capital and is a key metric for the users of the financial statements. The benchmark takes into consideration balance sheet growth, the importance of capital, and increasing scale of operations.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2023: 75%) of overall materiality, amounting to £3,700,500 (2023: £3,033,000) for the Company financial statements.

Independent auditors' report

continued

to the members of
Zopa Bank Limited

Report on the audit of the financial statements continued

Our audit approach continued

Materiality continued

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

We agreed with the Board Audit Committee that we would report to them misstatements identified during our audit above £247,000 (2023: £202,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

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

- a risk assessment to identify factors that could impact the going concern basis of accounting;
- evaluating management's going concern assessment, including the Company's capital and liquidity position and financial forecasts over the going concern period;
- evaluation of the stress testing performed by management including their severe but plausible downside scenario;
- evaluating management's ability to accurately forecast financial performance by comparing budgeted financial information with historical actual results;
- reviewing regulatory correspondence; and
- reading and evaluating the adequacy of the disclosures made in the financial statements in relation to going concern.

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

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

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

In relation to the directors' reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

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.

Independent auditors' report

continued

to the members of
Zopa Bank Limited

Report on the audit of the financial statements continued

Reporting on other information continued

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 2024 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Corporate governance statement

ISAs (UK) require us to review the directors' statements in relation to going concern, longer-term viability and the part of the corporate governance statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code, which the Listing Rules of the Financial Conduct Authority specify for review by the auditor. Our additional responsibilities with respect to the corporate governance statement as other information are described in the Reporting on other information section of this report.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit, and we have nothing material to add or draw attention to in relation to:

- the directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;
- the disclosures in the Annual Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;

- the directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- the directors' explanation as to their assessment of the Company's prospects, the period this assessment covers and why the period is appropriate; and
- the directors' statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our review of the directors' statement regarding the longer-term viability of the Company was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statement; checking that the statement is in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statement is consistent with the financial statements and our knowledge and understanding of the Company and its environment obtained in the course of the audit.

In addition, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- the directors' statement that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the Company's position, performance, business model and strategy;
- the section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
- the section of the Annual Report describing the work of the Board Audit Committee.

Independent auditors' report

continued

to the members of
Zopa Bank Limited

Report on the audit of the financial statements continued

Corporate governance statement continued

We have nothing to report in respect of our responsibility to report when the directors' statement relating to the Company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified under the Listing Rules for review by the auditors.

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

Auditors' responsibilities for the audit of the financial statements

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

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

Based on our understanding of the Company and industry, we identified that the principal risks of non-compliance with laws and regulations related to 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 and UK Tax legislation. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to manipulate the financial statements and management bias in accounting estimates and judgements, in particular the allowance for expected credit losses. Audit procedures performed by the engagement team included:

- discussions with management, and those charged with governance, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- 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; and
- identifying and testing journal entries, in particular any journal entries posted with unusual account combinations

Independent auditors' report

continued

to the members of
Zopa Bank Limited

Report on the audit of the financial statements continued

Responsibilities for the financial statements and the audit continued

Auditors' responsibilities for the audit of the financial statements continued

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

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

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the Board Audit Committee, we were appointed by the directors on 8 November 2017 to audit the financial statements for the year ended 31 December 2017 and subsequent financial periods. The period of total uninterrupted engagement is eight years, covering the years ended 31 December 2017 to 31 December 2024.



Michael Whyte

(Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

16 April 2025

Statement of comprehensive income

For the year ended
31 December

The accompanying accounting policies and notes on pages 112 to 179 are an integral part of the financial statements.

The profits of the Company are derived from continuing operations in the current and prior periods.

	Notes	2024 £000	2023 £000
Interest income		503,794	349,917
Interest expense		(224,454)	(136,957)
Net interest income	2	279,340	212,960
Fee and commission income		14,347	13,020
Fee and commission expense		(14,033)	(10,684)
Net fee and commission income	3	314	2,336
Other operating income		2,478	1,261
Net gains on derecognition of financial assets measured at amortised cost	4	10,095	2,984
Changes in fair value of financial instruments measured at FVTPL	14	5,561	2,889
Total operating income		297,788	222,430
Operating expenses	5	(107,992)	(83,266)
Net operating income		189,796	139,164
Change in expected credit losses and other credit impairment charges	9	(156,229)	(122,817)
Change in provisions for other liabilities and charges	27	(2,017)	(530)
Profit before tax		31,550	15,817
Taxation	10	(9,773)	23,064
Profit after tax		21,777	38,881
Other comprehensive loss			
Items which will be reclassified subsequently to profit or loss:			
– Changes in fair value of investment securities held at FVOCI	30	(46)	(49)
Total other comprehensive loss		(46)	(49)
Total comprehensive income		21,731	38,832
Attributable to:			
Equity holders		21,731	38,832

Statement of financial position

As at 31 December

The accompanying accounting policies and notes on pages 112 to 179 are an integral part of the financial statements.

The financial statements were approved by the Board of Directors on 16 April 2025 and signed on its behalf by:



Jaidev Janardana
Chief Executive Officer



Steve Hulme
Chief Financial Officer

1. The prior year comparative has been re-presented to include debt securities in this line item for consistency with the current year presentation.

	Notes	2024 £000	2023 £000
Assets			
Cash and balances with:			
– Central bank	12	2,761,315	1,336,105
– Other banks	12	58,428	66,063
Amounts due from other Group undertakings	16	642	1,431
Derivative financial instruments	14	5,946	7,974
Loans and advances to customers	15	2,865,635	2,478,213
Investment securities ¹	17	455,157	94,698
Prepayments and accrued income	18	6,445	4,891
Other assets	19	22,259	13,814
Property, plant and equipment	21	1,150	1,307
Right-of-use assets	20	2,137	4,135
Intangible assets	22	32,360	16,055
Deferred tax assets	23	17,573	24,401
Total assets		6,229,047	4,049,087
Liabilities			
Derivative financial instruments	14	1,087	3,388
Amounts due to banks	24	157,227	159,239
Deposits by customers	25	5,455,740	3,357,724
Amounts due to other Group undertakings	16	4	615
Subordinated liabilities	26	76,086	78,817
Accruals		16,747	12,483
Provisions	27	3,110	2,131
Other liabilities	28	20,016	27,237
Lease liabilities	20	1,739	3,038
Total liabilities		5,731,756	3,644,672
Equity			
Called-up share capital	29	554,819	486,319
Other reserves	30	9,428	6,829
Accumulated losses		(66,956)	(88,733)
Total equity		497,291	404,415
Total equity and liabilities		6,229,047	4,049,087

Statement of changes in equity

For the year ended
31 December

The accompanying accounting policies and notes on pages 112 to 179 are an integral part of the financial statements.

	Notes	Called-up share capital £000	Other reserves ¹ £000	Accumulated losses £000	Total equity £000
Balance as at 1 January 2023		421,319	5,902	(127,614)	299,607
Profit for the year		—	—	38,881	38,881
Other comprehensive loss relating to investment securities	30	—	(49)	—	(49)
Total comprehensive income		—	(49)	38,881	38,832
Shares issued	29	65,000	—	—	65,000
Net share option movements	31	—	976	—	976
Balance as at 31 December 2023		486,319	6,829	(88,733)	404,415
Balance as at 1 January 2024		486,319	6,829	(88,733)	404,415
Profit for the year		—	—	21,777	21,777
Other comprehensive loss relating to investment securities	30	—	(46)	—	(46)
Total comprehensive income		—	(46)	21,777	21,731
Shares issued	29	68,500	—	—	68,500
Net share option movements	31	—	2,645	—	2,645
Balance as at 31 December 2024		554,819	9,428	(66,956)	497,291

1. In 2024, Other reserves consisted of a share-based payments reserve and FVOCI reserve.

Statement of cash flows

For the year ended
31 December

The accompanying accounting policies and notes on pages 112 to 179 are an integral part of the financial statements.

	Notes	2024 £000	2023 £000
Reconciliation of profit before tax to net cash flows from operating activities:			
Profit before tax		31,550	15,817
Adjustments for:			
– Non-cash items	13	67,370	66,198
– Changes in operating assets and liabilities	13	1,640,591	(133,115)
– Current tax expense	10	(3,439)	(1,337)
Net cash generated from/(used in) operating activities		1,736,072	(52,437)
Cash flows from investing activities			
Purchase of investment securities		(431,925)	(80,367)
Investment securities matured during the year		67,356	—
Purchase of property, plant and equipment	21	(659)	(1,167)
Purchase and development of intangible assets	22	(23,775)	(10,779)
Net cash used in investing activities		(389,003)	(92,313)
Cash flows from financing activities			
Shares issued	29	68,500	65,000
Proceeds from issuance of subordinated liabilities	26	—	75,000
Change in TFSME and ILTR borrowings	24	—	(19,316)
Change in non-trading amounts due to and from other Group undertakings	16	4	(74)
Cash payments on lease liabilities	20	(1,822)	(1,745)
Net cash generated from financing activities		66,682	118,865
Net increase/(decrease) in cash and cash equivalents		1,413,751	(25,885)
Cash and cash equivalents at start of year	12	1,405,992	1,431,877
Cash and cash equivalents at end of year	12	2,819,743	1,405,992
Profit before tax includes:			
Interest received		497,000	337,443
Interest paid		(218,408)	(127,030)

Notes to the financial statements

For the year ended
31 December

1. Basis of preparation and material accounting policies

Overview

This section sets out Zopa Bank Limited's (the 'Company') material accounting policies that relate to the 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.

1.1 General information

The Company provides retail banking and consumer lending services in the UK and 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 10627575). The registered office is at First Floor Cottons Centre, 47-49 Tooley Street, London, England, SE1 2QG. The Company is a subsidiary of Zopa Group Limited (the 'Group'), which has the same registered office as Zopa Bank Ltd.

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 financial statements have been prepared on a going concern basis, as the directors are satisfied that the Company will have the resources to continue business for a period of at least 12 months from the date of approval of these financial statements. 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 Company's capital and liquidity plans, including alternative scenarios such as inflation remaining at similar or higher levels for longer than current expectations, increases to interest rates and a stagflation scenario, have been reviewed by the directors. When preparing the forecasts, the Company has reflected the economic repercussions of the current increased geopolitical tensions and uncertainties over economic growth.

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 from 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.

Notes to the financial statements continued

For the year ended 31 December

1. Basis of preparation and material accounting policies continued

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 flow 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, profit or 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 Critical judgements and accounting estimates

The preparation of 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 financial statements, and the reported amount of 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 other significant estimates have been made in the process of applying the accounting policies.

Management believe that the underlying assumptions applied as at 31 December 2024 are appropriate and that the financial statements therefore present the financial position and results of the Company fairly.

Policy	Judgement	Estimate	Further information
Expected credit loss allowance	Criteria for significant increase in credit risk Use of post-model adjustments to address the risks not captured by the models	ECL estimates contain a number of measurement uncertainties (such as the impact of macroeconomic scenarios and weightings on the probability of default) and disclosures include sensitivities to show impact on the application of different weightings	Note 37
Deferred tax assets	Determination of whether sufficient taxable profits will be generated in future years to recover DTA		Note 23

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

1.8 New accounting standards, interpretations and changes to accounting policies

The Company has not provided disclosures in respect of new and amended standards and interpretations that became effective for 2024, as none of these had a material impact on the Company's financial statements.

The IASB has issued a number of other minor amendments to IFRS that are not mandatory for the current reporting year and have not been early adopted. None of these amendments are expected to have a material impact on the Company.

Notes to the financial statements continued

For the year ended
31 December

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 Company 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. Interest income from non-credit-impaired financial assets is recognised by applying the effective interest rate to the gross carrying amount of the asset; for credit-impaired financial assets, the effective interest rate is applied to the net carrying amount after deducting the allowance for expected credit losses.

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) and personal contract purchase (PCP) car finance loan contracts to customers (car finance 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 measured at amortised cost and FVOCI calculated on an effective interest rate (EIR) basis.

Notes	2024 £000	2023 £000
Interest income		
Cash and balances with:		
– Central banks	104,274	78,452
– Other banks	1,931	1,085
Loans and advances to customers	383,567	269,822
Investment securities	14,022	558
Total interest income	503,794	349,917
Interest expense		
Deposits by customers	(205,440)	(125,645)
Subordinated liabilities	26 (10,935)	(3,817)
Amounts due to other banks	(7,705)	(7,180)
Amounts due to other Group undertakings	16 (4)	(200)
Lease liabilities	20 (370)	(115)
Total interest expense	(224,454)	(136,957)
Net interest income	279,340	212,960

Notes to the financial statements continued

For the year ended
31 December

3. Net fee and commission income

Accounting policy

The Company recognises fee and commission income when services are provided to customers and the Company has satisfied its performance obligations under the contract, at an amount that reflects the consideration to which the Company 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. Income from credit cards and supervision fees are recognised at a point in time when it has fully provided the service to the customer.

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 mainly comprised of fees charged to credit card customers, referral commission and servicing fees.

Servicing fees includes the fees earned in servicing the loans that were sold to a third party (note 36). This also includes both customer fees on the P2P portfolio prior to the sale of Zopa Limited, and fees for servicing the Zopa Limited P2P portfolio after the sale of the company by Zopa Group Limited on 10 February 2022.

Fee and commission expense primarily consists of transaction processing and customer eligibility assessment fees.

	Note	2024 £000	2023 £000
Fee and commission income			
Credit cards		10,644	8,031
Supervision fee	16	2,184	4,257
Referral commission		1,116	469
Servicing fee		393	263
Other fees		10	—
Total fee and commission income		14,347	13,020
Fee and commission expense			
		(14,033)	(10,684)
Net fee and commission income		314	2,336

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

Accounting policy

The Company sells financial assets if they no longer meet the Company's credit 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. Sales for other reasons should be infrequent or insignificant.

Gains on derecognition of financial assets include the gain on sale of credit-impaired loans, and loan write-offs caused by consumer fraud. Loan write-offs due to credit risk are included in 'Change in expected credit losses and other credit impairment charges' in the income statement. It also includes the gain on sale of performing loans in 2024 which was considered infrequent (refer to note 36 for further details).

	2024 £000	2023 £000
Gains on sale of credit-impaired loans	4,973	5,723
Loan write-offs due to customer fraud	(927)	(2,739)
Gains on sale of performing loans	6,049	—
Net gains on derecognition of financial assets measured at amortised cost	10,095	2,984

Notes to the financial statements continued

For the year ended
31 December

5. Operating expenses

	Notes	2024 £000	2023 £000
Wages and salaries	6	78,394	60,211
Contractors		3,559	1,895
Less: capitalised development costs recognised as intangible additions	22	(15,673)	(10,203)
Outsourced staff		3,724	2,475
Legal and professional		8,001	7,212
Depreciation of PPE and right-of-use assets	21	3,100	2,532
Amortisation of intangible assets	22	7,258	3,996
Impairment of PPE, intangible assets and right-of-use assets		212	163
Information technology		12,690	9,777
Intragroup recharges	16	422	443
Other		6,305	4,765
Total operating expenses		107,992	83,266

The capitalised development costs recognised as additions to intangible assets reduces the wages and salaries and contractor costs.

