ZOPA GROUP LIMITED

Annual Report and Accounts for the year ended

31 December 2024

COMPANY INFORMATION

Registered office and head office
First Floor Cottons Centre
47–49 Tooley Street
London
England
SE1 2QG

Company registered number
10624955

Principal Bankers
National Westminster Bank
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London
EC2R 8BP

Independent auditors
PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
7 More London Riverside
London
SE1 2RT

STRATEGIC REPORT

Business review

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

In December 2021, the Company became regulated by the Prudential Regulation Authority (PRA) as a financial holding company of Zopa Bank Limited ('the Bank' or 'Zopa Bank'). The Bank is a public interest entity, authorised by the PRA and regulated by the Financial Conduct Authority (FCA) and the PRA.

During the year, the Group, through its main operating subsidiary – the Bank, continued to offer products that met the borrowing and saving needs of its customers. The business model relies on providing affordable fairly priced credit in the form of unsecured personal loans ('UPL'), point-of-sale loans, car finance and credit cards. These are funded primarily by retail savings that give competitive returns.

In 2024, the Group also completed a group reorganisation, whereby the Bank acquired the trade business, assets and liabilities of a sister subsidiary company, Zopa Embedded Finance Limited ('ZEF'). ZEF was incorporated on 18 January 2023 and in April 2023 completed the acquisition of assets from Rematch Credit Limited (Rematch) operating under the trading name of DivideBuy, a prominent point-of-sale lender in the UK. ZEF operated a point-of-sale platform, connecting merchants and customers with point-of-sale credit offered by Zopa Bank. Following the group reorganisation, ZEF stopped trading, and a voluntary strike-off application has been filed at the Companies House on 17 September 2024.

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.

At year end, overall customer numbers had grown to 1.4 million. Our number of credit card customers also grew from 442,000 to 576,000 over the year. In 2024, we partnered with some of the UK's best brands, like 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 all new inflows just in April 2024.

Financial review

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

Financial performance KPIs	**2024**	2023	Change
Total operating income	**£298.6m**	£223.5m	**33.6%**
Operating expenses excluding share-based payments	**£109.0m**	£89.4m	**21.9%**
Expected credit losses and similar charges	**£156.2m**	£122.8m	**27.2%**
Net operating income	**£187.0m**	£133.2m	**40.4%**
Profit before tax	**£28.8m**	£10.8m	**165.7%**
Profit before tax excluding share-based payments[1]	**£31.4m**	£11.8m	**166.2%**
Profit after tax	**£19.0m**	£31.1m	**-38.9%**

Total operating income increased significantly to £298.6m, up 33.6%, due to the continued growth in customers choosing to use Zopa to meet their borrowing and saving needs. The growth in total operating income continues to come from interest income through the lending products, with the majority from UPL. The Group's strategy continues to be underpinned by lending products that exhibit strong unit economics with fast payback periods to prioritise long-term profitability.

We continued driving efficiencies through our cost programme. 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 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 artificial intelligence (AI), with the most impact seen in our technology functions. As

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

this technology improves, we expect to elevate productivity and efficiency gains further.

Our overall expected credit loss (ECL) charge increased in 2024 to £156.2m (2023: £122.8m). This increase was mainly driven by the growth in gross loans, combined with the ongoing uncertainty about the future of the UK and global economy. This year marks our second full year of profitability, with £31.4m profit before tax excluding share-based payments (2023: £11.8m).

Financial position KPIs	**2024**	2023	Change
Cash and cash equivalents	**£2.8bn**	£1.4bn	**100.4%**
Gross loans and advances to customers	**£3.1bn**	£2.7bn	**13.8%**
Expected credit losses allowance	**£201.5m**	£174.4m	**15.5%**
Deposits by customers	**£5.5bn**	£3.4bn	**62.5%**
Total equity	**£496.4m**	£410.4m	**21.0%**

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. Unsecured personal loans (UPLs) represent our largest lending product by loan balances, while credit card is the largest by customer numbers. In 2024, various initiatives helped reduce our expected credit losses (ECLs). 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 sale of defaulted debt. IFRS 9 requires 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 rate if any credit deterioration from that point onwards is observed. This frontloads our ECL numbers and means that, as a rapidly growing business, our ECL charge is higher than it would be if our loan balances were flatter. 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.

Since the launch of the Bank in 2020, we have typically retained all our loans on the balance sheet, but in 2024 we also demonstrated additional flexibility by initiating a loan sale agreement with an investment bank. This gave us balance sheet flexibility, provided capital benefits and enabled us to take £151m of loans off our balance sheet, further supporting growth in gross new lending.

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. This supported overall growth in balances from £3.4bn to £5.5bn.

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. The Group also received additional £10 million investment in March 2025 from new and existing investors.

A list of additional alternative performance measures and key performance indicators in included on page 90.

Future developments

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.

Although the economic outlook remains uncertain, we have consistently shown each year since launching the Bank during the COVID-19 pandemic that we operate a robust and resilient business, capable of delivering strong performance through-the-cycle.
But we're 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 continue to have a strong appetite for innovation and new product development, and this will continue in the future.

Section 172 disclosure

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

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

The Group 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 Group's stakeholders and that not every decision made will create the desired outcomes for all stakeholders. All decisions taken by the directors are intended to promote the long-term success of the Group in a manner that's consistent with its purpose, values and strategic priorities. The directors adhere to the following steps when making decisions.

1 Identify
We identify our stakeholders based on mutual influence and impact.

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

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

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

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 Group 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 Group'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 Group, financial performance and planning, market dynamics, regulatory areas of focus and engagement with other stakeholders.

Stakeholder	How we engaged	What matters to them	How the Board considers it
Board-level investors These are our largest shareholders, with representation on the Board.	• Discussions in Board and Board committee meetings • Provision of quarterly investor reports • Submission of investor-specific information packs	• 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 dimensions. The Board considers those decisions based on: • an annual strategy and budget process – the Board considers the likely capital needs and

Major investors These shareholders own a higher percentage of our business than regular shareholders.	• Quarterly and ad-hoc meetings between investors and senior management • Provision of quarterly investor reports	• Corporate strategic direction • Product growth • Financial performance • Strong management and aligned incentives • Market perception • Impact of future dilution • Valuation outcomes and exit	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 such as management incentives, market outlook, valuation, strategy and growth.
Regular investors These shareholders are mostly our early-stage investors and founders.	• Ad-hoc meetings with senior management at investors' requests • Provision of quarterly investor updates •	• Liquidity events • Long-term business performance	The Board provided the opportunity for eligible existing shareholders. The Board considers long-term business performance as part of the Annual Strategy and Budget process, and it considers likely capital needs and valuation outcomes as part of that process.
Existing and former employees These are existing and former employees who own shares in the company.	• Quarterly and ad-hoc meetings between investors and senior management • Provision of quarterly investor updates	• Valuation outcomes • Liquidity events • Long-term business performance	The Board considers long-term business performance as part of the Annual Strategy and Budget process, and it considers likely capital needs and valuation outcomes as part of that process.

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 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 had 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'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's first trans advocacy group, which is open to all and bolsters inclusiveness at Zopa 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 engaged	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 evaluates data on the gender pay gap and DE&I, and how management plans to make further improvements.

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 the impact of macro trends, such as the cost-of-living crisis, on their experience. Using this rich pool of 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 individual at a time.

<table>
<tr><th>Stakeholder</th><th>How we engaged</th><th>What matters to them</th><th>How the Board considers it</th></tr>
<tr><td>Borrowers</td><td rowspan="2">• 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
• 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</td><td>• Value (interest rate, fees, etc.)
• Certainty (of rate and acceptance)
• Speed of disbursal, specifically for loans
• Understanding and managing their financial wellbeing.</td><td>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.</td></tr>
<tr><td>Depositors</td><td>• Security of their savings (Financial Services Compensation Scheme (FSCS) coverage)
• Interest rates
• Ease of application and management</td><td>The Board assessed whether the Bank's actions and products will benefit Zopa'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.</td></tr>
</table>

Our suppliers
2024 saw us focusing on the selection of 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 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 includes ongoing monitoring of critical suppliers, remain firmly under Board oversight. This rigorous approach guarantees reliable partnerships and fuels our dedication to operational excellence.

Stakeholder	How we engaged	What matters to them	How the Board considers it
Suppliers and outsourcing partners	• Running fair selection processes, proportionate to the size and risk of the business objective • Ensuring that our suppliers and outsourcing partners meet Zopa'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's agreed standards	• 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 performance is a concern and improvements are required	• 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. • The Board 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.

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.
- Collective voice: joining forces with other industry players allows us to shape industry responses to consultations and influence positive change; and
- 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 Group engage with relevant forums and working groups, while a central contact facilitates information sharing. Regular membership-level reviews ensure we optimise our participation and derive maximum value from these bodies.

Stakeholder	How we engaged	What matters to them	How the Board considers it
Industry bodies	• Attending working party meetings, forums and discussion groups • Contributing to consultation papers and research 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 Group and the 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 Group.

Our regulators

The Group is subject to regulatory approvals, reviews and regulations because of its operations in the financial services sector. Members of the Zopa Group 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 demonstrates its commitment to transparency, accountability and responsible financial practices.

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

Stakeholder	How we engaged	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 (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 Group • How we treat our customers, and ensuring 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.

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 tech 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 volunteered to pack the bags which were donated to 290 disadvantaged kids ahead of the first day of term in September. 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. All in all, we raised £14k for the Coding Black Females initiatives in 2024.

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

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

The Group also continued its wider impact through the Fintech Pledge, which was launched together with ClearScore in 2022. This initiative aims to boost consumers' financial resilience. By year-end 2024, the Pledge had reached 21.8m actions, with 11m positive actions taken in 2024. These actions include switching to a higher interest savings account, consolidating debt, or using a credit score improvement tool, amongst many other actions. The Pledge is on track to reach its target of 25m actions by the end of 2025. For more information, visit pledge2025.org.

Stakeholder	How we engaged	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 • External initiatives such as Fintech Pledge	• Mentoring • Equality opportunities • Knowing how our activities impact the environment – (for example, greenhouse gas emissions) • Sustainability commitments • Social impact	During the year, the Board continued to support the Group's environmental, social and governance (ESG) initiatives. These included, 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.

Streamlined energy and carbon reporting

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

Methodology

The following methodology was used in determining our GHG emissions:
- Scope 1 – All direct emissions from the activities of Zopa or under its own control. This includes fuel combustion on site such as gas boilers, fleet vehicles and air-conditioning leaks; and
- Scope 2 – Indirect emissions from electricity purchased and used by Zopa. The generation and consumption of heat or steam are included. Emissions are created during the production of the energy and eventually used by Zopa.

Data collected for each scope noted above was subsequently converted into tonnes of carbon dioxide equivalent (tCO2e) using the latest figures provided by the Department for Business, Energy and Industrial Strategy and the Department for Environment, Food and Rural Affairs.

Energy efficiency actions

In 2024, the principal efficiency actions taken by the Group were:
- Expanding the scope of suppliers from whom we collect data on GHG emissions; and
- Continuing the roll out of an electric vehicle-leasing scheme to employees through salary sacrifice.

Greenhouse Gas Emissions[1]

GHG emissions (location based)	2024	2023
Scope 1	**25.2 tCO_2e**	24.3 tCO_2e
Scope 2	**64.4 tCO_2e**	70.5 tCO_2e
Scope 3	—	—
Total	**89.6 tCO_2e**	94.8 tCO_2e
Total emissions per full-time employee (intensity ratio)	**106.1 kgs of CO_2e**	137.0 kgs of CO_2e

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 intensity ratio is lower due to increase in headcount and lower total Scope 1 and 2 emissions.

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

Risk management

Risk management framework
The risk management framework (RMF) sets out how the Group 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.

In 2024, Zopa Bank Ltd is the only operating entity within the Zopa group of companies. Zopa Group's standalone activities are limited to raising external capital, setting Group strategy and signing off consolidated financial statements. Reflecting this, the arrangements Zopa Group has in place to manage risk and provide oversight are substantially the same as those of Zopa Bank, and in most cases are operated by Zopa Bank.

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; and
- a healthy control environment, underpinned by openness, directness and focus.

The direct application of the 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 decisions, 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.

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 Group'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 Group Audit Committee (GAC), 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 Group 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 Bank's Remuneration Committee, based on behaviours that balance risk and reward;
- managing succession planning, which is overseen by the Bank's Nomination Committee; managing resource requirements through effective recruitment, objective 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 set a 'risk appetite' for each risk type by expressing the maximum level of risk of that type that the Group is willing to tolerate in pursuit of its business strategy. That level is expressed through qualitative statements of appetite and supporting metrics for which 'triggers' and 'limits' are set.

The business implements risk appetite through the three lines of defence structure in the Group, 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.

Three lines of defence

Zopa'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 Group 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 to report 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) Officer hold SMF responsibility for overall second-line risk management, compliance and financial crime risk, respectively. 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 setting 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 and procedures

Policies, as decided by the second line, establish the minimum standards that the Group 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
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 actions 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 by and reported 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 crystalise, or when Zopa's residual risk exposure increases, Zopa escalates to the appropriate individuals and committees who agrees on an appropriate response. For example, root-cause analysis of operational risk events informs changes that may be required to policies and controls; adverse performance in particular lending segments may inform changes to credit strategy.

Stress testing
Stress testing is an important risk management tool. It forms part of the 'Identification' and 'Assessment' headings under the risk management approach, with specific approaches documented for the Group's key annual assessments, including the Internal Capital Adequacy Assessment Process (ICAAP), 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 Group are credit risk, capital risk, liquidity risk, market risk, operational risk and strategic risk. The Group also considers customer outcomes risk: a lens through which to view the aspects of operational risk that could cause poor customer outcomes.

Credit risk

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

Credit risk includes the following sub-types:

- counterparty credit risk: the risk that counterparties to which Zopa has non-loan exposures default.
- 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 Group 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 Group lends responsibly by ensuring that borrowers are creditworthy, and loans are affordable for them.

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

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

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

- the Group designs credit scorecards to assess the credit risk of loan applicants using models trained on historic Zopa and credit bureau data;
- the Group applies minimum affordability and eligibility criteria to all incoming applications;
- The Group encourages borrowers who are experiencing financial difficulties to draw up an affordable payment plan to pay down their arrears over time. Payment plans may offer temporary relief in the form of reductions to contractual payments;
- the Group performs regular monitoring of loan performance against expectations by focusing on granular metrics across multiple loan characteristics;
- the Group performs regular monitoring of the economic and credit market environment;
- the Group takes action 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;
- the Group establishes hard limits for counterparty credit exposures and the minimum credit quality of counterparties and monitored against risk appetite. Other key management reports are monitored by the RMC, BRC and Boards at their regular meetings;
- the Group's credit exposures are all in the UK.

Assessment and measurement
The Group's accounting policy for the measurement of expected credit losses can be found in note 36.

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

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

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

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

Monitoring and reporting
The Group monitors credit risk performance through internal reports covering performance against risk appetite limits and key credit risk metrics including new business flow, portfolio quality, early warning indicators, arrears and recovery performance and portfolio concentrations. The Group provides monthly reports to the RMC, BRC and Bank and Group Boards. Credit risk performance is supported by portfolio reviews and deep dives on key credit risk themes.

Refer to note 36 to the financial statements for more information on the risk management of financial instruments held by the Group.

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 Group faces is:

- Unexpected credit or operational losses lead to capital resources being below required levels.