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 Company 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 Company operates a defined contribution pension plan. The Company 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 the Company's intangible assets. See note 22 for accounting policies on intangible asset capitalisation.

The accounting policies on share-based payments are included in note 31.

	Note	2024 £000	2023 £000
Employee benefits		65,464	51,149
Social security costs		7,750	6,169
Defined contribution pension expenses		2,535	1,917
Equity-settled share-based payments	31	2,645	976
Total wages and salaries		78,394	60,211

The monthly average number of employees (including directors) of the Company during the year was made up as follows:

	2024 Number	2023 Number
Loan operations and servicing	471	359
Administration	343	333
Total staff	814	692

Notes to the financial statements continued

For the year ended 31 December

7. Directors' Remuneration

This table sets out emoluments and pension contributions in respect of 2024.

	2024 £000	2023 £000
Directors' emoluments	2,971	2,648
Pension contributions	10	10
Total directors' remuneration	2,981	2,658

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

	2024 £000	2023 £000
Emoluments	1,435	1,245
Pension contributions	10	10
Total highest paid director remuneration	1,445	1,255

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 one director.

8. Independent auditors' fees

	2024 £000	2023 £000
Fees payable for the statutory audit of the Company's financial statements	1,625	1,156
Fees payable for subscription services	3	1
Total fees payable to auditors	1,628	1,157

Auditors' remuneration to PricewaterhouseCoopers LLP for 2024 in relation to the statutory audit includes £160k (2023: £111k) which pertains to additional fees for 2023 that were paid during the current year.

No fees were recognised by the Company for the interim profit verification of the 30 June 2024 balances, as the cost was covered by Zopa Group Limited on its behalf.

Services provided by the Company's auditors are presented excluding VAT. All non-audit services are on the FRC's approved list of non-audit services.

Notes to the
financial
statements continued

For the year ended
31 December

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

Accounting policy

The accounting policies on expected credit losses are included in note 37. 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 loss 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 in the income statement.

	Notes	2024 £000	2023 £000
ECL movements and write-offs on loans and advances to customers	37	159,126	123,066
Recoveries of loans and advances, net of collection costs		(3,209)	(1,082)
Increase in ECL on off-balance sheet exposures	27	312	833
Change in expected credit losses and other credit impairment charges		156,229	122,817

The impairment charge includes £249k (2023: £317k) in respect of residual value impairment within the Company's car finance loan business.

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 Company 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.

The Company 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.

Notes to the
financial
statements continued

For the year ended
31 December

10. Taxation continued

Current tax for the year ended 31 December 2024 is based on rates of 25% for the standard rate of UK corporation tax.

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

No corporation tax liabilities are payable to HMRC for the year (2023: £nil).

The Bank has recognised a deferred tax asset in respect of tax losses carried forward for the first time in 2023. Further detail on the deferred tax is provided in note 23.

10.1 Tax charge/(credit)

	2024 £000	2023 £000
Current tax expense		
– Current tax on profits for the year	2,945	1,337
– Adjustments in respect to prior years	495	—
Deferred tax charge/(credit)		
– Current year	4,142	(24,401)
– Adjustments in respect to prior years	2,191	—
Total tax charge/(credit)	9,773	(23,064)

10.2 Reconciliation of effective tax rate

The expected tax charge for the year ended 31 December 2024 is 25% (2023: blended rates of 23.5%). A reconciliation from the charge/(credit) implied by the standard rate to the actual tax credit is as follows:

	2024 £000	2023 £000
Profit before tax	31,550	15,817
Tax charge based on the applicable UK Corporation Tax rate of 25% (2023: 23.5%)	7,888	3,720
Tax effect of:		
Non-deductible expenses for tax purposes	796	235
Group relief claimed/surrendered	(1,498)	(281)
Adjustments in respect to prior years	2,686	—
Deferred tax recognised	—	(26,732)
Other differences	(99)	(6)
Total tax charge/(credit)	9,773	(23,064)

Notes to the financial statements continued

For the year ended
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11. Financial instruments

Accounting policy

Recognition and derecognition

A financial asset or a financial liability is recognised in the statement of financial position when the Company becomes party to the contractual provisions of the instrument. The Company 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 only 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 Company 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 expired. 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 Company 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 Company'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 Company are classified as measured at amortised cost.

Notes to the financial statements continued

For the year ended
31 December

11. Financial instruments continued

Accounting policy continued

Classification of financial assets continued

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

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 amounts 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 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 37.

Financial assets held at FVOCI are initially recognised at fair value, which is the cash consideration including any transaction costs, and measured subsequently at fair value with gains and losses being recognised in other comprehensive income, except for impairment losses and foreign exchange gains and losses, until the investment security is derecognised. Interest is calculated using the effective interest method. Investment securities held at FVOCI consist entirely of debt instruments.

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. Financial liabilities measured at amortised cost mainly comprise deposits from customers and subordinated liabilities.

Offsetting

The Company 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 in the statement of financial position, either as an asset or a liability.

As at 31 December 2024 and 31 December 2023, no financial instruments have been offset in the statement of financial position.

Notes to the financial statements continued

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11. Financial instruments continued

Financial assets pledged as collateral

The Company has pledged £357,321k (2023: £296,503k) of loans and advances to customers as encumbered collateral which can be called upon in the event of default of the TFSME drawdowns. Further details of this Bank of England funding scheme can be found in note 24.

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

	FVTPL £000	FVOCI £000	Amortised cost £000	Total £000
2024				
Cash and balances with:				
– Central bank	—	—	2,761,315	2,761,315
– Other banks	—	—	58,428	58,428
Amounts due from other Group undertakings	—	—	642	642
Derivative financial instruments	5,946	—	—	5,946
Loans and advances to customers	—	—	2,865,635	2,865,635
Investment securities	—	299,724	155,433	455,157
Other assets	—	—	20,394	20,394
Total financial assets	5,946	299,724	5,861,847	6,167,517
Derivative financial instruments	1,087	—	—	1,087
Deposits by customers	—	—	5,455,740	5,455,740
Amounts due to other banks	—	—	157,227	157,227
Amounts due to other Group undertakings	—	—	4	4
Subordinated liabilities	—	—	76,086	76,086
Other liabilities	—	—	17,501	17,501
Total financial liabilities	1,087	—	5,706,558	5,707,645

Notes to the financial statements continued

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11. Financial instruments continued

2023	FVTPL £000	FVOCI £000	Amortised cost £000	Total £000
Cash and balances with:				
– Central bank	—	—	1,336,105	1,336,105
– Other banks	—	—	66,063	66,063
Amounts due from other Group undertakings	—	—	1,431	1,431
Derivative financial instruments	7,974	—	—	7,974
Loans and advances to customers	—	—	2,478,213	2,478,213
Investment securities ¹	—	80,710	13,988	94,698
Other assets	—	—	13,386	13,386
Total financial assets	7,974	80,710	3,909,186	3,997,870
Derivative financial instruments	3,388	—	—	3,388
Deposits by customers	—	—	3,357,724	3,357,724
Amounts due to other banks	—	—	159,239	159,239
Amounts due to other Group undertakings	—	—	615	615
Subordinated liabilities	—	—	78,817	78,817
Other liabilities	—	—	25,375	25,375
Total financial liabilities	3,388	—	3,621,770	3,625,158

There were no reclassifications of financial assets or liabilities during the year ended 31 December 2024 or 31 December 2023.

1. The prior year comparative has been re-presented to include debt securities in this line item for consistency with the current year presentation.

Notes to the
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For the year ended
31 December

12. Cash and balances
with central bank and
other bank

Accounting policy

Cash and balances with central bank and other banks comprised of cash with central bank (Bank of England) and cash and advances to banks. In addition, it includes highly liquid investments that are readily convertible to known amounts of cash that are subject to insignificant risk of changes in value. Investment securities are only classified as cash equivalent if they have short maturity of three months or less from the date of acquisition and are in substance cash equivalents.

	2024 £000	2023 £000
Cash and balances with central bank	2,761,315	1,336,105
Cash and balances with other banks	58,428	66,063
Government money market fund	—	13,988
Cash and balances with central banks and other banks	2,819,743	1,416,156
Less: Cash Ratio Deposit	—	(10,164)
Total cash and cash equivalents	2,819,743	1,405,992

In 2023, the Cash Ratio Deposit (CRD) was held with the BoE in compliance with regulatory mandates. As this deposit was not held in a demand account and was not available to finance the Company's day-to-day operations, it was excluded from Cash and cash equivalents in 2023 and presented in the Investment securities line item (note 17). The CRD was replaced by the BoE Levy in 2024.

All cash and cash equivalents were stage 1 assets under IFRS 9 as at 31 December 2024 and 31 December 2023. There was no allowance for expected credit loss in respect of cash and cash equivalents as at 31 December 2024 (31 December 2023: £nil).

Notes to the financial statements continued

For the year ended
31 December

13. Cash flow information

13.1 Cash generated/(used in) from operating activities

	Notes	2024 £000	2023 £000
Adjustments for non-cash items:			
– Change in expected credit losses and other credit impairment charges	9	156,229	122,817
– ECL on disposal of assets outside of credit risk appetite	37	(95,581)	(64,867)
– Change in provisions	27	2,017	530
– Depreciation, amortisation and impairment	5	10,570	6,691
– Share-based payment charge	31	2,645	976
– Interest on leases	20	370	115
– Interest on subordinated liabilities and other borrowings		(2,882)	3,816
– Interest on investment securities		240	(569)
– Changes to fair value adjustment of hedged risk		3,010	(4,357)
– Changes in fair value of financial instruments measured through profit and loss		(8,571)	1,468
– Other non-cash items		(677)	(422)
Total adjustments for non-cash items		67,370	66,198
Changes in operating assets and liabilities:			
– Loans and advances to customers		(451,080)	(593,842)
– Deposits by customers	25	2,098,016	434,879
– Financial instruments at fair value through profit or loss		8,298	1,535
– Amounts due to other banks	24	(1,861)	(11,683)
– Intercompany trading balances	16	174	(848)
– Prepayments and accrued income	18	(1,554)	116
– Accruals		4,264	2,034
– Other assets	19	(8,445)	14,544
– Other liabilities	28	(7,221)	20,150
Total changes in operating assets and liabilities		1,640,591	(133,115)

Notes to the financial statements continued

For the year ended
31 December

13. Cash flow information continued

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

13.2 Net debt reconciliation

	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 2023	(3,094,252)	(1,039)	(3,095,291)	1,431,877	1,937,964	274,550
Cash flow items						
Financing cash flows	(492,216)	1,745	(490,471)	(236,298)	609,916	(116,853)
Interest payments/(receipts)	127,030	—	127,030	210,413	(337,443)	—
Non-cash flow items						
Interest (expense)/income	(136,957)	—	(136,957)	—	349,917	212,960
Accretion of interest	—	(115)	(115)	—	—	(115)
New lease	—	(3,629)	(3,629)	—	—	(3,629)
Net debt as at 31 December 2023	(3,596,395)	(3,038)	(3,599,433)	1,405,992	2,560,354	366,913
Cash flow items						
Financing cash flows	(2,086,616)	1,822	(2,084,794)	1,135,159	754,286	(195,349)
Interest payments/(receipts)	218,408	—	218,408	278,592	(497,000)	—
Non-cash flow items						
Interest (expense)/income	(224,454)	—	(224,454)	—	503,794	279,340
Accretion of interest	—	(370)	(370)	—	—	(370)
New lease	—	(153)	(153)	—	—	(153)
Net debt as at 31 December 2024	(5,689,057)	(1,739)	(5,690,796)	2,819,743	3,321,434	450,381

Notes to the financial statements continued

For the year ended
31 December

14. Derivative and hedging activities

Accounting policy

Accounting for derivatives

Derivative instruments are contracts whose value is derived from one or more underlying financial instruments or indices defined in the contract. During the period, the Bank has entered into derivative contracts to hedge against interest rate and foreign currency exposure.

Derivatives are initially recognised at fair value on the date on which the derivative contract is entered into and are subsequently measured at fair value. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

Hedge accounting

The Company designates certain derivatives as hedging instruments in respect to interest rate risk in fair value hedges. The Company applies fair value hedge accounting for portfolio hedges of interest rate risk (sometimes referred to as 'macro' hedges). The hedged items are portfolios that are identified as part of the risk management process. The Company applies the exemption to continue using IAS 39 hedge accounting for fair value macro hedges of interest rate risk.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the statement of comprehensive income, together with changes in the fair value of the hedged assets or liability that are attributable to the hedged risk. Fair value gains or losses on derivatives and hedged items are recognised in the 'Changes in fair value of financial instruments measured at FVTPL' line item.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which straight-line method is used is amortised to profit or loss.

At inception of every hedge, the Company produces hedge documentation which identifies the hedged risk, hedged item and hedging instrument. This documentation sets out the methodology used for testing hedge effectiveness. Derivative financial instruments, relating to interest rate swaps and foreign currency forwards, are held solely for purposes of mitigating interest rate risk and foreign exchange risk, respectively. Where appropriate, the interest rate swaps are designated as hedging instruments under fair value hedge. The only hedge accounting strategy undertaken by the Company is portfolio hedges of interest rate risk.

The following table sets out the derivative instruments held:

	2024			2023		
	Notional amount £000	Asset carrying value £000	Liability carrying value £000	Notional amount £000	Asset carrying value £000	Liability carrying value £000
Derivatives in accounting hedge relationships						
Interest rate swaps	705,000	5,946	1,072	525,000	7,963	3,372
Derivatives in economic and not accounting hedge						
Interest rate swaps	10,000	—	10	25,000	11	—
Foreign currency forwards	1,546	—	5	461	—	16
Total derivatives	716,546	5,946	1,087	550,461	7,974	3,388

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For the year ended
31 December

14. Derivative and
hedging activities

continued

Details of derivatives designated as hedging instruments in a qualifying hedging relationship are provided below. Derivatives in economic and not accounting hedge relating to forward contracts are used to assist in managing the Company’s liquidity. Interest rate swaps that are included in economic and not accounting hedge are those that were purchased in December and, as such, were excluded in the December re-designation. These swaps were subsequently included in the accounting hedge relationships in the subsequent month’s re-designation.

The following table contains the total changes in fair value of financial instruments measured at FVTPL.

	2024 £000	2023 £000
Net gain/(loss) on derivatives designated as portfolio fair value hedges	987	(7,316)
Fair value adjustments from hedge accounting	(3,010)	4,357
Ineffectiveness of fair value hedges	(2,023)	(2,959)
Movements on the other financial instruments measured at FVTPL	7,584	5,848
Changes in fair value of financial assets measured at FVTPL	5,561	2,889

Fair value macro hedge

Interest rate risk on fixed loans (fair value hedge)

The Company holds portfolios of fixed-term loans and therefore is exposed to changes in fair value due to movements in market interest rates. The risk exposure is managed by entering into floating/fixed interest rate swaps.

The Company uses interest rate swaps to manage interest rate risk under its fair value macro hedging programme, which currently applies to fixed-rate loan assets.

Only the interest rate risk element is hedged and therefore other risks, such as credit risk, are managed but not hedged by the Company.

The interest rate risk element is determined with regard to the fixed rate that represents the benchmark rate of interest being hedged.

The interest rate risk is determined as the change in fair value of the fixed rate loans arising from changes in market interest rates. Such changes are usually the largest component of the overall change in fair value. This strategy is designated as a fair value hedge and its effectiveness is assessed by comparing changes in the fair value of the loans attributable to changes in the benchmark rate of interest with changes in the fair value of the interest rate swaps.

The Company determines hedged items by analysing portfolios of fixed rate loans into repricing time buckets based on expected, rather than contractual, repricing dates. The hedging instruments are designated appropriately to those repricing time buckets. The hedge relationship is tested for effectiveness prospectively at the designation date, and retrospectively at each de-designation on a monthly basis. This is done by comparing fair value movements of the designated proportion of the bucketed loans, against the fair value movements of the derivatives, to ensure that they are within an 80% to 125% range.

The aggregated fair value changes in the hedged loans are recognised on the balance sheet as an asset. At the end of every month, we de-designate the hedge relationships and re-designate them as new hedges in order to minimise the ineffectiveness from early repayments and accommodate new exposures. At de-designation, the fair value hedge accounting adjustments are amortised on a straight-line basis over the remaining period until the repricing of the loan. Amortisation begins at the date of de-designation.

Possible sources of ineffectiveness are as follows:

- differences between the expected and actual volume of prepayments, as the Company hedges to the expected repayment date taking into account expected prepayments based on past experience;
- differences in the benchmark rates of interest used to value the hedged item and the hedging instrument, as cash collateralised interest rate swaps are discounted using SONIA, but this is not the benchmark rate of interest for the hedged item;
- hedging derivatives with a non-zero fair value at the date of initial designation as a hedging instrument; and
- mismatch in the maturities of the hedged item and hedging instrument.

Notes to the financial statements continued

For the year ended
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14. Derivative and hedging activities continued

The following table contains details of the hedging instruments used in the Bank's hedging strategy:

	Notional £000	Carrying amount asset/(liability) £000	Statement of financial position line item	Changes in fair value used for calculating hedge ineffectiveness (charge) £000
2024				
Interest rate swaps	510,000	5,946	Derivative financial assets	
Interest rate swaps	195,000	(1,072)	Derivative financial liabilities	(1,652)
	705,000	4,874		(1,652)
2023				
Interest rate swaps	270,000	7,963	Derivative financial assets	
Interest rate swaps	255,000	(3,372)	Derivative financial liabilities	(7,316)
	525,000	4,591		(7,316)

The following table contains details of the hedged exposures covered by the Company's hedging strategy:

	Carrying amount (asset) £000	Accumulated amount of the fair value adjustments on the hedged item £000	Statement of financial position line item	Changes in fair value used for calculating hedge ineffectiveness (charge) £000
2024				
Fixed rate loans and advances to customers	2,277,833	(714)	Loans and advances to customers	(3,010)
2023				
Fixed rate loans and advances to customers	2,035,830	2,296	Loans and advances to customers	4,357

For the purposes of calculating ineffectiveness recognised in the statement of comprehensive income, the total accumulated amount of fair value hedge adjustment is used.

The contractual maturities of derivatives designated in a hedge relationship are included in note 37.

Notes to the financial statements continued

For the year ended
31 December

15. Loans and advances to customers

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

- unsecured personal loans;
- car finance loans (automotive hire purchase (HP) loans and personal contract purchase (PCP) loans); and
- credit cards.

Unsecured personal loans, credit cards and point-of-sale (PoS) loans are loans and advances to customers, while car finance loans are a subset of loans and advances to customers classified as finance lease receivables. They have been presented separately below.

HP and PCP leases have fixed payments and are held to maturity. The expected credit loss allowance on car finance loans includes £730k (2023: £481k) relating to provisions against residual values of vehicles subject to personal contract purchase loans. These provisions are included within the impairment charge and in the calculation of coverage ratios.

	Note	2024 £000	2023 £000
Gross unsecured lending		2,513,717	2,214,418
Less: allowance for expected credit losses		(180,446)	(161,136)
Total unsecured lending		2,333,271	2,053,282
Gross finance lease receivables		618,938	480,548
Less: unearned finance income		(64,848)	(44,685)
Net investment in finance leases		554,090	435,863
Less: allowance for expected credit losses		(21,012)	(13,228)
Total finance lease receivables		533,078	422,635
Fair value adjustment for hedged risk	14	(714)	2,296
Total loans and advances to customers		2,865,635	2,478,213

Gross finance lease loans are receivable as follows:

	2024 £000	2023 £000
Less than one year	193,924	140,756
One to two years	178,811	133,280
Two to three years	137,627	115,045
Three to four years	80,515	70,500
Four to five years	28,061	20,967
Total gross finance lease receivables	618,938	480,548

Note that this table differs to the maturity table in note 37. This is due to the above table representing the undiscounted contractual repayments of car finance loans, while the table in note 37 represents the maturity profile of the net investment in finance leases.

Notes to the financial statements continued

For the year ended
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16. Amounts due to and from other Group undertakings

Intercompany balances are repayable on demand.

Zopa Embedded Finance Ltd (henceforth 'ZEF') was incorporated in January 2023. ZEF is a wholly-owned subsidiary of Zopa Group Limited. In April 2023, ZEF completed the acquisition of assets from Rematch Credit Limited, a prominent point-of-sale lender in the UK. This acquisition has allowed Zopa Group to enter the point-of-sale and embedded finance market. Until May 2024, the Company utilised ZEF's platform in originating the PoS loans. In return, the Company paid platform fees and servicing fees (presented as part of the effective interest of the loan) and earned supervision fees (note 3) from ZEF. In June 2024, ZEF transferred its trading assets and liabilities to Zopa Bank (note 32).

2024	Income £000	Expenditure £000	Amounts due from Group undertakings £000	Amounts due to Group undertakings £000
Zopa Group Limited – trading balances	406	422	642	—
Zopa Group Limited – intercompany loan	—	4	—	4
Zopa Embedded Finance Limited – trading balances	2,184	1,010	—	—
Total	2,590	1,436	642	4

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

2023	Income £000	Expenditure £000	Amounts due from Group undertakings £000	Amounts due to Group undertakings £000
Zopa Group Limited – trading balances	415	443	18	16
Zopa Group Limited – intercompany loan	—	200	—	—
Zopa Embedded Finance Limited – trading balances	4,257	1,819	1,413	599
Total	4,672	2,462	1,431	615

Notes to the
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17. Investment securities

Investment securities held by the Company can fall into one of the following three categories: amortised cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL). At the balance sheet date, all investment securities are non-complex, with cash flows comprising solely of payments of principal and interest. The Company holds some securities to collect cash flows; other securities are held to collect cash flows, and to sell if the need arises (e.g. to manage and meet day-to-day liquidity needs). Therefore, the Company has a mixed business model and securities are classified as either amortised cost or FVOCI as appropriate. The Company does not categorise any investment securities as fair value through profit and loss.

Refer to note 11 for the accounting policy.

Investment securities held at FVOCI

	2024 £000	2023 £000
Covered bonds issued by banks	141,698	52,424
Covered bonds issued by building societies	106,756	28,286
Bonds issued by multilateral development banks	51,270	—
Total investment securities held at FVOCI	299,724	80,710

Investment securities held at amortised cost

	Note	2024 £000	2023 (re-presented) £000
Covered bonds issued banks		64,129	—
Covered bonds issued by building societies		54,442	—
Bonds issued by multilateral development banks (MDBs)		36,862	—
Government money market fund	12	—	13,988
Total investment securities held at amortised cost		155,433	13,988

All of the entity's debt securities are considered to have low credit risk, and the loss allowance recognised is therefore limited to 12 months' expected losses. Management considers 'low credit risk' for covered bonds to be an investment grade credit rating with at least one major rating agency. There was no expected credit loss allowance in respect of investment securities as at 31 December 2024.

To align with the current year's presentation, the Government money market fund balance has been reclassified from Debt securities and included within the newly introduced Investment securities line item. This re-presentation ensures that financial assets of a similar nature are grouped together consistently across periods.

Notes to the financial statements continued

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31 December

	2024 £000	2023 £000
Prepayments	6,271	4,767
Accrued income	174	124
Total prepayments and accrued income	6,445	4,891
Current portion	5,544	4,788
Non-current portion	901	103

18. Prepayments and accrued income

19. Other assets

Customer receivables primarily relate to customer loan and credit card repayments that have been remitted, but the cash has not yet cleared the bank account. Debt sale receivables amounting to £9,728k (2023: £5,682k) relates to amounts owed to the Company from buyers for the sale of credit-impaired credit card loans in December, which was settled subsequently in January.

	2024 £000	2023 £000
Customer receivables	2,853	4,913
Trade debtors	999	563
Debt sale receivables	9,728	5,682
Other	8,679	2,656
Total other assets	22,259	13,814
Current portion	16,073	13,814
Non-current portion	6,186	—

Notes to the financial statements continued

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20. Right-of-use assets and lease liabilities

Accounting policy and commentary

The Company 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 Company. Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the 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 Company, 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 Company determined its incremental borrowing rate to be 15%. 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 Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Notes to the financial statements continued

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

In November 2023, the Company entered into a new lease agreement following the expiration of the prior lease, which commenced in September 2021.

20.1 Right-of-use assets

	2024 £000	2023 £000
Balance as at 1 January	4,135	1,559
Additions	368	4,460
Depreciation charge for the year	(2,284)	(1,884)
Disposals	(82)	—
Balance as at 31 December	2,137	4,135

20.2 Lease liabilities

	2024 £000	2023 £000
Balance as at 1 January	3,038	1,039
Additions	199	3,629
Interest charged during the year	370	115
Payments during the year	(1,822)	(1,745)
Disposals	(46)	—
Balance as at 31 December	1,739	3,038
– of which is current	1,649	1,406
– of which is non-current	90	1,632

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

	2024 £000	2023 £000
Less than one year	1,803	1,764
One to two years	99	1,820
Total undiscounted lease liabilities	1,902	3,584

20.3 Amounts recognised in the income statement

	Notes	2024 £000	2023 £000
Interest expense	2		
Interest on lease liabilities		(370)	(115)
Operating expenses	5		
Depreciation of right-of-use assets		(2,284)	(1,884)
Loss on disposal of lease		(36)	—
Change in provisions for other liabilities and charges	27		
Release of dilapidation provision		—	640
Total amounts recognised in the income statement		(2,690)	(1,359)

Notes to the financial statements continued

For the year ended 31 December

21. 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.

The Company depreciates 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.

	Office equipment £000	Fixtures and fittings £000	Total £000
2024			
Cost			
Balance as at 1 January	5,130	82	5,212
Asset acquisition	58	1	59
Additions	497	103	600
Balance as at 31 December	5,685	186	5,871

Accumulated depreciation			
Balance as at 1 January	3,905	—	3,905
Depreciation charge for the year	777	39	816
Balance as at 31 December	4,682	39	4,721

Net book value	1,003	147	1,150
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	Office equipment £000	Fixtures and fittings £000	Total £000
2023			
Cost			
Balance as at 1 January	4,045	—	4,045
Additions	1,085	82	1,167
Balance as at 31 December	5,130	82	5,212

Accumulated depreciation			
Balance as at 1 January	3,257	—	3,257
Depreciation charge for the year	648	—	648
Balance as at 31 December	3,905	—	3,905

Net book value	1,225	82	1,307
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The cost of property, plant and equipment which has been fully depreciated and is still in use is £3,465k (2023: £2,958k).

The asset acquisition relates to the assets acquired from ZEF (note 32).

Notes to the financial statements continued

For the year ended
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22. Intangible assets

Accounting policy and commentary

Banking licence

The banking licence consists of both employee costs and also other costs that were incurred during the banking licence application process. The banking licence is considered to have an indefinite useful life due to the Company's business model requiring the banking licence to operate as a bank.

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

Other intangible assets include purchased and internally generated intangibles, purchased brand and customer relationships. Purchased intangibles includes technology assets. Purchased intangible assets and purchased brand are recognised at historic cost. Assets acquired from ZEF (refer to note 32) were recorded initially at net book value.

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 economic benefit-generating use. The useful life of the purchased software and internally generated intangible assets is considered to be three years. The residual value of intangible assets is assumed to be zero. Purchased brand is not amortised but assessed for impairment. 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.

Notes to the financial statements continued

For the year ended
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22. Intangible assets continued

	Purchased brand £000	Purchased software £000	Internally generated £000	Banking licence £000	Customer relationships £000	Total £000
2024						
Cost						
Balance as at 1 January	3,331	1,023	26,417	1,973	—	32,744
Asset acquisition	127	3,082	2,014	—	1,588	6,811
Additions	—	700	16,264	—	—	16,964
Disposal/write-offs	—	—	(226)	—	—	(226)
Balance as at 31 December	3,458	4,805	44,469	1,973	1,588	56,293
Accumulated amortisation						
Balance as at 1 January	3,331	289	13,069	—	—	16,689
Amortisation charge for the year	90	716	6,260	—	192	7,258
Disposals/write-offs	—	—	(14)	—	—	(14)
Balance as at 31 December	3,421	1,005	19,315	—	192	23,933
Net book value	37	3,800	25,154	1,973	1,396	32,360
2023						
Cost						
Balance as at 1 January	3,331	447	16,689	1,973	—	22,440
Additions	—	576	10,203	—	—	10,779
Disposal/write-offs	—	—	(475)	—	—	(475)
Balance as at 31 December	3,331	1,023	26,417	1,973	—	32,744
Accumulated amortisation						
Balance as at 1 January	3,331	135	9,539	—	—	13,005
Amortisation charge for the year	—	154	3,842	—	—	3,996
Disposals/write-offs	—	—	(312)	—	—	(312)
Balance as at 31 December	3,331	289	13,069	—	—	16,689
Net book value	—	734	13,348	1,973	—	16,055

The asset acquisition relates to the assets acquired from ZEF (note 32).

Notes to the
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statements continued

For the year ended
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23. Deferred tax

Critical accounting judgement and commentary

The Company recognised a deferred tax asset because there is persuasive evidence that sufficient taxable profits will be generated in the future to utilise brought forward tax losses.

Under IFRS, a deferred tax asset is recognised for deductible temporary differences and unused tax losses carried forward, to the extent that it is probable that future taxable profits will be available.

The Company has performed an analysis of the recoverability of deferred tax assets. In doing so, the Company has considered the following:

- the availability of sufficient taxable temporary differences; and
- the probability that the Company will have sufficient taxable profits in the foreseeable future, in the same period as the reversal of the deductible temporary difference or in the periods into which a tax loss can be carried back or forward.