Appetite

The Group 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 minimum regulatory requirements at all times.

Mitigation

The Group'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 Group's capital position are analysed in the light of the Group'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 Group's capacity and resilience to withstand shocks of varying severities. It also identifies management actions which could be taken to mitigate the impact of the stresses on the Group's capital position. The ICAAP is treated as a live document and used to inform ongoing capital management. Throughout 2024, the group continued to maintain capital ratios within the Board's risk appetite and regulatory requirements.

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

Assessment and measurement

The Group 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 Group's final TCR and capital buffers based on its capital supervisory review and evaluation process, which includes reviews of the Group ICAAP.

Throughout the financial year, the Group complied with the capital requirements in force as set out by the PRA. Further details can be found in note 36 to the financial statements and in the Group'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 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 Group ICAAP, which the 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 Group is well positioned to meet them when implemented.

Liquidity risk

Definition

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

Risk profile

The material liquidity risk that the Group faces are as follows:

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

The Group's liquidity profile can be found in note 36.

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

Furthermore, the Bank has established opened repo lines with different counterparties that 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 take shape if these assets had to be sold instead.

Assessment and measurement
The Group 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 Group to consider all material liquidity risks in detail, document an analysis of each key liquidity risk driver and set a liquidity risk appetite against each of those drivers. Key liquidity ratios are disclosed and discussed in the financial review on page 3 and 4.

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

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 sub-types:

- 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 Group doesn't have a trading book, and as a result, doesn't carry out proprietary trading or hold any positions in assets or equity, except for high-quality liquid assets. The Group has no exposure to the London Interbank Offered Rate (LIBOR).

In 2024, the Group maintained most of its liquid asset buffer in the reserves account with the Bank of England and keeping only a small portion of it 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 Group faces is:

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

The Group's repricing gap and sensitivity to interest yield curve can be found in note 36.

Appetite

The Group takes market risk through its HQLA diversification activities.

The Group doesn't 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

The Group performs hedging activity 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 Group has implemented hedge accounting in 2022. The Group 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 Group 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 interest rate 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.

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
Regulatory 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 that are flawed or misused
Distributor	The risk of any operational risk events originating from the Group'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 profile

The material operational risks that the Group 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 breach.

Appetite

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

Mitigation

Each business area in the Group 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 Control (PRC) Register. Any risks identified as being outside risk appetite must be addressed, whether through the application of enhanced controls to reduce residual risk or changes to the activity or process to reduce inherent risk.

Key controls include:

- 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 signoffs of important business changes.
- maintenance of a comprehensive log of regulatory requirements.

A risk events management process is also in place. Under this process, the Group registers any risk that materialise and communicates these to relevant staff before containing, remediating and closing 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 Group under Pillar 1 was calculated using the basic indicator approach, whereby a 15% multiplier is applied to the historical average net interest and fee income of the last three years based on audited financial statements. Under that approach, the Pillar 1 operational risk requirement was £33.9m 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 the first line, reviewed by the second line, as well as by the Group RMC and BRC, with summary risk appetite reporting on this to the Group Board.

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 Group'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

Credit	Outsourcing arrangements Cyber and information security Financial crime and fraud events Automated credit decisioning Lending practices (e.g. affordability checks)

Mitigation
The most senior levels om the Group own, sponsor and evidence customers 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 the 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 operational risk under Zopa's RMF and set out in activity-specific policies.

Assessment and measurement
The Group measures customer outcomes risk by using both forward-looking indicators of potential poor customer outcomes, and backward-looking indicators of customer outcomes experienced. Forward-looking indicators focus on controls around key processes involving customer outcomes risk, while backward-looking indicators focus on measures including complaints, customer satisfaction and product-specific customer outcomes.

Monitoring and reporting
Zopa regularly monitors reporting on conduct risk appetite and supporting indicators, and presents results, including reports on Consumer Duty to the Board and senior management.

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 Group faces are:

- inability to grow 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 Group's strategic planning process. The CEO leads the process, which includes analysing the market on an ongoing basis, identifying of 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 Group's strategy execution.

Monitoring and reporting
The Board monitors performance against the strategic plan throughout the year.

Uncertainties and emerging risks

The Group 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 during 2024. While the Bank of England began to cut 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 Group undertakes continued monitoring, forecasting and stress testing to guide underwriting and impairment provisioning, to manage the resulting credit and capital risks. • The Group 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 Group closely monitors market trends. • Zopa continues to diversify its funding sources. • The Group 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 Group could cause service outages or customer detriment. During 2024, Zopa continued to make further use of third-party providers as it expanded its product set.	• The Group carries out initial and ongoing due diligence on all critical outsourcing providers, including across business continuity, information security, data protection and customer treatment. • The Group keeps service-level agreements and contracts in place with providers and undertakes monitoring to ensure services are delivered to the specified standards. • The Group 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 strategic report has been approved by the Board of Directors and signed on its behalf by:

Jaidev Janardana
Chief Executive Officer
16 April 2025

DIRECTORS' REPORT

The Directors of Zopa Group Limited (henceforth 'the Group' or 'the company') present their Annual Report together with the audited consolidated 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 20. As noted in the table below, the Group has chosen, in accordance with Section 414C(11) of the Companies Act 2006, to include certain matters in its Strategic Report that would otherwise be disclosed in this Directors' report.

Subject	Pages
Business review and future developments	3 to 4
Relationship with shareholders	5 to 6
Employees and employees with disabilities	6 to 7
Relationship with suppliers	8
Charitable donations	9
Environment and greenhouse gas emissions	10
Risk management	11 to 20

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 directors held office in 2024 and until the date of publication of this Annual Report and Accounts:

	Appointments and resignations during the period	
Director	Appointed	Resigned
Gordon McCallum (Chair)		
Gaenor Bagley		
Giles Andrews		
Jaidev Janardana		
Marina Troshina	13.08.2024	
Michael Woodburn		
Nicholas Aspinall		
Paul Cutter		
Philippa Lambert		
Richard Goulding		
Scott Christopher Jones		
Stephen Hulme		

Going concern

The consolidated and parent company financial statements have been prepared on a going concern basis, as the directors are satisfied that the Group and its parent company will have the resources to continue business for a period of at least twelve months from the date of approval of these financial statements. In reaching this assessment, the directors have considered projections for the Group's capital and funding position, consolidated statement of financial position (balance sheet), profitability, cash flows, as well as other principal risks disclosed in the strategic report. The Group's capital and liquidity plans, including alternative scenarios such as inflation remaining at similar or higher levels for longer than current expectations, and increases to interest rates and a stagflation scenario, have been reviewed by the directors. When preparing the forecasts, the Group 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 Group to remain a going concern on the basis that it maintains sufficient resources to be able to continue to operate for the period of at least 12 months from the date of authorisation of these consolidated financial statements.

Post balance sheet events

The following material post balance sheet events have taken place since the balance sheet date:

On 4 March 2025, the Group 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 28 February 2025.

The capital reduction resulted in the following changes to the Group's equity:

- Share premium was reduced from £534.4 million to £50.5 million.
- The amount reduced was transferred to retained earnings, increasing distributable reserves.
- There was no impact on the total equity or the Group's ability to meet its obligations.

The purpose of this capital reduction was to enhance the Group'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.

In March 2025, the Group secured additional investment of £10.3 million from external investors and certain existing shareholders.

Financial risk management objectives and policies
Information regarding financial risk management objectives and policies in relation to the use of financial instruments can be found in Risk Management in note 36 to the consolidated financial statements.

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

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

Directors' remuneration
The Group adheres to the requirements of the Remuneration Code as defined by the Financial Conduct Authority (FCA), the UK regulator. The non-executive directors do not receive variable remuneration. Information on the company's Remuneration Code is set out in the Pillar 3 disclosures, which are available on our website[1]. Details of the directors' remuneration are set out in Note 7 to the financial statements.

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

Statement of directors' responsibilities in respect of the financial statements
The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulation.

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

Under company law, directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group for that period. In preparing the financial statements, the directors are required to:
- select suitable accounting policies and then apply them consistently;
- state whether applicable UK-adopted international accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

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

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

Directors' confirmations
In the case of each director in office at the date the directors' report is approved:
- so far as the director is aware, there is no relevant audit information of which the group's and company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the group's and company's auditors are aware of that information.

[1] Annual reports and Pillar 3 reports are available on our website at https://www.zopa.com/investor-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

Independent auditors' report to the members of Zopa Group Limited

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2024 and of the group's profit and the group's and company's cash flows for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards as applied in accordance with the provisions of the Companies Act 2006; 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 Consolidated and Company statement of financial position as at 31 December 2024; the Consolidated statement of comprehensive income, the Consolidated and Company statement of cash flows and the Consolidated and Company statement of changes in equity for the year then ended; and the notes to the financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

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

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

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

Reporting on other information

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

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

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

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

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 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 group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to the 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. 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, in particular those related to the allowance for expected credit losses; and
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations.

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

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Michael Whyte (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
16 April 2025

Consolidated statement of comprehensive income

For the year ended 31 December

	Notes	**2024** **£000**	2023 £000
Interest income		**504,708**	351,650
Interest expense		**(224,526)**	(136,767)
Net interest income	2	**280,182**	214,883
Fee and commission income		**14,693**	13,712
Fee and commission expense		**(14,380)**	(11,468)
Net fee and commission income	3	**313**	2,244
Other operating income		**2,072**	846
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	**5,950**	2,587
Total operating income		**298,612**	223,544
Operating expenses	5	**(111,619)**	(90,392)
Net operating income		**186,993**	133,152
Change in expected credit losses and other credit impairment charges	9	**(156,229)**	(122,817)
Change in provisions for other liabilities and charges	26	**(1,990)**	(678)
Gain on bargain purchase	37	**—**	1,171
Profit before tax		**28,774**	10,828
Taxation[1]	10	**(9,773)**	20,275
Profit after tax		**19,001**	31,103
Other comprehensive loss			
Items which will be reclassified subsequently to profit or loss:			
– Changes in fair value of investment securities held at FVOCI	16	**(46)**	(49)
Total other comprehensive loss		**(46)**	(49)
Total comprehensive income		**18,955**	31,054
Attributable to:			
Equity holders		**18,955**	31,054

1. The 2023 comparative financial statements have been adjusted to reflect an under-accrual of tax.

The accompanying accounting policies and notes on pages 31 to 78 are an integral part of the financial statements.

Consolidated statement of financial position

As at 31 December

	Notes	2024 £000	2023 £000
Assets			
Cash and balances with:			
– Central bank	12	**2,761,315**	1,336,105
– Other banks	12	**58,995**	71,280
Derivative financial instruments	14	**5,946**	7,974
Loans and advances to customers	15	**2,865,635**	2,478,213
Investment securities[1]	16	**455,157**	94,698
Prepayments and accrued income	17	**6,723**	5,716
Other assets	18	**22,563**	14,349
Property, plant and equipment	20	**1,150**	1,361
Right-of-use assets	19	**2,137**	4,241
Intangible assets	21	**32,383**	22,495
Deferred tax assets	22	**17,573**	23,907
Total assets		**6,229,577**	4,060,339
Liabilities			
Derivative financial instruments	14	**1,177**	4,180
Amounts due to banks	23	**157,227**	159,239
Deposits by customers	24	**5,455,740**	3,357,724
Subordinated liabilities	25	**75,816**	78,485
Accruals		**18,192**	14,242
Provisions	26	**3,110**	2,158
Other liabilities[2]	27	**20,130**	30,812
Lease liabilities	19	**1,739**	3,114
Total liabilities		**5,733,131**	3,649,954
Equity			
Called–up share capital	28	**1,871**	1,633
Share premium	28	**534,448**	470,561
Other reserves	29	**69,571**	92,836
Accumulated losses[2]		**(109,444)**	(154,645)
Total equity		**496,446**	410,385
Total equity and liabilities		**6,229,577**	4,060,339

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. The 2023 comparative financial statements have been adjusted to reflect an under-accrual of tax.

The accompanying accounting policies and notes on pages 31 to 78 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

Consolidated statement of changes in equity

For the year ended 31 December

	Notes	Called-up share capital £000	Share premium £000	Other reserves[1] £000	Accumulated losses £000	Total equity £000
Balance as at 1 January 2023		1,479	420,761	64,921	(187,487)	299,674
Profit for the year[2]		—	—	—	31,103	31,103
Other comprehensive loss relating to investment securities		—	—	(49)	—	(49)
Total comprehensive income		**—**	**—**	**(49)**	**31,103**	**31,054**
Shares issued	28	154	49,800	—	—	49,954
Net share option movements	30	—	—	976	—	976
Net warrants movement		—	—	26,987	1,739	28,726
Other movements	29	—	—	1	—	1
Balance as at 31 December 2023 (restated)		1,633	470,561	92,836	(154,645)	410,385
Balance as at 1 January 2024		1,633	470,561	92,836	(154,645)	410,385
Profit for the year		—	—	—	19,001	19,001
Other comprehensive loss relating to investment securities		—	—	(46)	—	(46)
Total comprehensive income		**—**	**—**	**(46)**	**19,001**	**18,955**
Shares issued	28	238	63,887	—	—	64,125
Net share option movements	30	—	—	2,645	—	2,645
Net warrants movement		—	—	(25,887)	26,200	313
Other movements	29	—	—	23	—	23
Balance as at 31 December 2024		**1,871**	**534,448**	**69,571**	**(109,444)**	**496,446**

1. Other reserves consist of a share-based payments reserve, FVOCI reserve, warrants reserve, capital redemption reserve, treasury shares and merger reserve.
2. The 2023 comparative financial statements have been adjusted to reflect an under-accrual of tax.

The accompanying accounting policies and notes on pages 31 to 78 are an integral part of the financial statements.

Consolidated statement of cash flows

For the year ended 31 December

	Notes	**2024** **£000**	2023 £000
Reconciliation of profit before tax to net cash flows from operating activities:			
Profit before tax[1]		**28,774**	10,828
Adjustments for:			
– Non-cash items	**13**	**67,733**	66,836
– Changes in operating assets and liabilities	**13**	**1,637,107**	(127,742)
– Current tax expense		**(3,439)**	(4,126)
Net cash (used in)/generated from operating activities		**1,730,175**	(54,204)
Cash flows from investing activities			
Payment for the acquisition of a business	**37**	**—**	(4,200)
Purchase of investment securities		**(431,925)**	(80,367)
Investment securities matured during the year		**67,356**	—
Purchase of property, plant and equipment	**20**	**(618)**	(1,128)
Purchase and development of intangible assets	**21**	**(18,169)**	(12,015)
Net cash used in investing activities		**(383,356)**	(97,710)
Cash flows from financing activities			
Shares issued	**28**	**67,554**	50,264
Proceeds from issuance of subordinated liabilities	**25**	**—**	75,000
Costs related to the issuance of subordinated liabilities		**—**	(332)
Issuance of warrants	**29**	**—**	25,441
Cost of shares issued	**28**	**(3,429)**	(310)
Change in TFSME and ILTR borrowings		**—**	(19,316)
Cash payments on lease liabilities	**19**	**(1,843)**	(1,804)
Net cash generated from financing activities		**62,282**	128,943
Net increase/(decrease) in cash and cash equivalents		**1,409,101**	(22,971)
Cash and cash equivalents at start of year	**12**	**1,411,209**	1,434,180
Cash and cash equivalents at end of year	**12**	**2,820,310**	1,411,209
Profit before tax includes:			
Interest received		**497,914**	339,176
Interest paid		**(218,468)**	(126,840)

1. The 2023 comparative financial statements have been adjusted to reflect an under-accrual of tax.

The accompanying accounting policies and notes on pages 31 to 78 are an integral part of the financial statements.