The recoverability of the deferred tax asset is contingent upon the level of supportable future taxable profits, which are derived from the Company’s five-year financial plan. In assessing the probability of recovery, the directors have reviewed the Company’s five-year forecast that has been used for both the going concern and viability assessment.

This plan reflects management’s current expectations regarding competitiveness and profitability, and is based on Board-approved business plans. The accuracy of the forecast is inherently tied to the underlying assumptions, encompassing macroeconomic factors including interest rates, future tax rates, geopolitical risks and potential climate-related risks. Moreover, it is contingent on the Company’s successful execution of its strategic plans. As a result, the utilisation of the deferred tax asset may demonstrate notable fluctuations.

According to existing regulations, brought forward tax losses remain indefinitely available for future use. Considering the projected profitability, there is a high likelihood of recovering the losses in the future.

In 2023, the Company recognised a deferred tax asset in relation to all the tax losses carried forward in the prior years. The Company expects that the deferred tax asset value will be fully utilised by the end of 2026, subject to performance in line with the financial plan which includes further successful capital raises. Under various scenarios applied using the five-year forecast, the Company would still be able to fully utilise the deferred tax asset value within the next five years.

The table below shows the movement in net deferred tax assets:

	2024 £000	2023 £000
At 1 January	24,401	—
Acquired	(494)	—
(Charged)/credited		
– to profit or loss	(6,334)	24,401
At 31 December	17,573	24,401

No deferred taxes are recognised on FVOCI investments as the impact is immaterial.

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31 December

23. Deferred tax continued

The table below shows the breakdown of the deferred tax assets:

	2024 £000	2023 £000
Fixed-asset timing differences	632	1,001
Intangible assets timing differences	(1,467)	(797)
Tax losses carried forward	18,408	24,197
Total deferred tax assets	17,573	24,401

In 2024, the Group has recognised a deferred tax asset in respect of the tax losses carried forward totalling £73,633k (2023: £96,786k) and timing differences on fixed assets amounting to £2,528k (2023: £4,002k). It was reduced by the deferred tax liability on temporary differences on intangible assets amounting to £5,875k (2023: £3,186k).

24. Amounts 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).

	2024 £000	2023 £000
Amounts drawn down under TFSME	151,834	151,985
Amounts due to other banks	5,393	7,254
Total amounts due to banks	157,227	159,239

25. Deposits by
customers

	2024 £000	2023 £000
Current accounts	1,959	—
Demand deposits	3,708,440	1,526,702
Term deposits	1,745,341	1,831,022
Total deposits by customers	5,455,740	3,357,724

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26. Subordinated
liabilities

	2024 £000	2023 £000
Fixed-rate reset subordinated Tier 2 Notes due 2033	75,000	75,000
Accrued interest	1,086	3,817
Total subordinated liabilities	76,086	78,817

The Company has £75m of fixed-rate reset subordinated Tier 2 Notes in issuance, issued to Zopa Group Limited in 2023. The notes pay interest on the principal amount at an aggregate rate of 14.4% per annum, payable in equal instalments quarterly in arrears until 25 November 2028, at which time the interest rate will reset. The Bank has a call option to redeem (a) all of these notes during the period from 25 August 2028 to 25 November 2028, and (b) at any time after 25 November 2028 where the outstanding nominal amount of the Notes is 25% or less of the aggregate nominal amount of the notes originally issued. Exercise of any call option is subject to regulatory approval.

27. Provisions

Accounting policy and commentary

A provision is recognised if, as a result of a past event, the Company 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.

- Dilapidations relates to the cost expected to be incurred to return the property back to the landlords at their initial state when the lease ends.
- The FCA levy is fees due to regulators for banking service and is settled annually.
- Off-balance sheet expected credit losses (ECL) relate to provisions on undrawn credit card balances. The accounting policies on off-balance sheet expected credit losses are included in note 37. Movements in off-balance sheet ECL provisions are included within changes in expected credit losses and other credit impairment charges in the income statement.
- Customer refund provision represents the Company’s estimated liability for potential refunds to customers in point-of-sale (PoS) transactions if the merchant is unable or unwilling to process the refund (e.g., due to insolvency).
- Merchant refund provision reflects the Company’s obligation to repay commissions to merchants when a customer returns a product or disputes a transaction. Changes in this provision are considered integral to the loan origination process and are therefore presented within Interest income line item (note 2).

Notes to the financial statements continued

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27. Provisions continued

	Dilapidations £000	Levies £000	Off-balance sheet ECL £000	Customer refund £000	Merchant refund £000	Total £000
2024						
Balance as at 1 January	568	—	1,563	—	—	2,131
Acquired liabilities	—	—	—	310	130	440
Additions	27	1,812	1,875	205	412	4,331
Utilised in the year	—	(1,812)	—	(66)	(351)	(2,229)
Released in the year	—	—	(1,563)	—	—	(1,563)
Balance as at 31 December	595	—	1,875	449	191	3,110
	Dilapidations £000	Levies £000	Off-balance sheet ECL £000	Customer refund £000	Merchant refund £000	Total £000
2023						
Balance as at 1 January	640	—	730	—	—	1,370
Additions	568	1,170	1,563	—	—	3,301
Utilised in the year	—	(1,170)	—	—	—	(1,170)
Released in the year	(640)	—	(730)	—	—	(1,370)
Balance as at 31 December	568	—	1,563	—	—	2,131

28. Other liabilities

	2024 £000	2023 £000
Other taxation and social security	2,516	1,842
Trade creditors	9,082	12,346
Customer payables	6,815	9,664
Other creditors	1,603	3,385
Total other liabilities	20,016	27,237
Current portion	20,016	27,237

Notes to the financial statements continued

For the year ended
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29. Called-up share capital

	2024 £000	2023 £000	2024 Number of shares	2023 Number of shares
Called-up ordinary share capital, issued and fully paid				
Ordinary shares of £1 each	554,819	486,319	554,819,069	486,319,069
Total called-up share capital	554,819	486,319	554,819,069	486,319,069

During the year 68,500,000 (2023: 65,000,000) £1 shares were issued and paid for by Zopa Group Limited, the Company's parent.

30. Other reserves

The accounting policies on the share schemes and investment securities at FVOCI are included in notes 31 and 17, respectively.

	FVOCI reserve £000	Share schemes £000	Total £000
Balance as at 1 January 2024	(49)	6,878	6,829
Fair value movement	(46)	—	(46)
Share options movement	—	2,645	2,645
Balance as at 31 December 2024	(95)	9,523	9,428
Balance as at 1 January 2023	—	5,902	5,902
Fair value movement	(49)	—	(49)
Share options movement	—	976	976
Balance as at 31 December 2023	(49)	6,878	6,829

Notes to the financial statements continued

For the year ended
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31. Share schemes

Accounting policy

The Company'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 is 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 Joint Share Ownership Plan (JSOP), the Zopa Group Limited Non-Tax Advantaged Share Option Plan (NTA options) and the Zopa Group Limited 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 Company at the end of the year.

2024	NTA options Number	JSOP Number	MIP Number	Total Number	Weighted average exercise price £
Balance at 1 January	1,598,577	4,688,299	6,825,759	13,112,635	3.9615
Granted	171,354	1,580,000	4,108,001	5,859,355	5.4500
Exercised	(10,000)	—	(3,083,001)	(3,093,001)	3.4919
Lapsed	(163,729)	(217,864)	(42,000)	(423,593)	5.5165
Balance at 31 December	1,596,202	6,050,435	7,808,759	15,455,396	4.5771
Range of exercise prices (£)	0.01-7.00	2.807.00	3.50-7.00	0.01-7.00	—
Weighted average remaining contractual life (years)	5.36	6.09	5.82	5.88	—
Exercisable awards at 31 December	1,080,414	4,135,339	3,916,128	9,131,881	4.1963

Notes to the financial statements continued

For the year ended 31 December

31. Share schemes continued

2023	NTA options Number	JSOP Number	MIP Number	Total Number	Weighted average exercise price £
Balance at 1 January	1,759,081	4,995,530	6,893,259	13,647,870	3.9696
Granted	94,000	—	—	94,000	6.4043
Exercised	(37,183)	—	—	(37,183)	0.4367
Lapsed	(217,321)	(307,231)	(67,500)	(592,052)	4.6954
Balance at 31 December	1,598,577	4,688,299	6,825,759	13,112,635	3.9615
Range of exercise prices (£)	0.01-7.00	2.80-7.00	3.50-7.00	0.01-7.00	—
Weighted average remaining contractual life (years)	5.88	6.16	6.61	6.36	—
Exercisable awards at 31 December	1,167,721	3,649,128	5,019,938	9,836,787	3.9891

For options granted during the year, the weighted average fair value of the options at the measurement date was £1.4505 (2023: £1.0220).

For share options exercised during the year, the weighted average share price at the date of exercise was £5.05 (2023: £3.47).

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

	2024 £000	2023 £000
Expected volatility	35%	47-49%
Expected life (years)	5	5
Weighted average share price	£4.5799	£3.4700
Exercise price	£5.00-£6.00	£6.00-£7.00
Expected dividends	None	None
Risk-free rate	3.5%-4.1%	3.2-4.2%

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 £2,645k (2023: £976k).

Notes to the financial statements continued

For the year ended
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32. 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 £719k (2023: £390k). In total, the key management personnel compensation amounted to £2,981k in 2024 (2023: £2,658k).

In 2024, members of Zopa's key management personnel sold a portion of their fully vested shares to the Zopa Group Employee Benefit Trust totalling £4,625k, of which £2,400k relates to Executive Directors. The Company extended a loan to the EBT to facilitate this transaction, as reflected in the table below.

Transactions and outstanding balances relating to other Group companies have been disclosed within note 16.

Other transactions with related parties

Click Loans Limited is considered a related party due to its relationship with Zopa Group Limited. Fee and commission expenses, fee and commission income, and the related payable and receivable balances arising from transactions with Click Loans Limited are disclosed below.

On 10 February 2022, Zopa Group Limited, the ultimate controlling party of Zopa Bank Limited, sold Zopa Limited to Plata Holdings UK Limited ('Plata'), an affiliate of IAG Silverstripe Partners LLC. Zopa Bank Limited has agreed to service the loan portfolio sold to Plata and, as a result, has earned loan servicing fee income as a direct result of the sale. This is disclosed in the below table.

2024	Income £000	Expenditure £000	Amounts due from related parties £000	Amounts due to related parties £000
Credit card balances outstanding from key management personnel	—	—	1	—
Fee and commission income – Click Loans Limited	1,055	—	—	—
Loan servicing fee income – Plata Finance Limited	108	—	—	—
Payment processing and other operational expenses – Plata Finance Limited	118	—	—	—
Amount receivable from related party customer – Click Loans Limited	—	—	196	—
Amount receivable from Plata Finance Limited	—	—	316	—
Loan receivable from ZGL Employee Benefit Trust	—	—	4,625	—

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32. Related parties

continued

Other transactions with related parties continued

2023	Income £000	Expenditure £000	Amounts due from related parties £000	Amounts due to related parties £000
Credit card balances outstanding from key management personnel	—	—	1	—
Fee and commission income – Click Loans Limited	173	—	—	—
Fee and commission expense – Click Loans Limited	253	—	—	—
Loan servicing fee income – Plata Finance Limited	—	—	175	—
Amount receivable from Plata Finance Limited	—	—	425	—

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

In addition to the related party transactions disclosed above, the Company has subordinated liabilities issued to Zopa Group Limited. Refer to note 26 for further details.

Acquisition of ZEF assets and liabilities

In June 2024, as part of the Zopa Group’s reorganisation, the trading assets and liabilities of ZEF were transferred to the Company. This enabled the Company to directly operate the point-of-sale lending platform. The Company acquired the trading assets and liabilities at their carrying amount, which was deemed to be their fair value at acquisition date. The consideration paid by the Company amounted to £5,832k.

33. Ultimate controlling
party

Zopa Group Limited (UK Company number 10624955) held 100% of the issued capital of Zopa Bank Limited as at 31 December 2024 and was therefore regarded as the immediate parent undertaking. Zopa Group Limited prepares consolidated financial statements, including the results of the Company, which are available from the Companies House.

As at 31 December 2021, IAG Silverstripe Partners LLC (incorporated in the United States of America) was considered to be the ultimate parent and controlling party. However, due to the changes in ownership arising from the fundraise that was completed in February 2022, Zopa Group Limited was the ultimate parent and controlling party as at 31 December 2023 and 2024.

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34. 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 car finance loans and PoS as shown below. Even though these obligations are not recognised on the balance sheet, they do contain credit risk and an allowance for ECL is calculated and recognised for them (see note 37). When these commitments are drawn down or called upon, and meet the recognition criteria as detailed in note 37, these are recognised within 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 20 provides information on financial commitments where the Company is a lessee as per IFRS 16 'Leases'.

	2024 £000	2023 £000
Loans and advances to customers commitments		
– Undrawn credit card commitments	213,323	173,901
– Point-of-sale commitments	7,499	—
Finance lease commitments		
– Finance lease agreements to lend in the future	2,455	3,028
Purchase commitments:		
Under one year	11,250	4,246
Between one and five years	16,245	7,753
Total contingent liabilities and commitments	250,772	188,928

Conduct

As a regulated financial services provider, the Company operates under stringent regulatory oversight, and any conduct failures could result in financial liabilities.

The Company's compliance and conduct framework, overseen by the second-line compliance function, is designed to mitigate these risks, though they cannot be entirely eliminated.

Ongoing legal and regulatory scrutiny around commissions paid in the motor finance sector creates significant uncertainty. The full scope and impact of these developments remain unclear, and there is a possibility that legal principles established in the motor finance sector could have broader implications. The regulatory landscape continues to evolve through new policies, legislative changes and court rulings, meaning the Company's current assessment of potential liabilities could change as further guidance emerges.

Motor finance commissions

The UK motor finance sector is facing ongoing complaints and legal claims regarding past commission practices.

In January 2024, the FCA launched a review into discretionary commission arrangements (DCA) in the motor finance sector, following legal actions and Financial Ombudsman Service (FOS) complaints. This review, initially expected to conclude by September 2024, was extended to May 2025, with a pause on complaint handling extended until December 2025 to allow for potential redress scheme considerations. Should widespread misconduct and customer harm be discovered, the FCA intends to implement a claims scheme, requiring lenders to proactively ask customers to opt in or opt out of a review to check if they are entitled to compensation.

Zopa Bank is exposed to discretionary commissions through its own lending activity from 2017 to November 2020, as well as through acquisitions of the legacy peer-to-peer lending portfolios from Zopa Limited (formerly a sister subsidiary of Zopa Group Limited). During that time, Zopa Bank and Zopa Limited operated discretionary commission models in certain broker acquisition channels. However, less than 3,000 loans were originated where DCA agreements were in place. Importantly, all of that lending was through secondary brokers.

Notes to the financial statements continued

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34. Contingent liabilities and commitments continued

Motor finance commissions continued

Secondary brokers offer 'primary brokers' (e.g., motor dealers) a range of lender's products. These products have various rate structures agreed directly with the dealers. The FCA in its 2021 policy statement noted that the risk of consumer harm posed by such firms appears weak and DCA arrangement for such firms was not included in the ban.