Notes to the consolidated financial statements

1. Basis of preparation and material accounting policies

Overview

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

1.1 General information

Zopa Group Limited ('the Company') is the financial holding company of Zopa Group ('the Group'). Zopa Group provides retail banking services in the UK. The Company is a private limited company limited by shares incorporated in England & Wales and domiciled in the United Kingdom under the Companies Act 2006 (registered number 10624955). The registered office is at First Floor Cottons Centre, 47–49 Tooley Street, London, England, SE1 2QG. The Company's standalone financial statements and notes are included from page 79 onwards.

1.2 Basis of preparation and consolidation

1.2.1 Basis of preparation

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

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

1.2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2024. Control is achieved where the Company (i) has power over the investee; (ii) is exposed, or has rights, to variable returns from its involvement with the investee; and (iii) has the ability to use its power to affect its returns. The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

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

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

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

Subsidiaries of the Company are as follows:

	Proportion of voting rights and ordinary share capital held as of 31 December		Principal place of		
Subsidiary name	2024	2023	business or incorporation	Year of incorporation	Principal activities
Zopa Bank Limited	100%	100%	UK	2017	Retail banking
Zopa Embedded Finance Limited	100%	100%	UK	2023	Point-of-sale loan platform

Zopa Embedded Finance Limited (ZEF) was incorporated in January 2023 which is a wholly-owned subsidiary of Zopa Group Limited. In April 2023, ZEF completed the acquisition of assets from Rematch Credit Limited (Rematch), a prominent point-of-sale lender in the UK. This acquisition positions the Group to enhance its presence in the point-of-sale and embedded finance market. Zopa Bank Limited utilises ZEF's platform in originating the point-of-sale loans.

The Company has guaranteed the liabilities of ZEF in order that it qualifies for the exemption from audit under Section 479A of the Companies Act 2006 in respect of the year ended 31 December 2024.

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

The Group has established an Employee Benefits Trust (EBT) to facilitate the transfer of beneficial interests in its shares to employees participating in the JSOP (refer to note 30). This initiative serves as a reward for individuals who contribute to the Group's success, aligning key employees' interests with those of shareholders. While the EBT operates under the legal duties of its trustees, the Group considers itself to have 'de facto' control over the trust. However, the EBT has not been consolidated, as its impact on the Group's financial statements is not material.

Group reorganisation

The Board of the Group approved in 2024 an in-principle group reorganisation which would transfer the business of ZEF to Zopa Bank Limited and eliminate ZEF from the Group. After the reorganisation, Zopa Bank Limited would directly operate the point-of-sale lending platform.

On 1 June 2024, ZEF transferred via a cash consideration the trading assets and liabilities to Zopa Bank Limited. On 24 June 2024, ZEF then distributed to Zopa Group Limited its remaining balance in a form of cash dividend. After the distribution, an application for a voluntary strike-off was filed at Companies House. As at 16 April 2025, the strike-off is still pending.

This transaction was accounted for as business combination under common control and did not impact the consolidated balances of the Group.

1.3 Going concern

The financial statements have been prepared on a going concern basis, as the directors are satisfied that the Group 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 Group'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 Group 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 Group to remain a going concern on the basis that it maintains sufficient resources to be able to continue to operate for the period of at least 12 months 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 Group. All amounts have been rounded to the nearest thousand ('£000'), except where otherwise indicated.

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

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

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

1.5 Segmental reporting

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

1.6 Consolidated cash flows statement
The consolidated statement of cash flows shows the changes in cash and cash equivalents arising during the year from operating activities, investing activities and financing activities. The cash flows from operating activities are determined by using the indirect method. Under that method, 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 consolidated financial statements in conformity with IFRS requires management to make judgements and accounting estimates that affect the reported amount of assets and liabilities at the date of the consolidated financial statements, and the reported amount of consolidated income and expenses during the reporting period. Management evaluates its judgements and accounting estimates on an ongoing basis. This takes into account any historical experience and various other factors that are believed to be reasonable under the circumstances.

The areas noted in the table below have a higher degree of complexity, judgements or the estimates have a significant risk of a material adjustment to the carrying amounts within the next financial year. No 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 consolidated financial statements therefore present the consolidated financial position and results of the Group fairly.

Policy	Judgment	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 36
Deferred tax assets	Determination of whether sufficient taxable profits will be generated in future years to recover DTA.		Note 22

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

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

The Group 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 Group's consolidated financial statements.

The IASB has issued a number of other minor amendments to IFRSs 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 Group.

2. Net interest income
Accounting policy
The effective interest rate (EIR) is the rate that, at the inception of the financial asset and liability, exactly discounts expected future cash payments and receipts over the expected life of the instrument back to the initial carrying amount. When calculating the EIR, the Group estimates cash flows considering all contractual terms of the instrument but does not consider the assets' future credit losses. Management judgement is required in determining the expected life of the loans. 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 (secured 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 and financial liabilities measured at amortised cost and FVOCI calculated on an effective interest rate (EIR) basis.

	Note	2024 £000	2023 £000
Interest income			
Cash and balances held at central bank		**104,274**	78,452
Cash and balances held at other banks		**1,960**	1,122
Loans and advances to customers		**384,452**	271,518
Investment securities		**14,022**	558
Total interest income		**504,708**	351,650
Interest expense			
Deposits by customers		**(205,440)**	(125,644)
Subordinated liabilities		**(11,005)**	(3,842)
Amounts due to other banks		**(7,706)**	(7,180)
Lease liabilities	19	**(375)**	(101)
Total interest expense		**(224,526)**	(136,767)
Net interest income		**280,182**	214,883

3. Net fee and commission income

Accounting policy

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

Merchant fees relate to the fees earned by Zopa Embedded Finance Limited from the merchants in accessing the POS platform. After the group reorganisation (note 1), the merchant fees became integral to the origination of the POS loans and hence presented in interest income (note 2).

Servicing fees includes the fees earned in servicing the loans that were sold to a third party under a forward flow agreement in 2024. 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.

	2024 £000	2023 £000
Fee and commission income		
Credit cards	**10,644**	8,031
Referral commission	**1,116**	469
Servicing fees	**527**	549
Merchant fees	**2,396**	4,663
Other fees	**10**	—
Total fee and commission income	**14,693**	13,712
Fee and commission expense	**(14,380)**	(11,468)
Net fee and commission income	**313**	2,244

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

Accounting policy

The Group sells financial assets if they no longer meet the Group'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 includes the loss on sale of credit impaired loans, and loan write offs caused by consumer fraud. Loan write-offs due to credit risk are included in the 'change in expected credit losses and other credit impairment charges' in the income statement. It also includes the gain on sale of performing loans in 2024 which was considered infrequent (refer to note 36 for further details).

	2024	2023
	£000	£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

5. Operating expenses

		2024	2023
	Notes	**£000**	£000
People costs	6	**80,281**	63,933
Contractors		**3,559**	1,895
Less: capitalised development costs recognised as intangible additions	21	**(16,322)**	(10,797)
Outsourced staff		**3,724**	2,475
Legal and professional		**8,953**	9,343
Depreciation of PPE and right-of-use assets	19,20	**3,147**	2,328
Amortisation of intangible assets	21	**8,069**	5,137
Impairment of PPE and intangible assets	20,21	**212**	163
Information technology		**13,003**	10,235
Other		**6,993**	5,680
Total operating expenses		**111,619**	90,392

The capitalised development costs recognised as intangible additions reduces the wages and salaries, and contractor costs, as these costs are capitalised as part of the intangible assets.

6. Wages and salaries

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

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

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

The below expenses are presented gross of staff costs which were capitalised as part of the Group's intangible assets. See note 21 for accounting policies on intangible asset capitalisation.

The accounting policies on share-based payments are included in note 30.

	2024	2023
	£000	£000
Employee benefits	**67,012**	54,486
Social security costs	**7,932**	6,467
Defined contribution pension expenses	**2,692**	2,004
Equity-settled share-based payments	**2,645**	976
Total wages and salaries	**80,281**	63,933

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

	2024	2023
	Number	Number
Loan operations and servicing	**445**	359
Administration	**356**	333
Total staff	**801**	692

7. Directors' remuneration

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

	2024	2023
	£000	£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	2023
	£000	£000
Aggregate emoluments	**1,435**	1,245
Pension contributions	**10**	10
Total highest paid director's 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.

In 2024, two directors sold a portion of their fully vested shares to the Zopa Group's Employee Benefit Trust totalling £2,400k. There were no share-based options exercised by directors in 2023.

8. Independent auditors' fees

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

	2024	2023
	£000	£000
Fees payable for the audit of the Group's consolidated financial statements	**220**	511
Fees payable for the audit of the subsidiaries' financial statements	**1,625**	1,156
Fees payable for interim profit verification	**50**	—
Fees payable for subscription services	**3**	1
Total fees payable to auditors	**1,898**	1,668

Auditors' remuneration to PricewaterhouseCoopers LLP for 2024 in relation to the statutory audit is £nil (2023: £141k) relating to the Group and £160k (2023: £111k) relating to subsidiaries which pertains to additional fees for 2023 that were paid during the current year.

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

Accounting policy

The accounting policies on expected credit losses are included in note 36. 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 reflected in the income statement.

		2024	2023
	Notes	**£000**	£000
ECL movements and write offs on loans and advances to customers	36	**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	26	**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 Group's secured car finance 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 Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

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

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.

10.1 Tax charge/(credit)

	2024 £000	2023 £000
Current tax expense/(credit)		
– Current tax on profits for the year[1]	**2,945**	4,126
– Adjustments in respect of prior years	**495**	—
Deferred tax charge/(credit)		
– Current year	**4,142**	(24,401)
– Adjustments in respect of prior years	**2,191**	—
Total tax charge/(credit)	**9,773**	(20,275)

1. The 2023 comparative financial statements have been adjusted to reflect an under-accrual of tax.

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	**28,774**	10,828
Tax charge/(credit) based on the applicable UK corporation tax rate of 25% (2023: 23.5%)	**7,194**	2,545
Tax effect of:		
Non-deductible expenses for tax purposes	**796**	465
Losses for which no deferred tax asset is recognised	**1,882**	3,453
Recognition of deferred tax	**—**	(26,732)
Other differences	**(99)**	(6)
Total tax credit	**9,773**	(20,275)

11. Financial instruments

Accounting policy

Classification

The classification requirements for debt and equity instruments are described below:

Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer’s perspective.

Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer’s perspective; that is, instruments that do not contain obligation to pay and that evidence a residual interest in the issuer’s net assets. Equity instruments issued by the Group include ordinary share capital, preferred shares and share warrants that met the definition of equity.

An instrument is an equity instrument only if both of the conditions below are met:

- The instrument includes no contractual obligation to (a) deliver cash or another financial asset to another entity; or (b) to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity.
- If the instrument will or might be settled in the issuer’s own equity instruments, it is (a) a non-derivative that includes no contractual obligation for the issuer to deliver a variable number of its own equity instruments; or (b) a derivative that will be settled only by the issuer exchanging a fixed amount of cash or another financial asset for a fixed number of its own equity instruments. Rights and other issues denominated in any currency are equity instruments, provided that certain conditions are met. The issuer’s own equity instruments do not include puttable instruments and obligations arising on liquidation that are classified as equity, or instruments that are contracts for the future receipt or delivery of the issuer’s own equity instruments.

Recognition and derecognition

A financial asset or a financial liability is recognised in the consolidated statement of financial position when the Group becomes party to the contractual provisions of the instrument. The Group measures a financial asset or liability on initial recognition at its fair value, plus or minus transaction costs that are directly attributable to the acquisition or issue of the financial asset or the financial liability. The 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 Group has transferred substantially all the risks and rewards of ownership of the assets.

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

A financial liability is derecognised when the obligation is discharged, cancelled or 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 Group performs two tests: one to evaluate the business model in which financial assets are managed and the other to assess their cash flow characteristics.

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

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

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

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

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

Financial assets measured at fair value through the profit or loss (FVTPL) are measured initially and subsequently at fair value. Changes in fair value are recognised in profit and loss as they arise. FVTPL includes derivative instruments (i.e. swaps, forward contracts and warrants).

The accounting policies on the expected credit loss of financial instruments are included in note 36.

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 deposit from customers and subordinated liabilities.

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

During the year ending 31 December 2024 and 31 December 2023 no financial instruments have been offset in the statement of financial position.

Reclassification between financial liability and equity
Equity or liability classification is made by the Group on initial recognition. A change of contractual terms and conditions might result in de-recognising the original instrument and recognising a new instrument.

Equity to financial liability. The financial liability is initially recognised at fair value under the general provisions of IFRS 9. Any difference between the carrying amount of the liability and that of the previously recognised equity instrument is recognised in equity in accordance with the general principle of IAS 32 that no gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of an entity's own equity instruments.

Financial liability to equity instrument. In the converse situation where the terms of a financial liability are changed such that the instrument then meets the definition of an equity instrument, the instrument should be reclassified to equity. The situation is analogous to a debt-for equity swap. Any difference between the carrying amount of the equity and that of the previously recognised liability instrument is recognised in profit or loss. For transactions with shareholders in their capacity as shareholders, the difference between the carrying amount of the financial liability extinguished and the fair value of equity instruments issued shall be treated as a capital contribution or distribution, which means that it will be recognised in equity instead of profit or loss.

Financial assets pledged as collateral
The Group has pledged £357.3m (2023: £296.5m) of the Loans and advances to customers above as encumbered collateral which can be called upon in the event of default of the TFSME drawdowns. Further details on the Bank of England funding scheme can be found in note 23.

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

31 December 2024	**FVTPL £000**	**FVOCI £000**	**Amortised cost £000**	**Total £000**
Cash and balances with:				
– Central bank	—	—	**2,761,315**	**2,761,315**
– Other banks	—	—	**58,995**	**58,995**
Investment securities	—	**299,724**	**155,433**	**455,157**
Derivative financial instruments	**5,946**	—	—	**5,946**
Loans and advances to customers	—	—	**2,865,635**	**2,865,635**
Other assets	—	—	**20,394**	**20,394**
Total financial assets	**5,946**	**299,724**	**5,861,772**	**6,167,442**
Derivative financial instruments	**1,177**	—	—	**1,177**
Deposits by customers	—	—	**5,455,740**	**5,455,740**
Subordinated liabilities	—	—	**75,816**	**75,816**
Amounts due to other banks	—	—	**157,227**	**157,227**
Other liabilities	—	—	**17,610**	**17,610**
Total financial liabilities	**1,177**	—	**5,706,393**	**5,707,570**

31 December 2023	FVTPL £000	FVOCI £000	Amortised cost £000	Total £000
Cash and balances with:				
– Central bank	—	—	1,336,105	1,336,105
– Other banks	—	—	71,280	71,280
Investment securities[1]	—	80,710	13,988	94,698
Derivative financial instruments	7,974	—	—	7,974
Loans and advances to customers	—	—	2,478,213	2,478,213
Other assets	—	—	13,612	13,612
Total financial assets	7,974	80,710	3,913,198	4,001,882
Derivative financial instruments	4,180	—	—	4,180
Deposits by customers	—	—	3,357,724	3,357,724
Subordinated liabilities	—	—	78,485	78,485
Amounts due to other banks	—	—	159,239	159,239
Other liabilities	—	—	25,839	25,839
Total financial liabilities	4,180	—	3,621,287	3,625,467

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

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

12. Cash and balances with central bank and other banks

Accounting policy

Cash and balances with central bank and other banks are comprised of cash with central bank (Bank of England), cash and advances to banks and cash held in a government money market fund. Money market funds are highly liquid investments that are readily convertible to known amounts of cash and which 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	2023
	£000	£000
Cash and balances with central bank	**2,761,315**	1,336,105
Cash and balances with other banks	**58,995**	71,280
Government money market fund	**—**	13,988
Cash and balances with central bank and other banks	**2,820,310**	1,421,373
Less: Cash Ratio Deposit	**—**	(10,164)
Total cash and cash equivalents	**2,820,310**	1,411,209

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 Group's day-to-day operations, it was excluded from Cash and Cash equivalents in 2023 and presented in the Investment securities line item (note 16). 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).