Separately, on 25 October 2024, the Court of Appeal ruled in Wrench, Johnson, and Hopcraft (WJH) case, which involved claims related to 'secret' and 'half-secret' commissions paid by lenders to motor dealers (acting as broker-dealers). The court determined that inadequate commission disclosure rendered lenders liable for customer redress, extending common law principles beyond existing FCA rules. This has introduced further uncertainty, exceeding the initial scope of the FCA's motor finance commissions review. The Supreme Court has granted the relevant lenders permission to appeal, with the hearing held on 1-3 April 2025 and their decision not expected until the second half of 2025.

While the Court of Appeal held that a fiduciary or disinterested duty applied in the WJH case, it did not provide specifics on how these arise. The court also noted that each case should be judged on the facts, and the facts of the WJH case differ to the arrangements Zopa Bank has in place. From 2017 to December 2024, the Company paid less than £3.0 million in commissions to primary brokers. The Company has considered its exposures as at 31 December 2024, and the differing consumer journeys and fact patterns underlying them. While the Company believes it has adhered to relevant regulations and has not disadvantaged customers, an estimate of the potential provision was made for potentially impacted primary broker cases, and no material provision was identified as a result.

In determining estimate of the potential provision, a range of potential scenarios were considered, with outcomes separately considered for the FCA review and the Supreme Court ruling in the WJH appeal. The estimate also included expected operational and legal costs, and assumptions relating to claim rates and probability outcomes of each scenario. The final liability, if any, will depend on the outcome of ongoing regulatory and legal proceedings. Therefore, the extent of any potential exposure remains uncertain.

Notes to the financial statements continued

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35. 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 a whole.

Notes to the financial statements continued

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35. Fair value of financial instruments continued

2024	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	2,761,315	2,761,315	—	—	2,761,315
– Other banks	58,428	58,428	—	—	58,428
Amounts due from other Group undertakings	642	—	—	642	642
Investment securities	455,157	455,157	—	—	455,157
Derivative financial instruments	5,946	—	5,946	—	5,946
Loans and advances to customers	2,865,635	—	(714)	2,951,736	2,951,022
Other assets	20,394	—	—	20,394	20,394
Total financial assets	6,167,517	3,274,900	5,232	2,972,772	6,252,904
Derivative financial instruments	1,087	—	1,087	—	1,087
Deposits by customers	5,455,740	—	5,455,488	—	5,455,488
Subordinated liabilities	76,086	—	76,644	—	76,644
Amounts due to other banks	157,227	157,227	—	—	157,227
Amounts due to other Group undertakings	4	—	—	4	4
Other liabilities	17,501	—	—	17,501	17,501
Total financial liabilities	5,707,645	157,227	5,533,219	17,505	5,707,951

Notes to the financial statements continued

For the year ended
31 December

35. Fair value of financial instruments continued

2023	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	1,336,105	1,336,105	—	—	1,336,105
– Other banks	66,063	66,063	—	—	66,063
Amounts due from other Group undertakings	1,431	—	—	1,431	1,431
Investment securities ¹	94,698	94,698	—	—	94,698
Derivative financial instruments	7,974	—	7,974	—	7,974
Loans and advances to customers	2,478,213	—	2,296	2,561,848	2,564,144
Other assets	13,386	—	—	13,386	13,386
Total financial assets	3,997,870	1,496,866	10,270	2,576,665	4,083,801
Derivative financial instruments	3,388	—	3,388	—	3,388
Deposits by customers	3,357,724	—	3,357,391	—	3,357,391
Subordinated liabilities	78,817	—	78,371	—	78,371
Amounts due to other banks	159,239	159,239	—	—	159,239
Amounts due to other Group undertakings	615	—	—	615	615
Other liabilities	25,375	—	—	25,375	25,375
Total financial liabilities	3,625,158	159,239	3,439,150	25,990	3,624,379

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

- **cash and balances with 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 estimated to not be materially different from their fair value;

- **investment securities** – The fair value of investment securities is based on either observed market prices for those securities that have an active trading market (fair value Level 1 assets), or using observable inputs (in the case of fair value Level 2 assets);
- **UPL and car finance 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 estimated by discounting those cash flows by the current appropriate market reference rate. The amount disclosed as Level 2 in the table refers to the fair value adjustment for hedged risk (note 14) which was calculated using observable inputs;

1. The prior year comparative has been re-presented to include debt securities in this line item for consistency with the current year presentation.

Notes to the financial statements continued

For the year ended
31 December

35. Fair value of financial instruments

continued

- **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;
- **deposits by customers** – For fixed-rate deposit products, the Company has forecast cash flows for the portfolio until their contractual maturity. The fair value of the deposits has been completed by discounting those cash flows by the year-end rate offered to alike customers. For easy access products, interest rate is variable, moving in line with the market. As such, their carrying value is considered a reasonable approximation of their fair value;

- **subordinated liabilities** – As quoted market prices are not available, a discounted cash flow model is used based on a current market-related yield curve appropriate for the remaining term to maturity;
- **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;
- **derivatives held for currency 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 year end; and
- **derivatives held for interest risk management** – These represent interest rate swaps which are carried at fair value. The fair values of derivatives are obtained from discounted cash flow models.

36. Loan portfolio acquisition and sale

Portfolio acquisition in March 2023

In March 2023, the Company acquired a loan portfolio consisting of unsecured personal loans. These loans were purchased from an institutional investor in the legacy peer-to-peer platform operated previously by Zopa Limited (now by Plata Finance Limited). The price paid for the total portfolio was £38m which is deemed to be its fair value at acquisition. These loans were classified as performing loans at initial recognition.

Sale of performing loans in 2024

In 2024, the Company sold £151m of performing loans to a third party under a forward flow agreement resulting in a gain of £6,049k (note 4). Based on management's assessment, the sale is consistent with the hold to collect business model as the transaction is considered infrequent. This was a one-off transaction to help with the overall management of the Bank's capital runway. Furthermore, the loan sale met the derecognition requirements under IFRS 9. The Company transferred substantially all the risks and rewards of ownership to the third party. The gain is presented in the Net gain on derecognition of financial assets measured at amortised cost (note 4).

Notes to the financial statements continued

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37. Financial risk management

37.1 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.

37.1.1 Governance around ECL allowance

The IFRS 9 ECL models used by the Company have been developed in house and validated by the second line of defence. As explained further in note 37.1.3 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 Company has in place a robust governance framework around ECL allowance. The main components of that framework are as follows:

- **Board Audit Committee (BAC)** – Reviews and challenges the appropriateness of significant judgements and critical estimates made by management, including the ECL allowance;
- **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 BRC also reviews and challenges any significant modelling assumptions and inputs;

- **Risk Management Committee (RMC)** – 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 Sub-Committee. The RMC also reviews and challenges the base case economic scenario and outer macroeconomic scenarios, and scenario weightings;
- **Credit Risk Provisioning Forum (CRPF)** – 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; and
- **Assets and Liabilities Committee (ALCO)** – Assesses the impact of impairment losses on Zopa's regulatory capital adequacy and monitors the credit rating of treasury assets, and the status of intercompany loans, and considers any evidence which would require the recognition of impairment.

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;
- reviewing underlying credit risk performance;
- stand-back assessment comparing recent default rates versus projected default rates across the range of predicted macroeconomic scenarios; and
- benchmarking key ratios against the wider market and banks of a similar size.

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37. Financial risk
management continued

37.1 Credit risk continued

37.1.2 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, customer behaviour and macroeconomic environment over time. The Company measures ECL by assessing probability of default (PD), exposure at default (EAD) and loss given default (LGD). ECL is the product of these three components discounted to present value using an account-level effective interest rate as the discount rate.

Factor	Description
Probability of default (PD)	The Company 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 estimate PD based on 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)	The Company developed an EAD model for the credit cards product to assess the likely exposure at default. The model estimates EAD incorporating 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 car finance loans, the EAD is estimated 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)	The Company developed LGD models tailored to each product type to assess the likely financial loss given an account default. 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 proceeds benefit of debt sales. Adjustments to these estimates are made depending on the macroeconomic scenario.
Discount rate	The Company uses account-level effective interest rate which is calculated based on loan amount, interest and fees, expected repayments, including prepayments, and term.

Forecast period

The Company estimates PD, EAD and LGD for the duration of the lifetime of the loan or credit card account. For UPL and car finance, the duration of the lifetime is determined by the length of the loan term. For credit cards, the duration of the lifetime is estimated to be eight years.

Climate risk

The Company conducted a credit risk assessment regarding the potential impact of climate change on physical risks. Refer to the strategic report (Climate-related financial disclosures) section for further information. The analysis did not lead to the identification of a separate impairment charge for the 2024 reporting period.

Notes to the financial statements continued

For the year ended
31 December

37. Financial risk management continued

37.1 Credit risk continued

37.1.2 Measurement of ECL continued

Forward-looking information

The Company uses forecasts on key macroeconomic indicators to estimate the macroeconomic effect on PD and LGD. The key indicators that are used are claimant count, Bank of England Base Rate, CPI inflation and debt-to-income ratio. The model used to estimate the macroeconomic effect has been developed on historical data spanning over 16 years obtained from credit reference agencies (CRAs) and Bank of England industry write-off data.

The Company uses four different macroeconomic scenarios to estimate the future macroeconomic effect, named Scenarios 1 to 4. Scenario 1 is a Mild 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 used widely in the industry. The scenarios are updated on a quarterly basis.

37.1.3 Management judgements in measurement of ECL

As of 31 December 2024, the Bank holds a post-model adjustment to reflect management's judgement of the macro environment's impact on ECL over and above the impact resulting from the modelled output. This reduces the ECL by £1.0m (0.49%) and is reflected in the results by scenario as shown in the sensitivity analysis table (note 37.1.8).

As at 31 December 2023, the Bank held an equivalent adjustment to ensure the impact of the cost-of-living crisis was appropriately reflected in the stress scenarios applied to ECL. This was incorporated as a post-model adjustment which increased the modelled ECLs by £2.4m. This post-model adjustment was updated in 2024 to reflect changes in the macroeconomic environment.

The Company uses other post-model adjustments to address weaknesses in the ECL models due to either conceptual gaps or poor performance identified via monitoring. As of 31 December 2024, there are post-model adjustments held against the UPL PD model and the car finance LGD model.

At the end of 2024, the value of post-model adjustments accounted for 1.2% of the total ECL allowance (2023: <3%).

37.1.4 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 car finance, any loan that is one 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. Loans or credit card accounts that enter Stage 3 cannot cure.

Notes to the financial statements continued

For the year ended
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37. Financial risk management continued

37.1 Credit risk continued

37.1.5 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 car finance, a loan is considered as defaulted if it is 60 days past due or the borrower is unlikely to pay.

37.1.6 Forbearance and exit from forbearance or cure

The Bank 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. 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.

37.1.7 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 and January 2022 (refer to note 36 for further detail), the Company 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.

37.1.8 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) assumes UK GDP growth of 1.4% in 2025, and stable unemployment rate continuing at 4.4% in 2025. The Bank Rate is cut to 3.75% by the end of 2025, and then a gradual decline to 2.5% by 2028. Inflation is assumed to rebound to 3.3% in 2025, before slowly declining back to 2.1% in 2027. The probability weighting assigned to the Baseline scenario is 50%.

Outer scenarios

One Mild Upside scenario

The Upside scenario (or Scenario 1) assumes increased spending from consumers and businesses, reflecting global strengthening of demand. Stronger external demand also boosts export performance, further supporting corporate earnings and employment. The UK economy accelerates, achieving growth of 3.9% in 2025. The labour market tightens, and the unemployment rate falls to 3.5% by the start of 2026. As a result of higher commodity prices and stronger demand, inflation resurfaces. In response, the BoE begins to tighten monetary policy again. Bank Rate rises back to its previous peak of 5.25% and remains at that level through 2025. The probability weighting assigned to the Upside scenario is 25%.

Two Downside scenarios

The Downside 1 scenario (or Scenario 3) reflects a pronounced global recession in the near term. The UK economy faces weak demand, resulting in GDP contraction of 2.3% in 2025. Amid severely dampened consumer confidence and higher unemployment, the recovery from the recession is slow. Employment is hit as companies lay off workers and roll out hiring freezes amid much weaker demand and high uncertainty. UK unemployment rate peaks at just below 7% in 2027. The BoE cut rates faster than expected in the base case, down to 2% by the end of 2026. The probability weighting assigned to the Downside scenario is 20%.

Notes to the financial statements continued

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37. Financial risk management continued

37.1 Credit risk continued

37.1.8 Multiple economic scenarios and scenario weightings continued

Outer scenarios continued

Two Downside scenarios continued

The Downside 2 scenario (or Scenario 4) assumes a severe, negative global aggregate supply shock from an increase in geopolitical tensions and global commodity prices and supply chain disruptions. This leads to high inflation across advanced economies. High inflation is assumed to lead to expectations of higher inflation in the future and global policymakers increase interest rates to bring inflation back to target. In this scenario, Bank Rate rises to 6.5% and stays there for a year. UK unemployment rises to 7.3% by the end of 2027. The probability weighting assigned to this scenario is 5%.

Macroeconomic assumptions

The table below summarises the key macroeconomic indicators by scenario.

2024 year-end forecasts		Upside 1	Baseline	Downside 1	Downside 2
Unemployment rate	2025	3.6%	4.4%	5.5%	5.8%
	2026	3.3%	4.3%	6.4%	6.8%
Base rate	2025	5.4%	3.8%	3.0%	6.5%
	2026	4.4%	3.1%	2.0%	5.0%
Debt-to-income ratio	2025	121.0%	122.5%	125.4%	126.8%
	2026	121.0%	122.9%	127.9%	130.0%
Inflation	2025	3.8%	2.9%	1.3%	9.0%
	2026	3.0%	2.2%	1.1%	3.0%

Key changes to approach in 2024

There are two key changes to the approach, namely:

- a new macroeconomic stress model was developed in order to more appropriately capture the stress experienced in the macroeconomic environment today. The new model validates well on historical industry data and allows us to differentiate the impact of supply vs demand-driven economic shocks.
- scenario weights were revisited to reflect the updated scenario narratives, which resulted in a change in the Mild Upside weight from 20% to 25% and the Downside 1 weight from 25% to 20%.

These changes were driven by the continued pressures observed in the macroeconomic environment in the last 12 months.

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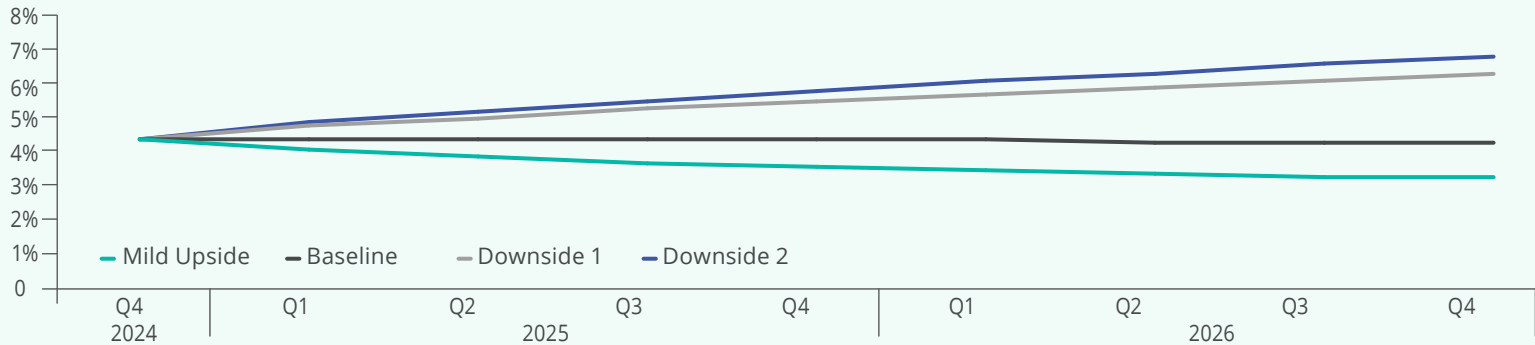
37. Financial risk
management continued

37.1 Credit risk continued

37.1.8 Multiple economic scenarios and scenario weightings continued

Macroeconomic assumptions continued

Unemployment rate by scenario



Peak and trough of macro indicators		Upside 1	Base case	Downside 1	Downside 2
Unemployment rate	Peak	4.1%	4.4%	6.4%	7.3%
	Trough	3.2%	4.0%	4.8%	4.9%
Base rate	Peak	5.5%	4.6%	4.5%	6.5%
	Trough	3.0%	2.5%	2.0%	2.0%
Debt-to-income ratio	Peak	123.9%	124.4%	128.5%	130.7%
	Trough	120.8%	122.5%	124.3%	124.7%
Inflation	Peak	3.9%	2.9%	2.3%	10.0%
	Trough	2.0%	2.0%	0.9%	2.0%

Scenario weightings

The table below shows the comparison of scenario weights.

	Upside 1	Base case	Downside 1	Downside 2
2024	25%	50%	20%	5%
2023	20%	50%	25%	5%

Notes to the financial statements continued

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37. Financial risk management continued

37.1 Credit risk continued

37.1.8 Multiple economic scenarios and scenario weightings continued

Sensitivity of ECL allowance

The table below shows the change in the ECL and proportion of assets in Stage 2 for each of the macroeconomic scenarios. ECL is most sensitive to the changes in the unemployment rate.

	Weighted £000	Upside 1 £000	Base case £000	Downside 1 £000	Downside 2 £000
2024					
Exposure			3,291,084		
ECL	203,333	179,568	194,710	229,265	327,445
Proportion of assets in Stage 2	7.4%	5.5%	6.7%	9.6%	19.7%
2023					
Exposure			2,824,182		
ECL	175,927	166,160	170,959	187,592	203,770
Proportion of assets in Stage 2	7.8%	6.9%	7.2%	9.3%	11.4%

Notes to the financial statements continued

For the year ended 31 December

37. Financial risk management continued

37.1 Credit risk continued

37.1.9 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 loans and advances to customers, the gross balance excludes the hedge accounting fair value adjustment (note 14). 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			Non-cash collateral £000	Net exposure £000
	Gross balances £000	Loss allowance £000	Net balance £000	Gross balances £000	Loss allowance £000	Net balance £000		
2024								
Cash and balances with:								
– Central banks	2,761,315	—	2,761,315	—	—	—	—	2,761,315
– Other banks	58,428	—	58,428	—	—	—	—	58,428
Amounts due from other Group undertakings	642	—	642	—	—	—	—	642
Loans and advances to customers	3,067,807	(201,458)	2,866,349	223,277	(1,875)	221,402	519,663	2,568,088
Investment securities	455,157	—	455,157	—	—	—	—	455,157
Derivative financial instruments	5,946	—	5,946	—	—	—	—	5,946
Other assets	20,394	—	20,394	—	—	—	—	20,394
Total	6,369,689	(201,458)	6,168,231	223,277	(1,875)	221,402	519,663	5,869,970

Notes to the financial statements continued

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37. Financial risk management continued

37.1 Credit risk continued

37.1.9 Maximum and net exposure to credit risk continued

	On-balance sheet assets			Off-balance sheet assets			Non-cash collateral £000	Net exposure £000
	Gross balances £000	Loss allowance £000	Net balance £000	Gross balances £000	Loss allowance £000	Net balance £000		
2023								
Cash and balances with:								
– Central banks	1,336,105	—	1,336,105	—	—	—	—	1,336,105
– Other banks	66,063	—	66,063	—	—	—	—	66,063
Amounts due from other Group undertakings	1,431	—	1,431	—	—	—	—	1,431
Loans and advances to customers	2,650,281	(174,364)	2,475,917	173,901	(1,563)	172,338	402,619	2,245,636
Investment securities	94,698	—	94,698	—	—	—	—	94,698
Derivative financial instruments	7,974	—	7,974	—	—	—	—	7,974
Other assets	13,386	—	13,386	—	—	—	—	13,386
Total	4,169,938	(174,364)	3,995,574	173,901	(1,563)	172,338	402,619	3,765,293

Notes to the financial statements continued

For the year ended 31 December

37. Financial risk management continued

37.1 Credit risk continued

37.1.10 Rating distribution

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

Zopa risk ratings (tiers) presented in the below table are based on the following PD bands: Tier 1 (<0.25%), Tier 2 (0.25–2.5%), Tier 3 (2.5–10%), Tier 4 (10–<100%) and Tier 5 (Default). The PD reflects the probability to default in the next 12 months based on the IFRS 9 PD model.

	Zopa risk ratings					
2024	Tier 1 £000	Tier 2 £000	Tier 3 £000	Tier 4 £000	Tier 5 £000	Total £000
On-balance sheet exposure						
Cash and balances with:						
– Central bank	2,761,315	—	—	—	—	2,761,315
– Other banks	58,428	—	—	—	—	58,428
Loans and advances to customers:						
Stage 1	523,828	1,228,392	720,428	255,451	—	2,728,099
Stage 2	164	3,435	25,035	200,147	—	228,781
Stage 3	—	—	—	—	110,477	110,477
POCI	38	39	3	98	272	450
Investment securities	455,157	—	—	—	—	455,157
Off-balance sheet exposure						
Stage 1	6	123,937	78,222	13,409	—	215,574
Stage 2	—	2,924	1,885	2,894	—	7,703
Stage 3	—	—	—	—	—	—
Total exposure	3,798,936	1,358,727	825,573	471,999	110,749	6,565,984

Notes to the financial statements continued

For the year ended
31 December

37. Financial risk management continued

37.1 Credit risk continued

37.1.10 Rating distribution continued

2024	Zopa risk ratings					Total £000
	Tier 1 £000	Tier 2 £000	Tier 3 £000	Tier 4 £000	Tier 5 £000	
On-balance sheet ECL						
Cash and balances with:						
– Central bank	—	—	—	—	—	—
– Other banks	—	—	—	—	—	—
Loans and advances to customers:						
Stage 1	608	7,659	25,087	25,060	—	58,414
Stage 2	9	118	1,753	65,330	—	67,210
Stage 3	—	—	—	—	75,822	75,822
POCI	—	—	—	3	9	12
Investment securities	—	—	—	—	—	—
Off-balance sheet ECL						
Stage 1	—	569	794	296	—	1,659
Stage 2	—	110	51	55	—	216
Stage 3	—	—	—	—	—	—
Total ECL	617	8,456	27,685	90,744	75,831	203,333

Notes to the financial statements continued

For the year ended
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37. Financial risk management continued

37.1 Credit risk continued

37.1.10 Rating distribution continued

	Zopa risk ratings					
2023	Tier 1 £000	Tier 2 £000	Tier 3 £000	Tier 4 £000	Tier 5 £000	Total £000
On-balance sheet exposure						
Cash and balances with:						
– Central bank	1,336,105	—	—	—	—	1,336,105
– Other banks	66,063	—	—	—	—	66,063
Loans and advances to customers						
Stage 1	529,914	1,120,714	548,766	137,020	—	2,336,414
Stage 2	622	5,419	28,468	180,388	—	214,897
Stage 3	—	—	—	—	97,665	97,665
POCI	178	195	61	218	653	1,305
Investment securities	94,698	—	—	—	—	94,698
Off-balance sheet exposure						
Stage 1	13,829	99,150	51,297	5,267	—	169,543
Stage 2	9	145	534	2,087	—	2,775
Stage 3	—	—	—	—	1,583	1,583
Total exposure	2,041,418	1,225,623	629,126	324,980	99,901	4,321,048

The prior year comparative has been re-presented to include debt securities in this line item for consistency with the current year presentation.

Notes to the financial statements continued

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31 December

37. Financial risk management continued

37.1 Credit risk continued

37.1.10 Rating distribution continued

	Zopa risk ratings					
2023	Tier 1 £000	Tier 2 £000	Tier 3 £000	Tier 4 £000	Tier 5 £000	Total £000
On-balance sheet ECL						
Cash and balances with:						
– Central bank	—	—	—	—	—	—
– Other banks	—	—	—	—	—	—
Loans and advances to customers:						
Stage 1	1,134	7,686	20,553	14,940	—	44,313
Stage 2	230	77	1,803	58,045	—	60,155
Stage 3	—	—	—	—	69,847	69,847
POCI	4	—	—	1	44	49
Investment securities ¹	—	—	—	—	—	—
Off-balance sheet ECL						
Stage 1	11	538	691	174	—	1,414
Stage 2	—	—	2	147	—	149
Stage 3	—	—	—	—	—	—
Total ECL	1,379	8,301	23,049	73,307	69,891	175,927

1. The prior year comparative has been re-presented to include debt securities in this line item for consistency with the current year presentation.

Notes to the financial statements continued

For the year ended
31 December

37. Financial risk management continued

37.1 Credit risk continued

37.1.11 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.

	Stage 1 £000	Stage 2 £000	Stage 3 £000	POCI £000	Total £000	Gross write-offs £000	Loss allowance £000
2024							
Loans and advances to customers	2,728,099	228,781	110,477	450	3,067,807	19,592	201,458
2023							
Loans and advances to customers	2,336,414	214,897	97,665	1,305	2,650,281	10,796	174,364

37.1.12 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.

	Stage 1 £000	Stage 2 £000	Stage 3 £000	POCI £000	Total £000
2024					
On-balance sheet exposure:	2,728,099	228,781	110,477	450	3,067,807
Off-balance sheet exposure:	215,574	7,703	—	—	223,277
On-balance sheet ECL:	58,414	67,210	75,822	12	201,458
Off-balance sheet ECL:	1,659	216	—	—	1,875
2023					
On-balance sheet exposure:	2,336,414	214,897	97,665	1,305	2,650,281
Off-balance sheet exposure:	169,543	2,775	1,583	—	173,901
On-balance sheet ECL:	44,313	60,155	69,847	49	174,364
Off-balance sheet ECL	1,414	149	—	—	1,563

Notes to the financial statements continued

For the year ended
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37. Financial risk management continued

37.1 Credit risk continued

37.1.13 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	
	Exposure £000	ECL £000	Exposure £000	ECL £000	Exposure £000	ECL £000	Exposure £000	ECL £000	Exposure £000	ECL £000
2024										
As at 1 January 2024	2,336,414	44,313	214,897	60,155	97,665	69,847	1,305	49	2,650,281	174,364
Transfers from Stage 1 to Stage 2	(113,081)	(3,963)	113,081	3,963	—	—	—	—	—	—
Transfers from Stage 2 to Stage 1	72,984	12,415	(72,984)	(12,415)	—	—	—	—	—	—
Transfers to Stage 3	(88,591)	(5,404)	(70,182)	(38,154)	158,773	43,558	—	—	—	—
Net ECL remeasurement	—	(9,720)	—	23,704	—	81,810	—	(347)	—	95,447
Change in economic scenarios	—	(369)	—	(31)	—	—	—	—	—	(400)
Change in ECL methodology	—	1,745	—	208	—	951	—	—	—	2,904
New lending and purchased assets	1,662,074	42,312	106,793	38,709	23,286	15,832	—	—	1,792,153	96,853
Redemptions and repayments	(990,530)	(18,098)	(62,824)	(8,929)	(15,021)	(8,730)	(673)	492	(1,069,048)	(35,265)
Disposal of assets outside of credit risk appetite	—	—	—	—	(122,361)	(95,581)	—	—	(122,361)	(95,581)
Disposal of performing loans	(151,171)	(4,817)	—	—	—	—	—	—	(151,171)	(4,817)
Written off assets	—	—	—	—	(31,865)	(31,865)	(182)	(182)	(32,047)	(32,047)
As at 31 December 2024	2,728,099	58,414	228,781	67,210	110,477	75,822	450	12	3,067,807	201,458
Net movement in the period	391,685	14,101	13,884	7,055	12,812	5,975	(855)	(37)	417,526	27,094
ECL charge to the income statement	—	14,101	—	7,055	—	5,975	—	(37)	—	27,094
Write-off charge	—	—	—	—	—	31,865	—	182	—	32,047
Add back of ECL on disposal of assets outside of credit risk appetite	—	—	—	—	—	95,581	—	—	—	95,581
Add back of ECL on disposal of performing loans	—	4,817	—	—	—	—	—	—	—	4,817
Positive provision on POCI loans	—	—	—	—	—	—	—	(413)	—	(413)
Total ECL charge to the income statement	—	18,918	—	7,055	—	133,421	—	(268)	—	159,126

Notes to the financial statements continued

For the year ended
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37. Financial risk management continued

37.1 Credit risk continued

37.1.13 Movement in total exposures and the corresponding ECL continued

2023	Stage 1		Stage 2		Stage 3		POCI		Total	
	Exposure £000	ECL £000	Exposure £000	ECL £000	Exposure £000	ECL £000	Exposure £000	ECL £000	Exposure £000	ECL £000
As at 1 January 2023	1,794,856	38,924	216,507	53,373	65,747	48,454	3,743	334	2,080,853	141,085
Transfers from Stage 1 to Stage 2	(105,040)	(4,341)	105,040	4,341	—	—	—	—	—	—
Transfers from Stage 2 to Stage 1	74,986	11,044	(74,986)	(11,044)	—	—	—	—	—	—
Transfers to Stage 3	(66,400)	(3,752)	(58,951)	(26,803)	125,351	30,555	—	—	—	—
Net ECL remeasurement	—	(7,313)	—	20,633	—	70,285	—	43	—	83,648
Change in economic scenarios	—	3,954	—	366	—	—	—	—	—	4,320
Change in ECL methodology	—	(2,113)	—	(7,972)	—	1,146	—	—	—	(8,939)
New lending and purchased assets	1,382,683	23,804	90,375	38,684	30,691	17,647	—	—	1,503,749	80,135
Redemptions and repayments	(744,671)	(15,894)	(63,088)	(11,423)	(15,153)	(7,782)	(1,340)	(2)	(824,252)	(35,101)
Disposal of assets outside of credit risk appetite	—	—	—	—	(83,350)	(64,837)	(802)	(30)	(84,152)	(64,867)
Written off assets	—	—	—	—	(25,621)	(25,621)	(296)	(296)	(25,917)	(25,917)
As at 31 December 2023	2,336,414	44,313	214,897	60,155	97,665	69,847	1,305	49	2,650,281	174,364
Net movement in the period	541,558	5,389	(1,610)	6,782	31,918	21,393	(2,438)	(285)	569,428	33,279
ECL charge to the income statement	—	5,389	—	6,782	—	21,393	—	(285)	—	33,279
Write-off charge	—	—	—	—	—	25,621	—	296	—	25,917
Add back of ECL on disposal of assets outside of credit risk appetite	—	—	—	—	—	64,837	—	30	—	64,867
Positive provision on POCI loans	—	—	—	—	—	—	—	(997)	—	(997)
Total ECL charge to the income statement	—	5,389	—	6,782	—	111,851	—	(956)	—	123,066

Notes to the financial statements continued

For the year ended
31 December

37. Financial risk management continued

37.1 Credit risk continued

37.1.14 Collateral analysis

The Company holds collateral against car finance loans in the form of motor vehicles. The tables below set out our exposure and ECL allowance (note 15) 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 as at year end.