13. Cash flow information

13.1 Cash generated from / (used in) operations

		2024	2023
	Notes	**£000**	£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	36	**(95,581)**	(64,867)
– Change in provisions for other liabilities and charges	26	**1,990**	678
– Depreciation, amortisation and impairment	5	**11,428**	7,627
– Share-based payment charge	30	**2,645**	976
– Interest on leases	19	**375**	101
– Interest on subordinated debt and other borrowings		**(2,820)**	3,817
– Interest on investment securities		**240**	(569)
– Changes to fair value adjustment of hedged risk	14	**3,010**	(4,357)
– Change in fair value of financial instruments through profit or loss		**(8,960)**	1,770
– Gain on bargain purchase	37	**—**	(1,171)
– Other non–cash items		**(823)**	14
Total adjustments for non-cash items		**67,733**	66,836
Changes in operating assets and liabilities:			
– Loans and advances to customers		**(451,080)**	(593,842)
– Deposits by customers	24	**2,098,016**	434,879
– Financial instruments at fair value through profit or loss		**7,985**	528
– Amounts due to other banks	23	**(1,861)**	(11,683)
– Prepayments and accrued income	17	**(1,007)**	(422)
– Accruals		**3,950**	3,401
– Other assets	18	**(8,214)**	15,671
– Other liabilities	27	**(10,682)**	23,726
Total changes in operating assets and liabilities		**1,637,107**	(127,742)

13.2 Net debt reconciliation

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

	Liabilities from financing activities			Other assets		
	Borrowings £000	Leases £000	Sub-total £000	Cash £000	Liquid investments £000	Total £000
Net debt as at 1 January 2023	(3,094,146)	(1,067)	(3,095,213)	1,434,180	1,937,964	276,931
Cash flow items						
Financing cash flows	(491,375)	—	(491,375)	(233,503)	608,485	(116,393)
Interest payments/(receipts)	126,840	1,804	128,644	210,532	(339,176)	—
Non-cash flow items:						
Interest (expense)/income	(136,767)	—	(136,767)	—	351,650	214,883
Accretion of interest	—	(101)	(101)	—	—	(101)
New lease	—	(3,750)	(3,750)	—	—	(3,750
Net debt as at 31 December 2023	(3,595,448)	(3,114)	(3,598,562)	1,411,209	2,558,923	371,570
Cash flow items						
Financing cash flows	**(2,087,277)**	—	**(2,087,277)**	**1,131,498**	**755,075**	**(200,704)**
Interest payments/(receipts)	**218,468**	**1,843**	**220,311**	**277,603**	**(497,914)**	—
Non-cash flow items:						
Interest (expense)/income	**(224,526)**	—	**(224,526)**	—	**504,708**	**280,182**
Accretion of interest	—	**(375)**	**(375)**	—	—	**(375)**
New lease	—	**(93)**	**(93)**	—	—	**(93)**
Net debt as at 31 December 2024	**(5,688,783)**	**(1,739)**	**(5,690,522)**	**2,820,310**	**3,320,792**	**450,580**

14. Derivative financial instruments

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 Group 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 Group designates certain derivatives as hedging instruments in respect to interest rate risk in fair value hedges. The Group 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 Group 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 the straight-line method is used is amortised to profit or loss.

At inception of every hedge, the Group 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 Group 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
Others:						
Warrant derivatives	—	**—**	**90**	—	—	792
Total derivatives	**716,546**	**5,946**	**1,177**	550,461	7,974	4,180

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 Group's liquidity. Interest rate swaps that are included in economic and not accounting hedge are those that were purchased in December 2022 and as such, were excluded in the December re-designation. These swaps were subsequently included in the accounting hedge relationships in the January 2024 re-designation.

In March 2020, the Group issued warrants to subscribe for shares in the capital of the Group. In December 2021, the Group entered into a contract that has created an obligation on the Group to issue share warrants in the event of certain events occurring within a period of 4 years from the signing of the contract. These contracts meet the definition of a derivative and have been recognised as financial liability measured at fair value through profit or loss. The fair values of these derivatives are measured using Monte Carlo simulation valuation model, with any gain or loss on revaluation recognised in the statement of comprehensive income within the changes in fair value of financial instruments measured at FVTPL. The notional amount of the warrants as disclosed in the table above is based on the total number of warrants outstanding multiplied by the exercise price.

The fair values of warrant derivatives are based on Monte Carlo simulations, using market inputs and management's assumptions about future events. They are classified as level 3 fair values in the fair value hierarchy (note 36) due to the use of unobservable inputs.

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

	2024 £000	2023 £000
Net (loss)/gain 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	**7,973**	5,546
Changes in fair value of financial instruments measured at FVTPL	**5,950**	2,587

Interest rate risk on fixed loans (fair value hedge)

The Group 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 Group 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 Group. 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 Bank 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 redesignate 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 Group 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;
- Mismatch in the maturities of the hedged item and hedging instrument.

The following table contains details of the hedging instruments used in the Group's hedging strategy.

	Notional	**Carrying Amount asset/(liability)**	**Statements of financial position line item**	**Changes in fair value used for calculating hedge ineffectiveness (income/(charge))**
2024	**£000**	**£000**		**£000**
Interest rate swaps	**510,000**	**5,946**	**Derivative financial assets**	**(1,652)**
	195,000	**(1,072)**	**Derivative financial liabilities**	
	705,000	**4,874**		**(1,652)**

	Notional	Carrying Amount asset/(liability)	Statements of financial position line item	Changes in fair value used for calculating hedge ineffectiveness (income/(charge))
2023	£000	£000		£000
Interest rate swaps	270,000	7,963	Derivative financial assets	(7,316)
	255,000	(3,372)	Derivative financial liabilities	
	525,000	4,591		(7,316)

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

	Carrying Amount (asset/(liability))	**Accumulated amount of the fair value adjustments on the hedged item**	**Statements of financial position line item**	**Changes in fair value used for calculating hedge ineffectiveness (income/(charge))**
2024	**£000**	**£000**		**£000**
Fixed rate loans and advances to customers	**2,277,833**	**(714)**	**Loans and advances to customers**	**(3,010)**

	Carrying Amount (asset/(liability))	Accumulated amount of the fair value adjustments on the hedged item	Statements of financial position line item	Changes in fair value used for calculating hedge ineffectiveness (income/(charge))
2023	£000	£000		£000
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 36.3.2.

15. Loans and advances to customers

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

- unsecured personal loans;
- secured car finance loans (hire purchase and personal contract purchase loans); and
- credit cards

Unsecured personal loans, credit cards, point-of-sale (PoS) loans are loans and advances to customers, while secured 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**	2,214,419
Less: allowance for expected credit losses		**(180,446)**	(161,136)
Total unsecured lending		**2,333,271**	2,053,283
Gross finance lease receivables		**618,938**	480,547
Less: unearned finance income		**(64,848)**	(44,685)
Net investment in finance leases		**554,090**	435,862
Less: allowance for expected credit losses		**(21,012)**	(13,228)
Total finance lease receivables		**533,078**	422,634
Fair value adjustment for hedged risk		**(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**	140,755
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**	480,547

Note that this table differs to the maturity table in note 36.3.2. This is due to the above table represents the undiscounted contractual repayments of car finance loans, while the table in note 36.3.2 representing the maturity profile of the net investment in finance leases.

16. Investment securities

Investment securities held by the Bank 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 payments of principal and interest. The Group 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 Group has a mixed business model and securities are classified as either amortised cost or FVOCI as appropriate. The Group does not categorise any investment securities as fair value through profit and loss. There was no expected credit loss allowance in respect of investment securities as of 31 December 2024.

Refer to Note 11 for the accounting policy.

Investment securities held at FVOCI

	2024 £000	2023 £000
Covered bonds issued 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 £000 (re-presented)
Covered bonds issued banks		**64,129**	—
Covered bonds issued by building societies		**54,442**	—
Bonds issued by multilateral development banks (MDBs)		**36,862**	—
BoE cash ratio deposit	12	**—**	13,988
Total investment securities held at amortised cost		**155,433**	13,988

All the entity's debt securities are considered to have low credit risk, and the loss allowance 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.

The prior year comparative has been re-presented to include the CRD in this line item for consistency with the current year presentation. In 2023, it was presented as a separate line item under Debt securities.

17. Prepayments and accrued income

	2024 £000	2023 £000
Prepayments	**6,549**	5,095
Accrued income	**174**	621
Total prepayments and accrued income	**6,723**	5,716
Current portion	**5,822**	5,613
Non-current portion	**901**	103

18. 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. Other receivables amounting to £9,728k (2023: £5,682k) relates to amounts owed to the Group 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**	4,955
Trade debtors	**999**	700
Debt sale receivables	**9,728**	5,682
Others	**8,983**	3,012
Total other assets	**22,563**	14,349
Current portion	**16,074**	14,349
Non-current portion	**6,489**	—

19. Right-of-use assets and lease liabilities

Accounting policy & commentary

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

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

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

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

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

In November 2023, the Group entered into a new lease agreement following the expiration of the prior lease, which commenced in September 2021.

19.1 Right-of-use assets

	2024	2023
	£000	£000
Balance as at 1 January	**4,241**	1,280
Additions	**368**	4,627
Disposal	**(154)**	**—**
Depreciation charge for the year	**(2,318)**	(1,666)
Balance as at 31 December	**2,137**	**4,241**

19.2 Lease liabilities

	2024	2023
	£000	£000
Balance as at 1 January	**3,114**	1,067
Additions	**199**	3,750
Interest charged during the year	**375**	101
Disposals	**(106)**	—
Payments during the year	**(1,843)**	(1,804)
Balance as at 31 December	**1,739**	3,114
– of which is current	**1,649**	1,485
– of which is non-current	**90**	1,629

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

	2024	2023
	£000	£000
Less than one year	**1,803**	1,764
One to two years	**99**	1,820
Total undiscounted lease liabilities	**1,902**	3,584

19.3 Amounts recognised in the income statement

	Notes	**2024 £000**	2023 £000
Interest expense	2		
Interest on lease liabilities		**(375)**	(101)
Operating expenses	5		
Depreciation of right-of-use assets		**(2,318)**	(1,666)
Loss on disposal of lease		**(48)**	—
Change in provisions for other liabilities and charges	26		
Unutilised dilapidations accrual		**27**	492
Total amounts recognised in the income statement		**(2,714)**	(1,275)

20. Property, plant and equipment

Accounting policy

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

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

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

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

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

2024	**Office equipment £000**	**Fixtures and fittings £000**	**Total £000**
Cost			
Balance as at 1 January	**5,196**	**83**	**5,279**
Additions	**514**	**104**	**618**
Balance as at 31 December	**5,710**	**187**	**5,897**
Accumulated depreciation			
Balance as at 1 January	**3,918**	**—**	**3,918**
Depreciation charge for the year	**789**	**40**	**829**
Balance as at 31 December	**4,707**	**40**	**4,747**
Net book value	**1,003**	**147**	**1,150**

2023	Office equipment £000	Fixtures and fittings £000	Total £000
Cost			
Balance as at 1 January	4,045	—	4,045
Additions	1,151	83	1,234
Balance as at 31 December	5,196	83	5,279
Accumulated depreciation			
Balance as at 1 January	3,256	—	3,256
Depreciation charge for the year	662	—	662
Balance as at 31 December	3,918	—	3,918
Net book value	1,278	83	1,361

The cost of property, plant and equipment which has been fully depreciated and is still in use is £3,465k (2023: £2,958k).

21. Intangible assets

Accounting policy & commentary

Banking License

The banking license 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.

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

The acquisition of assets from Rematch Credit Limited in 2023 (note 37) resulted in the recognition of technology assets (presented in purchased software), customer relationships and trade name. Refer to note 37 for the details of the acquisition. These intangible assets acquired are recognised at their fair value at their acquisition date and amortised over their useful life.

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

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

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

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

2024	**Trade name £000**	**Purchased software £000**	**Internally generated £000**	**Banking license £000**	**Customer relationships £000**	**Total £000**
Cost						
Balance as at 1 January	**307**	**5,686**	**30,482**	**1,973**	**1,975**	**40,423**
Additions	**—**	**700**	**17,469**	**—**	**—**	**18,169**
Disposals/write offs	**—**	**—**	**(226)**	**—**	**—**	**(226)**
Balance as at 31 December	**307**	**6,386**	**47,725**	**1,973**	**1,975**	**58,366**
Accumulated amortisation						
Balance as at 1 January	**117**	**1,534**	**16,027**	**—**	**250**	**17,928**
Amortisation charge for the year	**153**	**1,052**	**6,535**	**—**	**329**	**8,069**
Disposal/write offs	**—**	**—**	**(14)**	**—**	**—**	**(14)**
Balance as at 31 December	**270**	**2,586**	**22,548**	**—**	**579**	**25,983**
Net book value	**37**	**3,800**	**25,177**	**1,973**	**1,396**	**32,383**

2023	Trade name £000	Purchased software £000	Internally generated £000	Banking license £000	Customer relationships £000	Total £000
Cost						
Balance as at 1 January	—	1,081	20,234	1,973	—	23,288
Additions	307	4,605	11,440	—	1,975	18,327
Disposals/write offs	—	—	(1,192)	—	—	(1,192)
Balance as at 31 December	307	5,686	30,482	1,973	1,975	40,423
Accumulated amortisation						
Balance as at 1 January	—	769	13,051	—	—	13,820
Amortisation charge for the year	117	765	4,005	—	250	5,137
Disposal/write offs	—	—	(1,029)	—	—	(1,029)
Balance as at 31 December	117	1,534	16,027	—	250	17,928
Net book value	190	4,152	14,455	1,973	1,725	22,495

22. Deferred tax

Critical accounting judgement and commentary

At 31 December 2024, the Group recognised a deferred tax asset because there is persuasive evidence that sufficient taxable profits will be generated in the future to utilise brought forward taxable 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 Group has performed an analysis of the recoverability of deferred tax assets. In doing so, the Group has considered the following:

- The availability of sufficient taxable temporary differences; and
- The probability that the Bank 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 Zopa Bank's five-year financial plan. This plan reflects management's current expectations regarding competitiveness and profitability and is based on Board-approved business plans. In assessing the probability of recovery, the directors have reviewed the Group's five-year forecast that has been used for both the going concern and viability assessment. 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 Group'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 Group has recognised a deferred tax asset in relation to all the tax losses carried forward in the prior years. The Group 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. Under various scenarios applied using the five-year forecast, the Group 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	**23,907**	—
(Charged)/credited		
- to profit or loss	**(6,334)**	23,907
At 31 December	**17,573**	23,907

No deferred taxes are recognised on FVOCI investments as the impact is immaterial.

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)**	(1,291)
Tax losses carried forward	**18,408**	24,197
Total deferred tax assets	**17,573**	23,907

23. Amounts due to banks

Deposits from central bank 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

24. 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

25. Subordinated liabilities

	2024 £000	2023 £000
Fixed rate reset subordinated Tier 2 notes due 2033	**75,000**	75,000
Accrued interest	**816**	3,485
Total subordinated liabilities	**75,816**	78,485

The Group has £75 million of fixed rate reset subordinated Tier 2 notes in issuance (25 August 2023: £75 million), issued to an existing investor 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 Group 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.

26. Provisions

Accounting policy & commentary

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

Dilapidations relates to the cost expected to be incurred to return the properties back to the landlords at their initial state when the lease ends.

The FCA levy are fees due to regulators for banking service and are 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 36. 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 Group'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 Group'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).

2024	**Dilapidations £000**	**Levies £000**	**Off–balance sheet ECL £000**	**Customer refund £000**	**Merchant refund £000**	**Total £000**
Balance as at 1 January	**595**	**—**	**1,563**	**—**	**—**	**2,158**
Additions	**27**	**1,812**	**1,875**	**515**	**699**	**4,928**
Utilised in the year	**—**	**(1,812)**	**—**	**(66)**	**(508)**	**(2,386)**
Released in the year	**(27)**	**—**	**(1,563)**	**—**	**—**	**(1,590)**
Balance as at 31 December	**595**	**—**	**1,875**	**449**	**191**	**3,110**

2023	Dilapidations £000	Levies £000	Off–balance sheet ECL £000	Customer refund £000	Merchant refund £000	Total £000
Balance as at 1 January	492	—	730	—	—	1,222
Additions	595	1,170	1,563	—	—	3,328
Utilised in the year	—	(1,170)	—	—	—	(1,170)
Released in the year	(492)	—	(730)	—	—	(1,222)
Balance as at 31 December	595	—	1,563	—	—	2,158

27. Other liabilities

	2024 £000	2023 £000
Other taxation and social security[1]	**2,521**	4,953
Trade creditors	**9,160**	12,656
Customer payables	**6,815**	9,664
Other creditors	**1,634**	3,539
Total other liabilities	**20,130**	30,812
Current portion	**20,130**	30,812

1. The 2023 comparative financial statements have been adjusted to reflect an under-accrual of tax.

28. Called-up share capital & share premium

28.1 Called-up share capital – share numbers

Called-up ordinary share capital, issued and fully paid	Ordinary Shares	Series 3 preferred Shares	Total Shares
Balance as at 1 January 2023	143,788,209	4,089,251	147,877,460
Issue of shares	15,444,494	—	15,444,494
Share simplification	4,089,251	(4,089,251)	—
Balance as at 31 December 2023	163,321,954	—	163,321,954
Balance as at 1 January 2024	163,321,954	—	163,321,954
Issue of shares	**23,758,168**	**—**	**23,758,168**
Balance as at 31 December 2024	**187,080,122**	**—**	**187,080,122**

28.2 Called-up share capital — share notional values

Called-up ordinary share capital, issued and fully paid	Ordinary Shares £000	Series 3 preferred Shares £000	Total Shares £000
Balance as at 1 January 2023	1,438	41	1,479
Issue of shares	154	—	154
Share simplification	41	(41)	—
Balance as at 31 December 2023	1,633	—	1,633
Balance as at 1 January 2024	1,633	—	1,633
Issue of shares	**238**	**—**	**238**
Balance as at 31 December 2024	**1,871**	**—**	**1,871**

28.3 Share premium

	Total £000
Balance as at 1 January 2023	420,761
Premium received on issued shares	50,110
Cost of issuing shares	(310)
Balance as at 31 December 2023	470,561
Balance as at 1 January 2024	470,561
Premium received on issued shares	**67,316**
Cost of issuing shares	**(3,429)**
Balance as at 31 December 2024	**534,448**

In 2024 the Group issued 23,758,168 shares (2023: 15,444,494). All share issues within the year were fully paid for within the period.

29. Other reserves

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

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

The currency revaluation reserve was caused by US entities, Zopa Inc and Zopa Holdings Inc, being included in the Group prior to their dissolution in June 2020. The balance was reclassified to Accumulated losses in 2022.

The accounting policies on the share schemes and investment securities are FVOCI are included in notes 30 and 11, respectively.

	FVOCI reserve £000	Share schemes £000	Merger reserve £000	Capital redemption reserve £000	Warrant reserve £000‘	Treasury shares £000	Total £000
Balance as at 1 January 2024	**(49)**	**14,485**	**51,464**	**6**	**26,987**	**(57)**	**92,836**
Fair value movement	**(46)**	**—**	**—**	**—**	**—**	**—**	**(46)**
Share options movement	**—**	**2,645**	**—**	**—**	**—**	**—**	**2,645**
Exercise/lapse of warrants	**—**	**—**	**—**	**—**	**(25,887)**	**—**	**(25,887)**
Net movement in JSOP loans	**—**	**—**	**—**	**—**	**—**	**23**	**23**
Balance as at 31 December 2024	**(95)**	**17,130**	**51,464**	**6**	**1,100**	**(34)**	**69,571**
Balance as at 1 January 2023	—	13,509	51,464	6	—	(58)	64,921
Fair value movement	(49)	—	—	—	—	—	(49)
Share options movement	—	976	—	—	—	—	976
Issuance of warrants	—	—	—	—	25,441	—	25,441
Reclassification of warrants to equity	—	—	—	—	2,278	—	2,278
Exercise/lapse of warrants	—	—	—	—	(732)	—	(732)
Net movement in JSOP loans	—	—	—	—	—	1	1
Balance as at 31 December 2023	(49)	14,485	51,464	6	26,987	(57)	92,836

30. Share schemes

Accounting policy

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

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

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

Equity-settled share-based compensation benefits are provided to employees of Zopa Group’s subsidiaries via options granted under the Zopa Group Limited Joint Share Ownership Plan (JSOP), the Non-Tax Advantaged Share Option Plan (NTA options) and the Management Incentive Plan (MIP). They are all granted, and equity settled by the parent company, Zopa Group Limited.

Set out below are the range of exercise prices and the weighted average lifetime of outstanding share options held by employees of the Group at the end of the year.

2024	**NTA options Number**	**JSOP Number**	**MIP Number**	**Total Number**	**Weighted average exercise price £**
Balance at 1 January	**1,598,578**	**4,688,298**	**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	**(163,730)**	**(217,863)**	**(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**	**2.80 – 7.00**	**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**

2023	NTA options Number	JSOP Number	MIP Number	Total Number	Weighted average exercise price £
Balance at 1 January	1,759,082	4,995,529	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	1,598,578	4,688,298	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	2023
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).

31. Related parties

Key management personnel

IAS 24 Related party disclosures require 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 Group. 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).

As at 31 December 2024, one executive director had an EMI loan outstanding for £150k (2023: £150k). Additionally, one (2023: two) executive director had a JSOP loan for £4k (2023: £46k). These loans were used solely to exercise share options and the shares issued are then subject to a call option until the loans are repaid.

During the financial year, two executive directors purchased 54,478 shares in the Group totalling £275k (2023: nil).

In 2024, certain 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 Group extended a loan to the EBT to facilitate this transaction, as reflected in the table below. Associated with this event, the Group has a payable due to the Employee Benefit Trust totalling £31k for the nominal value of the shares.

Other transactions with related parties

Warrants

The table below shows the total exercisable warrants, exercise price per share, updated expiry date and outstanding warrants for the warrant instruments classified as equity.

				Outstanding warrants	
Warrants	**Number of warrants issued**	**Exercise price per warrant**	**Date of expiry**	**2024**	**2023**
C Warrants	5,007,261	£3.17	11 December 2025	**3,558,499**	5,007,261
E Warrants	9,081,883	£0.01	6 December 2024	**—**	9,081,883

A, B C Warrants

On 11 June 2020, the Company issued Set A, B, C Warrants ("A Warrants", "B Warrants" and "C Warrants") to IAG Silverstripe LLC with original expiry dates of 11 December 2021, 11 June 2023 and 11 June 2025, respectively. On 18 March 2021, these warrants were amended to extend the expiry dates by six (6) months. On 10 November 2021, A Warrants were partially exercised and the remaining warrants expired in June 2022.

As at 31 December 2022, these warrants were classified as financial liability and presented as derivative liability in the statement of financial position. These warrants were classified as derivative instruments as the fixed-for-fixed requirement under IAS 32 are not satisfied i.e. the terms of the warrants indicate that, at the inception of the instrument, they can be settled by variable number of its shares on exercise of the warrants.

On 29 June 2023, the Company agreed with the holders of the B Warrants and C Warrants to modify the warrants such that the warrants would meet the fixed-for-fixed requirements. At modification date, the B Warrants and C Warrants were reclassified to Other reserves. Set B warrant was partially exercised in January 2023 while the remaining warrants expired on 11 December 2023.

D Warrants

On 8 December 2021, the Company entered into share subscription agreement with various investors. As part of the 2021 Subscription Agreement, the investors were given the rights to Set D Warrants ("D Warrants") in the event that B Warrants and C Warrants are exercised. Each Set D Warrant comprises the right to subscribe for one Ordinary Share in cash at a subscription price per share equal to its nominal value (£0.01) and expires ninety (90) days from the grant date. In 2024, 126,229 Set D warrants were issued and exercised (2023: 617,052).

Set D warrant is classified as financial liability and presented as derivative liability in the statement of financial position (note 14). As the contract can be settled in warrants rather than the Group's own equity shares, the instrument is classified as derivative liability rather than equity.

Set D Warrant was amended on 5 December 2024 to allow investors who participated in this November 2024 fund raise to be entitled to the Set D Warrants.

E Warrants

On 31 January 2023, the Company issued ordinary shares to existing shareholders. As part of the subscription agreement, Set E warrant ("E Warrants") instruments were issued. The warrant agreement issued 91.9 transferrable warrants to subscribers of the fundraise for every 100 shares subscribed. The Set E warrants has been classified as equity as the instrument met the fixed-for-fixed requirement. In 2024, 7,882,637 of Set E Warrants were exercised while the remaining warrants expired on 6 December 2024.

Others

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, the Group sold Zopa Limited to Plata Holdings UK Limited ("Plata"), an affiliate of IAG Silverstripe Partners LLC. The Group has agreed to service the loan portfolio sold to Plata and as a result, have earned loan servicing fee income during 2022 as a direct result of the sale. This is disclosed in the below table.

The Group has outstanding subordinated liabilities with IAG Silverstripe Partners LLC amounting to £75,816k which is disclosed within note 25 (2023 £78,485k).

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**	**—**
Amount payable to ZGL Employee Benefit Trust	**—**	**—**	**—**	**31**

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	—	—	—
Consideration for sale of Zopa Limited to Plata Holdings UK Limited	—	—	175	—
Loan servicing fee income – Plata Finance Limited	—	—	—	175
Deferred consideration receivable from Plata Holdings UK Limited	—	—	425	—
Amount receivable from Plata Finance Limited	—	—	1	—

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

32. Ultimate controlling party

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 has no ultimate parent and controlling party as at 31 December 2023 and 2024.

33. 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, point-of-sale loans and approved secured car finance loans. Even though these obligations are not recognised on the balance sheet, they do contain credit risk and an ECL is calculated and recognised for them (see note 36). When these commitments are drawn down or called upon and meet the recognition criteria as detailed in note 36, these are recognised within our loans and advances to customers.

Purchase commitments represent the future minimum lease payments under non-cancellable contracts outside the scope of IFRS 16 leases. Note 19 provides information on financial commitments where the Group 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
Over five years	—	—
Total contingent liabilities and commitments	**250,772**	188,928

Conduct

As a regulated financial services provider, the Group operates under stringent regulatory oversight, and any conduct failures could result in financial liabilities. The Group'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 Group 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 Ltd). 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.

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.

34. 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 the Group has access at that date. The fair value of a liability reflects its non-performance risk.

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

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

- Level 3: inputs that include one or more unobservable input that is significant to the measurement as whole.

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 bank	**2,761,315**	**2,761,315**	—	—	**2,761,315**
– Other banks	**58,995**	**58,995**	—	—	**58,995**
Debt securities	—	—	—	—	—
Derivative financial assets	**5,946**	—	**5,946**	—	**5,946**
Loans and advances to customers	**2,865,635**	—	**(714)**	**2,951,736**	**2,951,022**
Investment securities	**455,157**	**455,157**	—	—	**455,157**
Other assets	**20,394**	—	—	**20,394**	**20,394**
Total financial assets	**6,167,442**	**3,275,467**	**5,232**	**2,972,130**	**6,252,829**
Derivative financial liabilities	**1,177**	—	**1,177**	—	**1,177**
Amounts due to other banks	**157,227**	**157,227**	—	—	**157,227**
Deposits by customers	**5,455,740**	—	**5,455,488**	—	**5,455,488**
Subordinated liabilities	**75,816**	—	**76,644**	—	**76,644**
Other liabilities	**17,610**	—	—	**17,610**	**17,610**
Total financial liabilities	**5,707,570**	**157,227**	**5,533,309**	**17,610**	**5,708,146**

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:					
– Cash and balances with central bank	1,336,105	1,336,105	—	—	1,336,105
– Cash and balances with other banks	71,280	71,280	—	—	71,280
Derivative financial assets	7,974	—	7,974	—	7,974
Loans and advances to customers	2,478,213	—	2,296	2,561,848	2,564,144
Investment securities[1]	94,698	94,698	—	—	94,698
Other assets	13,612	—	—	13,612	13,612
Total financial assets	4,001,882	1,502,083	10,270	2,575,460	4,087,813
Derivative financial liabilities	4,180	—	4,180	—	4,180
Amounts due to other banks	159,239	159,239	—	—	159,239
Deposits by customers	3,357,724	—	3,357,391	—	3,357,391
Subordinated liabilities	78,485	—	78,293	—	78,293
Other liabilities	25,839	—	—	25,839	25,839
Total financial liabilities	3,625,467	159,239	3,439,864	25,839	3,624,942

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

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

- Cash and balances with central bank – These represent amounts with an initial maturity of less than three months and as such, their carrying value is considered a reasonable approximation of their fair value;
- cash and balances with other banks – These represent either amounts with an initial maturity of less than three months or longer-term variable rate deposits placed with banks, where adjustments to fair value in respect of the credit risk of the counterparty are not considered necessary. Accordingly, the carrying value of the assets is considered to not be materially different from their fair value;
- 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 Group has forecast cash flows for the portfolios over the lives of the loans. 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;

- 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 Group has forecast cash flows for the portfolio until their contractual maturity. The fair value of the deposits has been estimated by discounting those cashflows 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.
- derivative financial instruments:
  - 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 31 December 2023;
  - derivatives held for hedging purposes – These represent interest rate swaps which are carried at fair value. The fair values of derivatives are obtained from discounted cash flow models; and
  - warrants - These represent warrant derivatives which are carried at fair value. These warrants were issued by the Group and did not meet the equity classification (refer to note 31 for further details). Warrant derivatives are valued using Monte Carlo Simulations (MCS). Inputs are deemed observable up to the risk-free rate in which the UK Government bond yield was used as a proxy and equity volatility which is based on the historical share price volatility of a set of comparable companies. Unobservable inputs to the valuation include dividend yield, spot share price of the Group, discount factor, probability of funding event and size of future fund raises. The most significant inputs are the spot share price of the Group and probability of funding event and are not based on observable market data. The Level 3 movement analysis, significant unobservable inputs, sensitivity analysis and valuation approach are not presented as the outstanding balance of the warrant derivatives is no longer material as at 31 December 2024.