	Stage 1		Stage 2		Stage 3		POCI		Total	
	Exposure £000	ECL £000	Exposure £000	ECL £000	Exposure £000	ECL £000	Exposure £000	ECL £000	Exposure £000	ECL £000
2024										
Less than 50%	79,381	410	5,117	421	6,923	4,464	9	4	91,430	5,299
50% to 70%	72,594	310	6,776	499	2,384	1,308	92	1	81,846	2,118
70% to 80%	72,508	424	5,758	537	2,598	1,417	—	—	80,864	2,378
80% to 90%	108,350	782	7,862	682	3,037	1,658	—	—	119,249	3,122
90% to 100%	114,098	1,052	8,294	943	3,413	1,859	—	—	125,805	3,854
Greater than 100%	44,413	492	4,990	756	5,493	2,993	—	—	54,896	4,241
Total	491,344	3,470	38,797	3,838	23,848	13,699	101	5	554,090	21,012

	Stage 1		Stage 2		Stage 3		POCI		Total	
	Exposure £000	ECL £000	Exposure £000	ECL £000	Exposure £000	ECL £000	Exposure £000	ECL £000	Exposure £000	ECL £000
2023										
Less than 50%	21,838	67	1,251	87	503	287	165	5	23,757	446
50% to 70%	50,824	192	3,182	290	1,212	676	70	5	55,288	1,163
70% to 80%	55,956	259	3,390	347	1,308	734	—	—	60,654	1,340
80% to 90%	89,773	494	5,931	691	1,847	1,041	—	—	97,551	2,226
90% to 100%	101,839	665	7,092	953	4,654	3,045	25	1	113,610	4,664
Greater than 100%	75,421	551	6,138	870	3,439	1,968	4	—	85,002	3,389
Total	395,651	2,228	26,984	3,238	12,963	7,751	264	11	435,862	13,228

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statements continued

For the year ended
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37. Financial risk
management continued

37.1 Credit risk continued

37.1.15 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. The Company considers 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 2024 and 2023, 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	
	2024 £000	2023 £000	2024 £000	2023 £000	2024 £000	2023 £000	2024 £000	2023 £000
2024								
Cash and balances with:								
– Central bank	—	—	2,761,315	1,336,105	—	—	2,761,315	1,336,105
– Other banks	—	—	—	—	58,428	66,063	58,428	66,063
Investment securities ¹	—	13,988	—	—	455,157	80,710	455,157	94,698
Total	—	13,988	2,761,315	1,336,105	513,585	146,773	3,274,900	1,496,866

37.2 Market risk

Market risk is the risk of an adverse change in the Company’s income or net value arising from movements in market prices or rates, specifically interest rates or currency rates. The market risks faced by the Company include interest rate risk, currency risk, basis risk and implied option risk resulting from the bank’s product offerings. The Company’s principal market risk is interest rate risk which is the risk of loss from adverse movements in the overall level of interest rates. It arises from mismatches in the timing of repricing of assets and liabilities, both on and off-balance sheet. The Company has the following financial assets and liabilities which are exposed to the movement of interest rates: deposits from customers, loans and advances to customers, collateralised interest rate swaps, and liquid assets including Bank of England reserves and other HQLA instruments (UK Regulated Covered Bonds, UK Treasury Bills, and MDBs). The Company does not run a trading book or take speculative interest rate positions and therefore all interest rate risk resides in the banking book (interest rate risk in the banking book (IRRBB)).

1. The prior year comparative has been re-presented to include debt securities in this line item for consistency with the current year presentation.

Notes to the financial statements continued

For the year ended
31 December

37. Financial risk management continued

37.2 Market risk continued

37.2.1 Repricing analysis

The following table sets out the Company'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.

	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
2024							
Cash and cash equivalents:							
– Central bank	—	2,761,315	—	—	—	—	2,761,315
– Other banks	—	58,428	—	—	—	—	58,428
Amounts due from other Group undertakings	642	—	—	—	—	—	642
Derivative financial instruments							
– Derivatives in accounting hedge relationships	—	1,626	1,051	3,269	—	—	5,946
– Derivatives in economic and not accounting hedge	—	—	—	—	—	—	—
Loans and advances to customers	—	299,656	20,295	89,984	2,391,934	63,766	2,865,635
Investments securities ¹	—	19,799	—	—	406,298	29,060	455,157
Other assets ²	20,394	—	—	—	—	—	20,394
Total assets	21,036	3,140,824	21,346	93,253	2,798,232	92,826	6,167,517
Derivative financial instruments							
– Derivatives in accounting hedge relationships	—	—	614	458	—	—	1,072
– Derivatives in economic and not accounting hedge	—	5	—	10	—	—	15
Deposits by customers	—	4,208,092	470,504	380,332	396,751	61	5,455,740
Subordinated liabilities	—	—	—	—	76,086	—	76,086
Amounts due to banks	127	157,100	—	—	—	—	157,227
Amounts due to other Group undertakings	4	—	—	—	—	—	4
Other liabilities ³	17,501	—	—	—	—	—	17,501
Total liabilities	17,632	4,365,197	471,118	380,800	472,837	61	5,707,645
Interest rate sensitivity gap	3,404	(1,224,373)	(449,772)	(287,547)	2,325,395	92,765	459,872
Cumulative gap	3,404	(1,220,969)	(1,670,741)	(1,958,288)	367,107	459,872	459,872

1. The prior year comparative has been re-presented to include debt securities in this line item for consistency with the current year presentation.

2. Other assets includes unallocated customer transactions in transit and amounts due to Zopa from the debt sale completed in December 2024.

3. Other liabilities includes customer transactions in transit and supplier balances.

Notes to the financial statements continued

For the year ended
31 December

37. Financial risk management continued

37.2 Market risk continued

37.2.1 Repricing analysis continued

2023	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 balances with:							
– Central bank	—	1,336,105	—	—	—	—	1,336,105
– Other banks	—	66,063	—	—	—	—	66,063
Amounts due from other Group undertakings	1,431	—	—	—	—	—	1,431
Derivative financial instruments							
– Derivatives in accounting hedge relationships	—	1,058	3,077	3,828	—	—	7,963
– Derivatives in economic and not accounting hedge	—	—	—	11	—	—	11
Loans and advances to customers	—	220,942	20,369	75,450	2,108,069	53,383	2,478,213
Investments securities ¹	—	13,988	80,710	—	—	—	94,698
Other assets ²	13,386	—	—	—	—	—	13,386
Total assets	14,817	1,638,156	104,156	79,289	2,108,069	53,383	3,997,870
Derivative financial instruments							
– Derivatives in accounting hedge relationships	—	99	1,511	1,762	—	—	3,372
– Derivatives in economic and not accounting hedge	—	16	—	—	—	—	16
Deposits by customers	—	2,295,725	374,388	358,034	329,345	232	3,357,724
Subordinated liabilities	—	—	—	—	78,817	—	78,817
Amounts due to banks	7,254	151,985	—	—	—	—	159,239
Amounts due to other Group undertakings	615	—	—	—	—	—	615
Other liabilities ³	25,375	—	—	—	—	—	25,375
Total liabilities	33,244	2,447,825	375,899	359,796	408,162	232	3,625,158
Interest rate sensitivity gap	(18,427)	(809,669)	(271,743)	(280,507)	1,699,907	53,151	372,712
Cumulative gap	(18,427)	(828,096)	(1,099,839)	(1,380,346)	319,561	372,712	372,712

1. The prior year comparative has been re-presented to include debt securities in this line item for consistency with the current year presentation.

2. Other assets includes unallocated customer transactions in transit and amounts due to Zopa from the debt sale completed in December 2023.

3. Other liabilities includes customer transactions in transit and supplier balances.

Notes to the financial statements continued

For the year ended
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37. Financial risk management continued

37.2 Market risk continued

37.2.2 Sensitivity to interest yield curve

The following sensitivity analysis shows the impact of a 100 basis points 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.

	2024 £000	2023 £000
1% shift up of the yield curve	7,520	2,562
1% shift down of the yield curve	(6,243)	(90)

37.3 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.

37.3.1 Analysis of encumbered and unencumbered assets

The following table analyses the Company's encumbered and unencumbered assets. The disclosure is designed to illustrate the availability of the Company's assets to support future funding and is not intended to identify assets that would be available in the event of a resolution or bankruptcy.

A proportion of the Company's assets have the potential to be used as collateral to support central bank or other funding activity. Assets that have been committed for such purposes are classified as encumbered assets and cannot be used for other purposes. All other assets are defined as unencumbered assets. These comprise assets that are potentially available to be used as collateral ('available as collateral') and assets that, due to their nature, are not suitable to be used as collateral ('other').

	Encumbered assets		Unencumbered assets		Total £000
	Pledged as collateral £000	Other £000	Available as collateral £000	Other £000	
2024					
Cash and balances with:					
– Central bank	—	—	2,761,315	—	2,761,315
– Other banks	19,627	—	38,801	—	58,428
Derivative financial assets	—	—	—	5,946	5,946
Loans and advances to customers	357,321	—	2,509,028	(714)	2,865,635
Investment securities ¹	—	—	455,157	—	455,157
Non-financial assets	—	889	—	81,677	82,566
Total assets	376,948	889	5,764,301	86,909	6,229,047

1. The prior year comparative has been re-presented to include debt securities in this line item for consistency with the current year presentation.

Notes to the financial statements continued

For the year ended
31 December

37. Financial risk management continued

37.3 Liquidity risk continued

37.3.1 Analysis of encumbered and unencumbered assets continued

2023	Encumbered assets		Unencumbered assets		Total £000
	Pledged as collateral £000	Other £000	Available as collateral £000	Other £000	
Cash and balances with:					
– Central bank	10,164	—	1,325,941	—	1,336,105
– Other banks	15,350	—	50,713	—	66,063
Derivative financial assets	—	—	—	7,974	7,974
Loans and advances to customers	296,503	—	2,179,414	2,296	2,478,213
Investment securities ¹	—	—	80,710	13,988	94,698
Non-financial assets	—	841	—	65,193	66,034
Total assets	322,017	841	3,636,778	89,451	4,049,087

Encumbered assets 'pledged as collateral' comprise: cash at other banks totalling £19,627K (2023: £15,350k), which is pledged as collateral against the Company's derivatives; and loans and advances to customers totalling £357,321k (2023: £296,503k), which is pledged as collateral against the BoE's TFSME schemes.

1. The prior year comparative has been re-presented to include debt securities in this line item for consistency with the current year presentation.

Notes to the financial statements continued

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37. Financial risk management continued

37.3 Liquidity risk continued

37.3.2 Contractual maturity

The table below shows an analysis of assets and liabilities analysed according to their contractual terms or when they are expected to be recovered or settled. This information is not used by the Company 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.

	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
2024								
Cash and balances with:								
– Central bank	2,761,315	2,761,315	—	—	—	—	—	—
– Other banks	58,428	58,428	—	—	—	—	—	—
Amounts due from other Group undertakings	642	642	—	—	—	—	—	—
Derivative financial instruments								
– Derivatives in accounting hedge relationships	5,946	—	—	1,009	2,383	2,554	—	—
Loans and advances to customers	2,865,635	—	317,192	303,679	554,531	2,066,748	31,997	349,219
Investment securities ¹	455,157	—	19,799	—	—	406,298	29,060	—
Other assets ²	20,394	—	20,394	—	—	—	—	—
Total assets	6,167,517	2,820,385	357,385	304,688	556,914	2,475,600	61,057	349,219
Derivative financial instruments								
– Derivatives in accounting hedge relationships	1,072	—	242	—	164	666	—	—
– Derivatives in economic and not accounting hedge	15	—	—	—	—	15	—	—
Deposits by customers	5,455,740	3,710,399	497,693	470,504	380,332	396,751	61	—
Subordinated liabilities	76,086	—	2,663	2,693	5,444	103,642	—	—
Amounts due to banks	157,227	5,393	1,923	1,795	7,207	146,182	—	—
Amounts due to other Group undertakings	4	4	—	—	—	—	—	—
Other liabilities ³	17,501	—	17,501	—	—	—	—	—
Total liabilities	5,707,645	3,715,796	520,022	474,992	393,147	647,256	61	—
Liquidity gap	459,872	(895,411)	(162,637)	(170,304)	163,767	1,828,344	60,996	349,219
Cumulative liquidity gap	459,872	(895,411)	(1,058,048)	(1,228,352)	(1,064,585)	763,759	824,755	1,173,974

1. The prior year comparative has been re-presented to include debt securities in this line item for consistency with the current year presentation.

2. Other assets includes unallocated customer transactions in transit and amounts due to Zopa from the debt sale completed in December 2024.

3. Other liabilities includes customer transactions in transit and supplier balances.

Notes to the financial statements continued

For the year ended
31 December

37. Financial risk management continued

37.3 Liquidity risk continued

37.3.2 Contractual maturity continued

2023	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 balances with:								
– Central bank	1,336,105	1,336,105	—	—	—	—	—	—
– Other banks	66,063	66,063	—	—	—	—	—	—
Amounts due from other Group undertakings	1,431	1,431	—	—	—	—	—	—
Derivative financial instruments								
– Derivatives in accounting hedge relationships	7,963	—	889	1,317	—	5,757	—	—
– Derivatives in economic and not accounting hedge	11	—	—	—	—	11	—	—
Loans and advances to customers	2,478,213	—	266,768	256,365	471,111	1,830,389	25,341	213,552
Investment securities ¹	94,698	13,988	—	—	—	67,528	13,142	—
Other assets ²	13,386	—	13,386	—	—	—	—	—
Total assets	3,997,870	1,417,587	281,043	257,682	471,111	1,903,685	38,483	213,552
Derivative financial instruments								
– Derivatives in accounting hedge relationships	3,372	—	—	—	—	3,372	—	—
– Derivatives in economic and not accounting hedge	16	—	16	—	—	—	—	—
Deposits by customers	3,357,724	1,526,702	771,770	379,414	371,969	366,645	288	—
Subordinated liabilities	78,817	—	—	—	14,469	114,620	—	—
Amounts due to banks	159,239	—	9,239	1,963	3,948	157,107	—	—
Amounts due to other Group undertakings	615	615	—	—	—	—	—	—
Other liabilities ³	25,375	—	25,375	—	—	—	—	—
Total liabilities	3,625,158	1,527,317	806,400	381,377	390,386	641,744	288	—
Liquidity gap	372,712	(109,730)	(525,357)	(123,695)	80,725	1,261,941	38,195	213,552
Cumulative liquidity gap	372,712	(109,730)	(635,087)	(758,782)	(678,057)	583,884	622,079	835,631

1. The prior year comparative has been re-presented to include debt securities in this line item for consistency with the current year presentation.