35. Loan portfolio acquisition and sale

Portfolio acquisition in March 2023

In March 2023, Zopa Bank Limited 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 £35 million which is deemed to be its fair value at acquisition date. These loans were classified as performing loans at initial recognition.

Sale of performing loans in 2024

In 2024, Zopa Bank sold £151m of performing loans to a third party under a forward flow agreement resulting to a gain of £6,049k (note 4). Based on management's assessment, the sale is consistent with the held 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. Zopa Bank 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).

36. Financial risk management

36.1 Credit risk

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

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

36.1.1 Governance around ECL allowance

The IFRS 9 ECL models used by the Group have been developed in-house and validated by the second line of defence. As explained further in note 36 below, the determination of expected credit losses is inherently judgemental and requires management to make significant judgements and estimates. To ensure that these judgements and estimates remain appropriate, the Group has in place a robust governance framework around ECL allowance. The main components of that framework are as follows:

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 RBC 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 Subcommittee. 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.

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.

36.1.2 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 the Group is 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 macro-economic environment over time. The Group 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 Group has 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 Group has developed an EAD model for the credit cards product to assess the likely exposure at default. The model calculates estimates of EAD based upon the latest payment behaviour of the customer, the credit limit utilisation, information from the CRAs and product specific characteristics. For unsecured personal loans (UPL) and car finance loans, the EAD estimate is based on the outstanding balance of the account at observation and the contractual paydown schedule of the account taking into account any missed payments before default.
Loss Given Default (LGD)	The Group has 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 benefit of debt sales. Adjustments to these estimates are made depending on the macroeconomic scenario.
Discount rate	The Group uses account-level effective interest rate which is calculated based on loan amount, interest and fees, expected repayments including pre-payments and term.

Forecast period
We estimate 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 Group conducted a credit risk assessment regarding the potential impact of climate change on physical risks. This assessment employed a stress scenario approach. The analysis did not lead to the identification of a separate impairment charge for the 2024 reporting period.

Forward-looking information
The Group 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 Group 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.

36.1.3 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 36.1.8).

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 Group 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%).

36.1.4 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, the Group calculates ECL based on the next 12 months of expected credit losses. For Stage 2 and Stage 3 loans and credit card accounts, ECL is calculated 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 1 day past due is assigned to Stage 2.
Backstop criteria
Across all three products, any loan or credit card account that is 30 days past due is assigned to Stage 2.

Improvement in credit risk or cure
There is no cure period assumed for loans or credit card accounts showing evidence of improvement in credit risk. This means that any account that does not meet the SICR criteria, is assigned to Stage 1. Loans or credit card accounts that enter Stage 3 cannot cure.

36.1.5 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.

36.1.6 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.

36.1.7 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 35 for further detail), the Group 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.

36.1.8 Multiple economic scenarios and scenario weightings

<u>Baseline scenario</u>

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%.

<u>Outer scenarios</u>

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%.

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%.

<u>Key changes to approach in 2024</u>

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%.

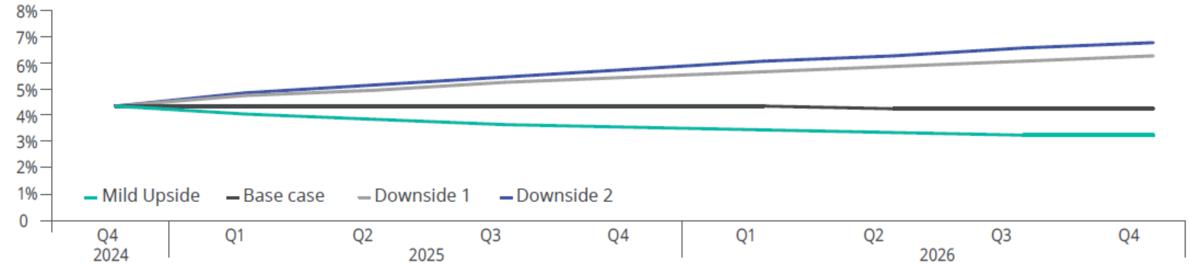
These changes were driven by the continued pressures observed in the macroeconomic environment in the last 12 months

<u>Macroeconomic assumptions</u>

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%**

Macroeconomic assumptions continued
Unemployment rate by scenario



Peak and trough of Macro indicators		Upside 1	Baseline	Downside 1	Downside 2
GDP	Peak	4.1%	4.4%	6.4%	7.3%
	Trough	3.2%	4.0%	4.8%	4.9%
Unemployment 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%

Sensitivity of ECL allowance

The table below shows the change in the ECL and proportion on assets in Stage2 for each of the macro-economic 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					up
Exposure			2,184,182		
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%

36.1.9 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**				
2024	**Gross balances £000**	**Loss allowance £000**	**Net balance £000**	**Gross balances £000**	**Loss allowance £000**	**Net balance £000**	**Non-cash collateral £000**	**Net exposure £000**
Cash and balances with:								
– Central bank	**2,761,315**	**—**	**2,761,315**	**—**	**—**	**—**	**—**	**2,761,315**
– Other banks	**58,995**	**—**	**58,995**	**—**	**—**	**—**	**—**	**58,995**
Derivative financial instruments	**5,946**	**—**	**5,946**	**—**	**—**	**—**	**—**	**5,946**
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**
Other assets	**20,394**	**—**	**20,394**	**—**	**—**	**—**	**—**	**20,394**
Total	**6,369,614**	**(201,458)**	**6,168,156**	**223,277**	**(1,875)**	**221,402**	**519,663**	**5,869,895**

	On-balance sheet assets			Off-balance sheet assets				
2023	Gross balances £000	Loss allowance £000	Net balance £000	Gross balances £000	Loss allowance £000	Net balance £000	Non-cash collateral £000	Net exposure £000
Cash and balances with:								
– Central bank	1,336,105	—	1,336,105	—	—	—	—	1,336,105
– Other banks	71,280	—	71,280	—	—	—	—	71,280
Derivative financial instruments	7,974	—	7,974	—	—	—	—	7,974
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[1]	94,698	—	94,698	—	—	—	—	94,698
Other assets	13,612	—	13,612	—	—	—	—	13,612
Total	4,173,950	(174,364)	3,999,586	173,901	(1,563)	172,338	402,619	3,769,305

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

In 2023, the Group revised its approach for calculating non-cash collateral, leveraging improved data availability. For the current year, the collateral assessment was directly informed by an updated asset valuation received by the Group near year-end. This data was unavailable in the previous year, resulting in the collateral assessment relying on LGD assumptions at that time.

36.1.10 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	**58,995**	**—**	**—**	**—**	**—**	**58,995**
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	**3,799,503**	**1,358,727**	**825,573**	**471,999**	**110,749**	**6,566,551**

	Zopa risk ratings					
	Tier 1	**Tier 2**	**Tier 3**	**Tier 4**	**Tier 5**	**Total**
2024	**£000**	**£000**	**£000**	**£000**	**£000**	**£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**

	Zopa risk ratings					
	Tier 1	Tier 2	Tier 3	Tier 4	Tier 5	Total
2023	£000	£000	£000	£000	£000	£000
On–balance sheet exposure						
Cash and balances with:						
– Central bank	1,336,105	—	—	—	—	1,336,105
– Other banks	71,280	—	—	—	—	71,280
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[1]	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	2,046,635	1,225,623	629,126	324,980	99,901	4,326,265

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

	Zopa risk ratings					
	Tier 1	Tier 2	Tier 3	Tier 4	Tier 5	Total
2023	£000	£000	£000	£000	£000	£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	—	—	—	—	—	—
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

36.1.11 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.

2024	**Stage 1 £000**	**Stage 2 £000**	**Stage 3 £000**	**POCI £000**	**Total £000**	**Gross write-offs £000**	**Loss allowance £000**
Loans and advances to customers	**2,728,099**	**228,781**	**110,477**	**450**	**3,067,807**	**19,592**	**201,458**

2023	Stage 1 £000	Stage 2 £000	Stage 3 £000	POCI £000	Total £000	Gross write-offs £000	Loss allowance £000
Loans and advances to customers	2,336,414	214,897	97,665	1,305	2,650,281	10,796	174,364

36.1.12 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.

2024	**Stage 1 £000**	**Stage 2 £000**	**Stage 3 £000**	**POCI £000**	**Total £000**
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	Stage 1 £000	Stage 2 £000	Stage 3 £000	POCI £000	Total £000
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

36.1.13 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	
2024	**Exposure £000**	**ECL £000**	**Exposure £000**	**ECL £000**	**Exposure £000**	**ECL £000**	**Exposure £000**	**ECL £000**	**Exposure £000**	**ECL £000**
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

	Stage 1		Stage 2		Stage 3		POCI		Total	
	Exposure	ECL	Exposure	ECL	Exposure	ECL	Exposure	ECL	Exposure	ECL
2023	£000	£000	£000	£000	£000	£000	£000	£000	£000	£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

36.1.14 Collateral analysis

The Group holds collateral against secured car finance loans in the form of motor vehicles. The tables below set out our exposure and ECL allowance against a range of loan-to-value (LTV) segments. The value of collateral used in determining the LTV ratios has been calculated based upon the collateral valuation as at year-end.

	Stage 1		**Stage 2**		**Stage 3**		**POCI**		**Total**	
	Exposure	**ECL**	**Exposure**	**ECL**	**Exposure**	**ECL**	**Exposure**	**ECL**	**Exposure**	**ECL**
2024	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
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	ECL	Exposure	ECL	Exposure	ECL	Exposure	ECL	Exposure	ECL
2023	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
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

36.1.15 Credit risk for other financial assets

Credit risk exists where the Group has acquired securities or placed cash deposits with other financial institutions as part of our treasury portfolio of assets. The Group 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 2023 and 2022, 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	2023	**2024**	2023	**2024**	2023	**2024**	2023
	£000	£000	**£000**	£000	**£000**	£000	**£000**	£000
Cash and balances with:								
– Central bank	**—**	—	**2,761,315**	1,336,105	**—**	—	**2,761,315**	1,336,105
– Other banks	**—**	—	**—**	—	**58,995**	71,280	**58,995**	71,280
Investment securities[1]	**—**	13,988	**—**	—	**455,157**	80,710	**455,157**	94,698
Total	**—**	13,988	**2,761,315**	1,336,105	**514,152**	151,990	**3,275,467**	1,502,083

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

36.2 Market risk

Market risk is the risk of an adverse change in the Group'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 Group include interest rate risk, currency risk, basis risk and implied option risk resulting from the Group's product offerings. The Group'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 Group 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 Group 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)).

36.2.1 Repricing analysis

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

2024	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	—	2,761,315	—	—	—	—	2,761,315
– Other banks	—	58,995	—	—	—	—	58,995
Derivative financial assets:							
– Derivatives in accounting hedge relationships	—	1,626	1,051	3,269	—	—	5,946
Loans and advances to customers	—	299,656	20,295	89,984	2,391,934	63,766	2,865,635
Investment securities	—	19,799	—	—	406,298	29,060	455,157
Other assets[1]	20,394	—	—	—	—	—	20,394
Total assets	20,394	3,141,391	21,346	93,253	2,798,232	92,826	6,167,442
Derivative financial liabilities:							
– Derivatives in accounting hedge relationships	—	—	614	458	—	—	1,072
– Other derivatives	90	5	—	10	—	—	105
Amounts due to banks	127	157,100	—	—	—	—	157,227
Deposits by customers	—	4,208,092	470,504	380,332	396,751	61	5,455,740
Subordinated liabilities	—	—	—	—	76,086	—	76,086
Other liabilities[2]	17,610	—	—	—	—	—	17,610
Total liabilities	17,827	4,365,197	471,118	380,800	472,837	61	5,707,840
Interest rate sensitivity gap	2,567	(1,223,806)	(449,772)	(287,547)	2,325,395	92,765	459,602
Cumulative gap	2,567	(1,221,239)	(1,671,011)	(1,958,558)	366,837	459,602	459,602

1. Other assets include unallocated customer transactions in transit and amounts due to Zopa from the debt sale completed in December 2024.
2. Other liabilities include customer transactions in transit, supplier balances and amounts due to buyers for the debt sales relating to gap cash and buy-backs.

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	—	71,280	—	—	—	—	71,280
Debt securities	—	13,988	—	—	—	—	13,988
Derivative financial assets:							
– 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
Investment securities[1]	—	—	80,710	—	—	—	80,710
Other assets[2]	13,612	—	—	—	—	—	13,612
Total assets	13,612	1,643,373	104,156	79,289	2,108,069	53,383	4,001,882
Derivative financial liabilities:							
– Derivatives in accounting hedge relationships	—	99	1,511	1,762	—	—	3,372
– Other derivatives	792	16	—	—	—	—	808
Amounts due to banks	7,254	151,985	—	—	—	—	159,239
Deposits by customers	—	2,295,725	374,388	358,034	329,345	232	3,357,724
Subordinated liabilities	—	—	—	—	—	78,485	78,485
Other liabilities[3]	25,839	—	—	—	—	—	25,839
Total liabilities	33,885	2,447,825	375,899	359,796	329,345	78,717	3,625,467
Interest rate sensitivity gap	(20,273)	(804,452)	(271,743)	(280,507)	1,778,724	(25,334)	376,415
Cumulative gap	(20,273)	(824,725)	(1,096,468)	(1,376,975)	401,749	376,415	376,415

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 include unallocated customer transactions in transit and amounts due to Zopa from the debt sale completed in December 2023.
3. Other liabilities include customer transactions in transit, supplier balances and amounts due to buyers for the debt sales relating to gap cash and buy-backs.

36.2.2 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)

36.3 Liquidity risk

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

36.3.1 Analysis of encumbered and unencumbered assets

The following table analyses Group's encumbered and unencumbered assets. The disclosure is designed to illustrate the availability of the Group'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 Group'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**		
	Pledged as collateral	**Other**	**Available as collateral**	**Other**	**Total**
2024	**£000**	**£000**	**£000**	**£000**	**£000**
Cash and balances with:					
– Central bank	**—**	**—**	**2,761,315**	**—**	**2,761,315**
– Other banks	**19,627**	**—**	**39,368**	**—**	**58,995**
Derivative financial assets	**—**	**—**	**—**	**5,946**	**5,946**
Loans and advances to customers	**357,321**	**—**	**2,509,028**	**(714)**	**2,865,635**
Investment securities	**—**	**—**	**455,157**	**—**	**455,157**
Non-financial assets	**—**	**889**	**—**	**81,640**	**82,529**
Total assets	**376,948**	**889**	**5,764,868**	**86,872**	**6,229,577**

	Encumbered assets		Unencumbered assets		
	Pledged as collateral	Other	Available as collateral	Other	Total
2023	£000	£000	£000	£000	£000
Cash and balances with:					
– Central bank	10,164	—	1,325,941	—	1,336,105
– Other banks	15,350	—	55,930	—	71,280
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	—	881	—	71,188	72,069
Total assets	322,017	881	3,641,995	95,446	4,060,339

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

Encumbered assets ‘pledged as collateral’ comprise: cash at other banks totalling **£19,627**k (2023: £15,350k), which is pledged as collateral against company’s derivatives; and Loans and advances to customers totalling **£357,321**k (2023: £296,503k), which is pledged as collateral against the BoE’s TFSME schemes.

36.3.2 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 Group in managing the liquidity risk, because in practice these assets and liabilities may mature earlier or later than implied by their contractual tenor, for example if repaid earlier.

2024	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	**2,761,315**	**2,761,315**	**—**	**—**	**—**	**—**	**—**	**—**
– Other banks	**58,995**	**58,995**	**—**	**—**	**—**	**—**	**—**	**—**
Derivative financial assets:								
– 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	**455,157**	**—**	**19,799**	**—**	**—**	**406,298**	**29,060**	**—**
Other assets[1]	**20,394**	**—**	**20,394**	**—**	**—**	**—**	**—**	**—**
Total assets	**6,167,442**	**2,820,310**	**357,385**	**304,688**	**556,914**	**2,475,600**	**61,057**	**349,219**
Derivative financial liabilities:								
– Derivatives in accounting hedge relationships	**1,072**	**—**	**242**	**—**	**164**	**666**	**—**	**—**
– Derivatives in economic and not accounting hedge	**15**	**—**	**—**	**—**	**—**	**15**	**—**	**—**
– Warrant derivatives	**90**	**—**	**—**	**—**	**—**	**90**	**—**	**—**
Amounts due to banks	**157,227**	**5,393**	**1,923**	**1,795**	**7,207**	**146,182**	**—**	**—**
Deposits by customers	**5,455,740**	**3,710,399**	**497,693**	**470,504**	**380,332**	**396,751**	**61**	**—**
Subordinated liabilities	**75,816**	**—**	**2,663**	**2,693**	**5,444**	**103,642**	**—**	**—**
Other liabilities[2]	**17,610**	**—**	**17,610**	**—**	**—**	**—**	**—**	**—**
Total liabilities	**5,707,570**	**3,715,792**	**520,131**	**474,992**	**393,147**	**647,346**	**61**	**—**
Liquidity gap	**459,872**	**(895,482)**	**(162,746)**	**(170,304)**	**163,767**	**1,828,254**	**60,996**	**349,219**
Cumulative liquidity gap	**459,872**	**(895,482)**	**(1,058,228)**	**(1,228,532)**	**(1,064,765)**	**763,489**	**824,485**	**1,173,704**

1. Other assets includes unallocated customer transactions in transit and amounts due to Zopa the debt sale completed in December 2024.
2. Other liabilities includes customer transactions in transit, supplier balances and amounts due to buyers for the debt sales relating to gap cash and buy-backs.

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	71,280	71,280	—	—	—	—	—	—
Derivative financial assets:								
– 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	256,265	471,111	1,830,389	25,341	213,552
Investment securities[1]	94,698	13,988	—	—	—	67,528	13,142	—
Other assets[2]	13,612	—	13,612	—	—	—	—	—
Total assets	4,001,882	1,421,373	281,269	257,682	471,111	1,903,685	38,483	213,552
Derivative financial liabilities:								
– Derivatives in accounting hedge relationships	3,372	—	—	—	—	3,372	—	—
– Warrant derivatives	808	—	16	—	—	792	—	—
Amounts due to banks	159,239	—	9,239	1,963	3,948	157,107	—	—
Deposits by customers	3,357,724	1,526,702	771,770	379,414	371,969	366,645	288	—
Subordinated liabilities	78,485	—	—	—	14,469	114,620	—	—
Other liabilities[3]	25,839	—	25,839	—	—	—	—	—
Total liabilities	3,625,467	1,526,702	806,864	381,377	390,386	643,536	288	—
Liquidity gap	376,415	(105,329)	(525,595)	(123,695)	80,725	1,261,148	38,195	213,552
Cumulative liquidity gap	376,415	(105,329)	(630,924)	(754,619)	(673,894)	587,254	625,449	839,001

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 the debt sale completed in December 2023.
3. Other liabilities includes customer transactions in transit, supplier balances and amounts due to buyers for the debt sales relating to gap cash and buy-backs.

36.4 Residual value risk

The principal risk arising from the Group's PCP car finance activities relates to the non-realisation of the full amount of the residual values ('RV'), set by the Group at the inception of its agreements. Under personal contract purchase agreements, the customers can exercise their right to return the vehicle to the Group 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 personal contract purchase, the Group uses latest industry data and determines the future expected car value to calculate Residual Value provision at origination.

The future expected value of the cars can change over time due to multiple factors such as demand-supply dynamics, industry trends etc. The Group manages this risk by periodically monitoring the RV estimates of the portfolio using industry data provided by 3rd party. Changes in future expected car value at revaluation are used to derive the updated residual value 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 Group has estimated its future RV exposure on contract purchase agreements:

	2024	2023
	£000	£000
Not later than one year	**636**	30
Later than one year and not later than five years	**80,860**	59,901
Total cash and cash equivalents	**81,496**	59,931

36.5 Capital risk and management

The Group 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 Group's calculations within its Internal Capital Adequacy Assessment Process (ICAAP), which is an annual assessment of the risks to the Group, mitigants to those risks and the capital required to withstand them. Additionally, the Group is required to hold capital in respect of regulatory buffers. The Group's capital requirements have been met throughout the year.

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

Capital resources as at the reporting date were as follows:

	2024	2023
	£000	£000
Common Equity Tier 1 (CET1)		
Called-up share capital	**1,871**	1,633
Share premium	**534,448**	470,561
Other reserves	**69,571**	92,836
Accumulated losses	**(109,444)**	(151,856)
CET1 Capital before regulatory adjustments	**494,446**	413,174
Regulatory deductions:		
– Intangible assets	**(30,916)**	(22,495)
– Deferred tax assets	**(18,408)**	(23,907)
– Other deductions	**(307)**	(15)
Total CET1 capital	**446,815**	366,757
Subordinated debt (Tier 2 Note)	**74,730**	74,668
Total capital resources	**521,545**	441,425

The useable Tier 2 capital relating to the subordinated debt as at 31 December 2024 is £75,000k (2023: £63,188k). The Group is subject to external capital requirements which have been met throughout the year.

37. Business combination

Accounting policy

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group.

In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs. The Group has an option to apply a 'concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

Acquisition in 2023

Acquisition of Rematch Credit Limited's Assets

On 1 April 2023, the Group completed the acquisition of assets from Rematch Credit Limited, a point-of-sale lender in the UK. Rematch Credit Limited used to provide an interest-free instalment credit, under the trade name DivideBuy. The acquisition was completed in two stages. The first stage of this transaction was completed on 14 February 2023, with the Group purchasing the technology platform. The second stage of the transaction, which included transfer of people as well as novation of key supplier and merchant contracts, was completed on 1 April 2023. The acquisition has enabled the Group to accelerate its entry into the point of sale and embedded finance market.

The acquisition of Rematch's assets by the Group was made by Zopa Embedded Finance (ZEF), a wholly-owned subsidiary of the Group which was incorporated in January 2023. The acquisition was accounted for as business combination under IFRS 3. The presence of inputs, processes, and outputs, along with the interdependencies among various elements, demonstrates that the assets acquired collectively operate as a business unit capable of generating outputs independently.

Assets acquired and liabilities assumed

The assets and liabilities recognised as a result of the acquisition are as follows:

	Fair value £000
Furniture and fixtures	**53**
Right of use asset	**166**
Intangible assets – trade name	**307**
Intangible assets – retailer relationships	**4,030**
Intangible assets – software	**1,975**
	6,531
Lease liability	**166**
Deferred tax liability	**494**
	660
Total identifiable net assets at fair value	**5,871**
Gain on bargain purchase	**1,171**
Purchase consideration transferred	**4,700**

The gain on bargain purchase comprises £0.9 million attributable to workforce. The gain on bargain purchase resulted from the fact that the seller was in financial distress at the time of the acquisition, and its working capital and cash positions meant that the business would become insolvent if the entity's takeover or asset acquisition were not to happen. This has created a unique opportunity for the Group to acquire a well established business, with great technology, at a consideration lower than its fair value.

The fair value of the intangible assets has been estimated by applying the replacement cost approach for the software. The income approach was applied for trade name and retailer relationships by using relief of royalty method and multi-period excess earnings method, respectively.

The Group measured the acquired lease liabilities using the present value of the remaining lease payments at the date of acquisition. The right-of-use assets were measured at an amount equal to the lease liabilities. No adjustment was made to the lease liabilities as the terms of the lease are at market terms.

From the date of acquisition, ZEF contributed £4,949k of revenue and £499k of loss before tax of the Group.

Purchase consideration

The purchase consideration include:

	£000
Cash paid	**4,200**
Deferred consideration	**500**
Total purchase consideration	**4,700**

The deferred consideration that is outstanding as at the second completion date relates to the compensation to be paid to Rematch for transferring/novating the remaining key supplier contracts from Rematch to ZEF and would be paid within 9 months of the acquisition date. The deferred consideration was paid in full in January 2024. This amount has not been discounted as the impact of discounting is immaterial.

Acquisition-related costs

Acquisition-related costs of £747k that were not directly attributable to the issue of shares are included in operating expenses in the statement of profit or loss and in operating cash flows in the statement of cash flows.

There were no contingent considerations agreed in the acquisition.

There were no acquisitions in the year ending 31 December 2024.

38. Post balance sheet events

On 4 March 2025, the Group 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 Group's special resolution on 28 February 2025.

The capital reduction resulted in the following changes to the Group's equity:

- share premium was reduced from £534.4 million to £50.5 million;
- the amount reduced was transferred to retained earnings, increasing distributable reserves; and
- there was no impact on the total equity or the Group's ability to meet its obligations.

The purpose of this capital reduction was to enhance the Group'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 Group also received additional £10 million investment in March 2025 from new and existing investors.

Company statement of financial position

As at 31 December

	Notes	**2024 £000**	2023 £000
Assets			
Cash and balances with:			
– Other banks		**567**	1,075
Debt securities	8	**76,086**	78,817
Amounts due from other Group undertakings	6	**4**	4,516
Prepayments and accrued income		**278**	285
Investment in subsidiaries	7	**564,342**	499,697
Other assets		**302**	346
Total assets		**641,579**	584,736
Liabilities			
Derivative financial instruments		**90**	792
Subordinated liabilities	8	**75,816**	78,485
Amounts due to other Group undertakings	6	**642**	18
Accruals		**1,445**	427
Other liabilities[1]		**114**	2,948
Total liabilities		**78,107**	**82,670**
Equity			
Called-up share capital	9	**1,871**	1,633
Share premium	9	**534,448**	470,561
Other reserves	10	**74,976**	98,195
Accumulated losses		**(47,823)**	(68,323)
Total equity		**563,472**	502,066
Total equity and liabilities		**641,579**	584,736

1. The 2023 comparative financial statements have been adjusted to reflect an under-accrual of tax.

The loss after tax for the year ended 31 December 2024 of Zopa Group Limited was £5,700k (2023: £5,002k). As permitted by section 408 of the Companies Act 2006, no separate Statement of Comprehensive Income is presented in respect of the Company.

The accompanying accounting policies and notes on pages 82 to 89 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

Company statement of changes in equity

For the year ended 31 December

	Notes	Called-up share capital £000	Share premium £000	Other reserves £000	Accumulated losses £000	Total equity £000
Balance as at 1 January 2023		1,479	420,761	70,230	(65,059)	427,411
Total comprehensive loss[1]		—	—	—	(5,002)	(5,002)
Shares issued	9	154	49,800	—	—	49,954
Net share option movements	10	—	—	976	—	976
Net warrants movement		—	—	26,987	1,738	28,725
Other movements	10	—	—	2	—	2
Balance as at 31 December 2023 (restated)		1,633	470,561	98,195	(68,323)	502,066
Balance as at 1 January 2024		**1,633**	**470,561**	**98,195**	**(68,323)**	**502,066**
Total comprehensive loss		**—**	**—**	**—**	**(5,700)**	**(5,700)**
Shares issued	9	**238**	**63,887**	**—**	**—**	**64,125**
Net share option movements	10	**—**	**—**	**2,645**	**—**	**2,645**
Net warrants movement		**—**	**—**	**(25,887)**	**26,200**	**313**
Other movements	10	**—**	**—**	**23**	**—**	**23**
Balance as at 31 December 2024		**1,871**	**534,448**	**74,976**	**(47,823)**	**563,472**

1. The 2023 comparative financial statements have been adjusted to reflect an under-accrual of tax.

The accompanying accounting policies and notes on pages 82 to 89 are an integral part of the financial statements.

Company statement of cash flows

For the year ended 31 December

	Notes	2024 £000	2023[1] £000
Reconciliation of (loss)/profit before tax to net cash flows from operating activities:			
Loss before tax		**(5,700)**	(2,214)
Adjustments for:			
– Non-cash items	5	**10,696**	303
– Changes in operating assets and liabilities	5	**(1,141)**	4,318
– Current tax expense		—	(2,788)
– Dividend income		**(6,011)**	—
Net cash generated from/ (used in) operating activities		**(2,156)**	(381)
Cash flows from investing activities			
Investment in subsidiaries		**(73,000)**	(71,500)
Debt securities		**—**	(75,000)
Proceeds from disposal of a subsidiary net of costs to sell		**—**	—
Dividend received		**6,011**	—
Net cash used in investing activities		**(66,989)**	(146,500)
Cash flows from financing activities			
Shares issued	9	**67,554**	50,264
Cost of shares issued	9	**(3,429)**	(310)
Proceeds from issuance of subordinated liabilities	8	**—**	75,000
Costs related to the issuance of subordinated liabilities		**—**	(332)
Issuance of warrants		**—**	25,441
Change in non-trading amounts due to and from other Group undertakings	6	**4,512**	(4,410)
Net cash generated from financing activities		**68,637**	145,653
Net (decrease)/increase in cash and cash equivalents		**(508)**	(1,228)
Cash and cash equivalents at start of year		**1,075**	2,303
Cash and cash equivalents at end of year		**567**	1,075
Loss before tax includes:			
Interest received		**13,711**	296
Interest paid		**(13,666)**	—

1. The 2023 financial statements have been restated to reflect an under-accrual of tax relating to the issuance of warrants. See Note 10 for further details.

The accompanying accounting policies and notes on pages 82 to 89 are an integral part of the financial statements.

Notes to the Company financial statements

1. Basis of preparation and material accounting policies

Overview

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

1.1 General information

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

1.2 Basis of preparation

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

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

No individual statement of comprehensive income is presented for the Company, as permitted by Section 408 of the Companies Act 2006.

1.3 Going concern

The directors consider that it is appropriate to continue to adopt the going concern basis of accounting in preparing the parent company financial statements. In reaching this assessment, the directors have considered projections for the company's capital and funding position, statement of financial position (balance sheet), profitability, cash flows, as well as other principal risks disclosed in the strategic report. 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 Group 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.

1.5 Segmental reporting

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

1.6 Cash flows statement

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

2. Independent auditors' fees

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

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

3. Directors' remuneration

The Company had no employees in 2024 (2023: nil). Directors are paid via other Group entities as detailed in note 7 to the consolidated financial statements.