2. Other assets includes unallocated customer transactions in transit and amounts due to Zopa from the debt sale completed in December 2023.

3. Other liabilities includes customer transactions in transit and supplier balances.

Notes to the financial statements continued

For the year ended
31 December

37. Financial risk management continued

37.4 Residual value risk

The principal risk arising from the Company's car finance personal contract purchase (PCP) agreements relates to the non-realisation of the full amount of the residual values (RV), set by the Company at the inception of its agreements. Under PCP, the customers can exercise their right to return the vehicle at the end of the contract. In cases where the car value has a negative equity (i.e. lower than the outstanding balance at end of contract term), Zopa would sustain a financial loss, because the sale proceeds of the car would not be sufficient to cover the outstanding balance. The RV provision is raised in order to cover this type of financial loss.

On inception of the PCP contract, the Company uses latest industry data and determines the future expected car value to calculate RV provision at origination.

The future expected value of the cars can change over time due to multiple factors such as demand-supply dynamics and industry trends etc. The Company manages this risk by periodically monitoring the RV estimates of the portfolio, using industry data provided by a third party. Changes in future expected car value at revaluation are used to derive the updated RV provision and the impairment charge is estimated based on the difference in the original and revised RV provision. Any required impairment is charged to the statement of comprehensive income.

As a result of the risk management guidelines detailed above, the Company has estimated its future RV exposure on PCP agreements as follows:

	2024 £000	2023 £000
Not later than one year	636	30
Later than one year and not later than five years	80,860	59,901
Total exposure	81,496	59,931

37.5 Capital risk and management

The Company is required to hold adequate capital resources to meet its Total Capital Requirement (TCR). The TCR consists of a Pillar 1 requirement, which is set at 8% of risk-weighted assets, and a Pillar 2A requirement to cover additional risks not covered by Pillar 1.

The Pillar 2A requirement is set by the PRA, taking into account the Company's calculations within its Internal Capital Adequacy Assessment Process (ICAAP), which is an annual assessment of the risks to the Company, mitigants to those risks and the capital required to withstand them. Additionally, the Company is required to hold capital in respect of regulatory buffers. The Company's capital requirements have been met throughout the year.

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:

	2024 £000	2023 £000
Common Equity Tier 1 (CET1)		
Called-up share capital	554,819	486,319
Other reserves	9,428	6,829
Accumulated losses	(66,956)	(88,733)
CET1 Capital before regulatory adjustments	497,291	404,415
Regulatory deductions:		
– Intangible assets	(30,893)	(16,055)
– Deferred tax assets	(18,408)	(24,401)
– Other deductions	(307)	(15)
Total CET1 capital	447,683	363,944
Subordinated debt (Tier 2 Notes)	75,000	75,000
Total capital resources	522,683	438,944

The useable Tier 2 capital relating to the subordinated debt as at 31 December 2024 is £75,000k (2023:£63,292k).

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

Notes to the financial statements continued

For the year ended
31 December

38. Post balance sheet events

On 4 March 2025, the Company undertook a capital reduction to optimise its capital structure and create distributable reserves. The reduction was approved by the Prudential Regulation Authority on 27 December 2024 and by the Company's special resolution on 17 February 2025.

The capital reduction resulted in the following changes to the Company's equity:

- share capital was reduced from £554,819k to £67,688k;
- the amount reduced was transferred to retained earnings, increasing distributable reserves; and
- there was no impact on the total equity or the Company's ability to meet its obligations.

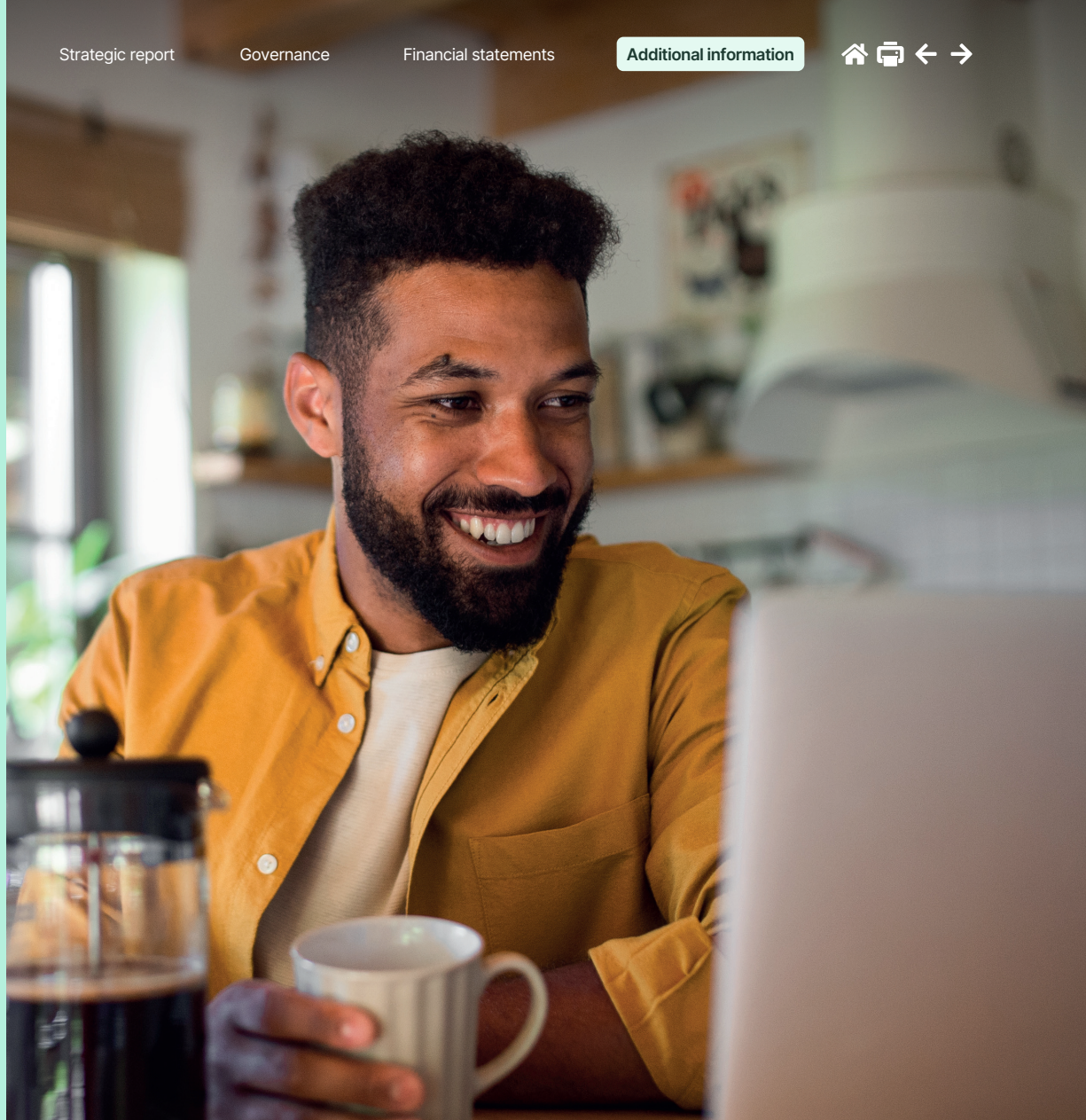
The purpose of this capital reduction was to enhance the Company's financial flexibility and align its capital structure with its operational and strategic objectives. The reduction had no effect on the rights of existing shareholders or the number of shares in issue.

The Company also received additional £7.0m investment in March 2025 from Zopa Group Limited.

Additional information

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Alternative performance measures (unaudited)

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. Together, these represent a range of financial key performance indicators used to assess performance of the business:

Cost of funds

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

	Note	2024 £m	2023 £m
Interest on deposits by customers	2	205.4	125.6
Average deposits by customers		4,475.3	3,408.1
Cost of funds		4.6%	3.7%

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.

	Note	2024 £m	2023 £m
Expected credit loss allowance and similar charges	15	156.2	122.8
Average gross loans and advances to customers		2,952.2	2,393.5
Cost of risk		5.3%	5.1%

Cost-to-income ratio, excluding share-based payments

Operating expenses as reported in the statement of comprehensive income less share-based payments charge, divided by net interest income and net fee and commission as reported in the statement of comprehensive income.

	Notes	2024 £m	2023 £m
Operating expenses	5	108.0	83.3
Less: share-based payments	6	(2.6)	(1.0)
Operating expenses excluding share-based payments		105.4	82.3
Net interest and fee and commission	3	279.7	215.3
Cost-to-income ratio		37.7%	38.2%

Loan-to-deposit ratio

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

	Notes	2024 £m	2023 £m
Loans and advances to customers	15	2,865.6	2,478.2
Deposits by customers	25	5,455.7	3,357.7
Loan-to-deposit ratio		52.5%	73.8%

Net interest margin

Net interest income as a percentage of average gross interest-bearing assets. The average is calculated using monthly average balances.

	Note	2024 £m	2023 £m
Net interest income	2	279.3	213.0
Average gross interest-bearing assets		5,305.5	4,018.9
Net interest margin		5.3%	5.3%

Alternative performance measures (unaudited)

continued

Alternative performance measures and key ratios (unaudited) continued

Profit before tax, excluding share-based payments

Profit before tax as reported in the statement of comprehensive income, excluding the equity-settled share-based payments.

	Notes	2024 £m	2023 ¹ £m
Profit before tax		31.6	15.8
Add: Share-based payments	31	2.6	1.0
Profit before tax, excluding share-based payments		34.2	16.8

Total revenue

Total net interest income, fee and commission income, net interest income/ (expense) on swaps and other operating income.

	Notes	2024 £m	2023 ¹ £m
Net interest income	2	279.3	213.0
Fee and commission income	3	14.3	13.0
Net interest income on swaps		7.3	5.7
Other operating income		2.5	1.3
Total revenue		303.4	233.0
Total revenue growth year-on-year		30.2%	33.8%

1. The 2023 revenue comparative has been restated to align with management's approach to how revenue is calculated for internal reporting.

Glossary of terms (unaudited)

Term	Definition
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 divided by 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, excluding share-based payments	Operating expenses as reported in the statement of comprehensive income excluding share-based payments, 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 and advances to customers.
Customers maintain or improve their credit score	Percentage (%) of customers who maintained or improved their credit score year-on-year (≥ 0).
Customers reborrowing	Percentage (%) of new UPL/car finance loans originated between 01-01-2016 and 31-01-2020 that had reborrowed a new UPL/car finance within five years of the product's origination.
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 a 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 losses allowance deducted from loans and 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.

Term	Definition
Gross new lending (UPL, car finance loans and point-of-sale)	Total new lending of unsecured personal loans, car finance loans and point-of-sale during the financial year, excluding loans acquired in 2022, 2023 and 2024.
HQLA	High-quality liquid assets (HQLA) include Zopa's reserves at the Bank of England and investment securities such as covered bonds and multilateral development bank (MDB) bonds.
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 over a period of 30 days.
Loan-to-deposit ratio	Net loans and advances to customers expressed as a percentage of total deposits by customers.
Net fee and commission income	Net fee and commission income as reported in the statement of comprehensive income.
Net interest income	Net interest income as reported in the statement of comprehensive income.
Net interest margin (NIM)	Net interest income as a percentage of average gross interest-bearing assets. The average is calculated using monthly average balances.
Net promoter score at Origination	NPS at Origination, across all our products, based on unique customer responses to the satisfaction survey and not weighted by product.
Net stable funding ratio (NSFR)	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 year end with an open account and their balance is not in default.
Number of customers in PoS	Total number of customers with an open facility and not in default.
Number of full-time employees	Total number of full-time employees on the Company's payroll at the year end.

Glossary of terms (unaudited)

continued

Term	Definition
Number of new credit cards issued in the year	Total number of new credit cards opened during the financial year.
Number of merchants (PoS)	Active merchants which have a contractual point-of-sale relationship with ZEF or a platform partner and engage in at least one ZEF transaction during the 12 months prior to the measurement date.
Number of savers	Number of unique customers with an open FTS or Smart Saver account as of 31 December 2024, including those with £0.00 balance.
Operating expenses	Operating expenses as reported in the statement of comprehensive income.
Percentage recommending Zopa as a great place to work	The proportion of our employees who would recommend Zopa as a great place to work.
Profit after tax	Profit after tax as reported in the statement of comprehensive income.
Profit before tax	Profit before tax as reported in the statement of comprehensive income.
Profit before tax, excluding share-based payments	Profit before tax as reported in the statement of comprehensive income, excluding the equity-settled share-based payments (note 31).
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 by customers as reported in the statement of financial position.

Term	Definition
Total equity	Total shareholders' equity as reported in the statement of financial position.
Total loans and advances to customers	Total loans and advances to customers as reported in the statement of financial position.
Total number of customers	Total customer numbers are defined as follows: • UPL and car finance: customer with loan balance >£0, and their balance is not in default. • Credit cards: customers with an open credit card and their balance is not in default. • Savings: customers with an open savings account. • PoS: customers with an open facility and not in default. • Current account: customers with an open current account. • Borrowing Power and tools: customers who are actively subscribed to Borrowing Power or have interacted with the Zopa tool in the last three months. • App or web: customers who have logged into the app or web in the last three months.
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, fee and commission income, net interest income/(expense) on swaps and other operating income.
Total revenue growth	Year-on-year change in total revenue.

Forward-looking statements (unaudited)

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.

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In light of these risks, uncertainties and assumptions, there can be no assurance that such forward-looking statements will be realised. The actual results may vary from the anticipated results and such variations may be material. The Bank, any member of its Group and any of such persons’ respective directors, officers, employees, agents, affiliates or advisers expressly disclaim responsibility for the accuracy of the opinions expressed in this document or the underlying assumptions, and any obligations or undertaking to release any update of, or additions or revisions to, any forward-looking statements in this document or any events, conditions or circumstances on which any such statement is based. Past performance should not be taken as an indication or guarantee of future results, and no representation or warranty, expressed or implied, is made regarding future performance.

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