4. Financial instruments

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

31 December 2024	**FVTPL £000**	**FVOCI £000**	**Amortised cost £000**	**Total £000**
Cash and balances with other banks	**—**	**—**	**567**	**567**
Amounts due from other Group undertakings	**—**	**—**	**4**	**4**
Debt securities	**—**	**—**	**76,086**	**76,086**
Total financial assets	**—**	**—**	**76,657**	**76,657**
Derivatives financial instruments	**90**	**—**	**—**	**90**
Subordinated liabilities	**—**	**—**	**75,816**	**75,816**
Other liabilities	**—**	**—**	**109**	**109**
Total financial liabilities	**90**	**—**	**75,925**	**76,015**

31 December 2023	FVTPL £000	FVOCI £000	Amortised cost £000	Total £000
Cash and balances with other banks	—	—	1,075	1,075
Amounts due from other Group undertakings	—	—	4,516	4,516
Debt securities	—	—	78,817	78,817
Other assets	—	—	43	43
Total financial assets	—	—	84,451	84,451
Derivatives financial instruments	792	—	—	792
Subordinated liabilities	—	—	78,485	78,485
Other liabilities	—	—	154	154
Total financial liabilities	792	—	78,639	79,431

In March 2020, the Group issued warrants to subscribe for shares in the capital of the Group. In December 2021, the Group entered into a contract that has created an obligation on the Group to issue share warrants in the event of certain events occurring within a period of 4 years from the signing of the contract. These contracts meet the definition of a derivative and have been recognised as financial liability measured at fair value through profit or loss. The fair values of these derivatives are measured using Monte Carlo simulation valuation model, with any gain or loss on revaluation recognised in the statement of comprehensive income within the changes in fair value of financial instruments measured at FVTPL.

The fair values of warrant derivatives are based on Monte Carlo simulations, using market inputs and management's projections about future events. They are classified as level 3 fair values in the fair value hierarchy due to the use of unobservable inputs. Refer to note 31 within the consolidated financial statements for the additional disclosures.

In June 2023, the terms of the outstanding warrants relating to the March 2020 issuance were modified such that they were reclassified to equity. Refer to note 31 within the consolidated financial statements for further details.

5. Cash flow information

5.1 Cash generated from operations

	Notes	**2024** **£000**	2023[1] £000
Adjustments for non-cash items:			
– Impairment of investment in subsidiaries	7	**11,000**	—
– Change in fair value through profit or loss		**(389)**	302
– Interest expense on subordinated debt		**(2,669)**	3,817
– Interest income on subordinated debt		**2,731**	(3,817)
– EIR on subordinated debt		**70**	—
– Other non-cash items		**(47)**	1
Total adjustments for non-cash items		**10,696**	303
Changes in operating assets and liabilities:			
– Prepayments and accrued income		**7**	2
– Accruals		**1,018**	34
– Intercompany trading balances		**624**	18
– Other assets		**44**	1,316
– Other liabilities		**(2,834)**	2,948
Total changes in operating assets and liabilities		**(1,141)**	4,318

1. The 2023 financial statements have been restated to reflect an under-accrual of tax relating to the issuance of warrants.

6. Amounts due to and from other Group undertakings

Intercompany balances are repayable on demand.

2024	**Income £000**	**Expenditure £000**	**Amounts due from related parties £000**	**Amounts due to related parties £000**
Zopa Bank Limited – trading balances	**422**	**406**	**—**	**642**
Zopa Bank Limited – intercompany loan	**4**	**—**	**4**	**—**
Total	**426**	**406**	**4**	**642**

2023	Income £000	Expenditure £000	Amounts due from related parties £000	Amounts due to related parties £000
Zopa Bank Limited – trading balances	443	415	—	18
Zopa Bank Limited – intercompany loan	201	—	16	—
Zopa Embedded Finance – intercompany loan	—	—	4,500	—
Total	644	415	4,516	18

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

7. Investment in subsidiaries

Accounting policy & commentary

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

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

Throughout 2024 the Company had a 100% interest in the total ordinary share capital of Zopa Bank Limited, a trading company incorporated in the UK. The registered office for Zopa Bank Limited is 1st Floor, Cottons Centre, 47–49 Tooley Street, London, England, SE1 2QG. Individual financial statements for Zopa Bank Limited (company number 10627575) can be obtained from Companies House. All subsidiary undertakings are included in the consolidated financial statements.

On 18 January 2023, Zopa Embedded Finance (ZEF) was incorporated in which the Company had a 100% interest in the total ordinary share capital. The capital injection by the Company was used by ZEF to acquire the assets of Rematch Credit Limited, a prominent point-of-sale lender in the UK. This acquisition positions the Group to enhance its presence in the point-of-sale and embedded finance market. Refer to note 37 of the consolidated financial statements for further information.

On 1 June 2024, ZEF transferred via a cash consideration the trading assets and liabilities to Zopa Bank Limited. On 26 June 2024, ZEF then distributed to Zopa Group Limited its remaining balance in a form of cash dividend. After the distribution, an application was filed to the Companies House for the strike-off of ZEF. The investment in ZEF has been therefore fully impaired following the strike-off of the entity.

This transaction was accounted for as business combination under common control and did not impact the consolidated balances of the Group.

	Zopa Bank £000	Zopa Embedded Finance £000	Total £000
Balance at 1 January 2023	427,221	—	427,221
Share purchase	65,000	6,500	71,500
Capital contribution for share-based payments	976	—	976
Balance at 31 December 2023	493,197	6,500	499,697
Balance at 1 January 2024	**493,197**	**6,500**	**499,697**
Share purchase	**68,500**	**4,500**	**73,000**
Capital contribution for share-based payments	**2,645**	**—**	**2,645**
Impairment	**—**	**(11,000)**	**(11,000)**
Balance at 31 December 2024	**564,342**	**—**	**564,342**

8. Subordinated liabilities

	2024 £000	2023 £000
Fixed Rate Reset Subordinated Tier 2 Notes due 2033	**75,000**	75,000
Accrued interest	**816**	3,485
Total subordinated liabilities	**75,816**	78,485

The Company has issued £75 million of fixed rate reset subordinated Tier 2 notes in issuance (25 August 2023: £75 million). 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 Company 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.

On the same date of the issuance the Tier 2 notes, the Company used the proceeds to invest in the £75 million of fixed rate reset subordinated Tier 2 notes issued by Zopa Bank, its wholly-owned subsidiary. The terms of the Tier 2 notes issued by Zopa Bank closely replicate that of the Tier 2 notes issued by the Company. This investment is presented as Debt Securities in the statement of financial position.

9. Called-up share capital and share premium

Refer to note 28 within the consolidated financial statements, which reflects Zopa Group Limited's share capital and share premium.

10. Other reserves

	Share schemes £000	Merger reserve £000	Capital redemption reserve £000	Treasury shares £000	Warrant Reserve £000	Total £000
Balance as at 1 January 2024	**10,016**	**61,242**	**9**	**(59)**	**26,987**	**98,195**
Share options	**2,645**	**—**	**—**	**—**	**—**	**2,645**
Net movement in JSOP loans	**—**	**—**	**—**	**23**	**—**	**23**
Exercise/lapse of warrants	**—**	**—**	**—**	**—**	**(25,887)**	**(25,887)**
Balance as at 31 December 2024	**12,661**	**61,242**	**9**	**(36)**	**1,100**	**74,976**
Balance as at 1 January 2023	9,040	61,242	9	(61)	—	70,230
Share options	976	—	—	—	—	976
Net movement in JSOP loans	—	—	—	2	—	2
Warrants issuance	—	—	—	—	25,441	25,441
Transfer of warrants to equity	—	—	—	—	2,278	2,278
Exercise/lapse of warrants	—	—	—	—	(732)	(732)
Balance as at 31 December 2023	10,016	61,242	9	(59)	26,987	98,195

11. Related parties

Key management personnel

As at 31 December 2024, one executive director had an EMI loan outstanding for £150k (2023: £150k). Additionally, one (2023: two) executive director had a JSOP loan for £4k (2023: £46k). These loans were used solely to exercise share options and the shares issued are then subject to a call option until the loans are repaid.

During the financial year, two executive directors purchased 54,478 shares in the Group totalling £275k (2023: nil).

In 2024, certain key management personnel sold a portion of their fully vested shares to the Zopa Group's Employee Benefit Trust totalling £4,625k, of which £2,400k relates to executive directors. Associated with this event, the Group has a payable due to the Employee Benefit Trust totalling £31k for the nominal value of the shares.

Other transactions with related parties

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

On 10 February 2022, Zopa Group Limited sold Zopa Limited to Plata Holdings UK Limited ("Plata"), an affiliate of IAG Silverstripe Partners LLC. This is disclosed in the below table.

The Group has outstanding subordinated liabilities with IAG Silverstripe Partners LLC amounting to £75,816k which is disclosed within note 8 (2023 £78,485k).

2024	**Income £000**	**Expenditure £000**	**Amounts due from related parties £000**	**Amounts due to related parties £000**
Amount payable to the ZGL Employee Benefit Trust	—	—	—	31
Dividend income – Zopa Embedded Finance Limited	6,011	—	—	—

2023	Income £000	Expenditure £000	Amounts due from related parties £000	Amounts due to related parties £000
Amount payable to Plata Finance Limited	—	—	—	154

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

12. Fair value of financial instruments

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 other banks	**567**	**567**	—	—	**567**
Subordinated asset	**76,086**	—	**76,644**	—	**76,644**
Amounts due from other Group undertakings	**4**	—	—	**4**	**4**
Other assets	—	—	—	—	—
Total financial assets	**76,657**	**567**	**76,644**	**4**	**77,215**
Derivatives financial instruments	90	—	—	90	90
Subordinated liabilities	**75,816**	—	**76,644**	—	**76,644**
Other liabilities	**109**	—	—	**109**	**109**
Total financial liabilities	**76,015**	—	**76,644**	**199**	**76,843**

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 other banks	1,075	1,075	—	—	1,075
Subordinated asset	78,817	—	78,371	—	78,371
Amounts due from other Group undertakings	4,516	—	—	4,516	4,516
Other assets	43	—	—	43	43
Total financial assets	84,451	1,075	78,371	4,559	84,005
Derivatives financial instruments	792	—	—	792	792
Subordinated liabilities	78,485	—	78,293	—	78,293
Other liabilities	154	—	—	154	154
Total financial liabilities	79,431	—	78,293	946	79,239

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

- Cash and balances with other banks – These represent either amounts with an initial maturity of less than three months or longer-term variable rate deposits placed with banks, where adjustments to fair value in respect of the credit risk of the counterparty are not considered necessary. Accordingly, the carrying value of the assets is considered to not be materially different from their fair value;
- Other liabilities – These represent short term payables and as such, their carrying value is not considered to be materially different from their fair value;
- Derivative financial liabilities – These represent warrant derivatives which are valued using Monte Carlo simulations. The most significant inputs are the simulated share price of the Group and volatility inputs and are not based on observable market data.
- Subordinated liabilities and Debt securities - 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.

13. Ultimate controlling party

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 has no ultimate parent and controlling party as at 31 December 2023 and 2024.

14. Financial risk management

14.1 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.

14.1.1 Maximum and net exposure to credit risk

	On-balance sheet assets			**Off-balance sheet assets**				
	Gross balances	**Loss allowance**	**Net balance**	**Gross balances**	**Loss allowance**	**Net balance**	**Non-cash collateral**	**Net exposure**
2024	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Cash and balances with:								
– Other banks	**567**	**—**	**567**	**—**	**—**	**—**	**—**	**567**
Amounts due from other Group undertakings	**4**	**—**	**4**	**—**	**—**	**—**	**—**	**4**
Total	**571**	**—**	**571**	**—**	**—**	**—**	**—**	**571**

	On-balance sheet assets			Off-balance sheet assets				
	Gross balances	Loss allowance	Net balance	Gross balances	Loss allowance	Net balance	Non-cash collateral	Net exposure
2023	£000	£000	£000	£000	£000	£000	£000	£000
Cash and balances with:								
– Other banks	1,075	—	1,075	—	—	—	—	1,075
Debt securities	78,817	—	78,817	—	—	—	—	78,817
Amounts due from other Group undertakings	4,516	—	4,516	—	—	—	—	4,516
Total	84,408	—	84,408	—	—	—	—	84,408

14.2 Market risk

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

14.3 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.

14.3.1 Analysis of encumbered and unencumbered assets

The following table analyses 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.

	Encumbered assets		**Unencumbered assets**		
	Pledged as collateral	**Other**	**Available as collateral**	**Other**	**Total**
2024	**£000**	**£000**	**£000**	**£000**	**£000**
Cash and balances with:					
–Other banks	**—**	**—**	**567**	**—**	**567**
Non-financial assets	**—**	**—**	**—**	**641,012**	**641,012**
Total assets	**—**	**—**	**567**	**641,012**	**641,579**

	Encumbered assets		Unencumbered assets		
	Pledged as collateral	Other	Available as collateral	Other	Total
2023	£000	£000	£000	£000	£000
Cash and balances with:					
–Other banks	—	—	1,075	—	1,075
Debt securities	—	—	78,817	—	78,817
Non-financial assets	—	—	—	504,844	504,844
Total assets	—	—	79,892	504,844	584,736

14.3.2 Contractual maturity

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

2024	**Carrying value £000**	**Repayable on demand £000**	**Up to 3 months £000**	**3-6 months £000**	**6–12 months £000**	**1-5 years £000**	**Over 5 years £000**
Cash and balances with:							
– Other banks	**567**	**567**	**—**	**—**	**—**	**—**	**—**
Amounts due from other Group undertakings	**4**	**—**	**4**	**—**	**—**	**—**	**—**
Debt securities	**76,086**	**—**	**2,663**	**2,693**	**5,444**	**103,642**	**—**
Total assets	**76,657**	**567**	**2,667**	**2,693**	**5,444**	**103,642**	**—**
Derivative financial instruments	**90**	**—**	**—**	**—**	**—**	**90**	**—**
Amounts due to other Group undertakings	**642**	**642**	**—**	**—**	**—**	**—**	**—**
Subordinated liabilities	**75,816**	**—**	**2,663**	**2,693**	**5,444**	**103,642**	**—**
Other liabilities[1]	**109**	**—**	**109**	**—**	**—**	**—**	**—**
Total liabilities	**76,657**	**642**	**2,772**	**2,693**	**5,444**	**103,732**	**—**
Liquidity gap	**—**	**(75)**	**(105)**	**—**	**—**	**(90)**	**—**
Cumulative liquidity gap	**—**	**(75)**	**(105)**	**(180)**	**(180)**	**(270)**	**(270)**

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
Cash and balances with:							
– Other banks	1,075	1,075	—	—	—	—	—
Amounts due from other Group undertakings	4,516	—	4,516	—	—	—	—
Debt securities	78,817	—	—	—	14,469	114,620	—
Other assets	43	—	43	—	—	—	—
Total assets	84,408	1,075	4,559	—	14,469	114,620	—
Derivative financial instruments	792	—	—	—	—	792	—
Amounts due to other Group undertakings	18	18	—	—	—	—	—
Subordinated liabilities	78,485	—	—	—	14,469	114,620	—
Other liabilities[1]	154	—	154	—	—	—	—
Total liabilities	79,449	18	154	—	14,469	115,412	—
Liquidity gap	4,959	1,057	4,405	—	—	(792)	—
Cumulative liquidity gap	4,959	1,057	5,462	5,462	5,462	4,670	4,670

1. Other liabilities includes supplier balances.

15. 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 28 February 2025.

The capital reduction resulted in the following changes to the Company's equity:

- Share premium was reduced from £534.4 million to £50.5 million.
- The amount reduced was transferred to retained earnings, increasing distributable reserves.
- 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 £10 million investment in March 2025 from new and existing investors.

ADDITIONAL INFORMATION (UNAUDITED)

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

In the reporting of financial information, we use certain measures that are not required under IFRS, the Generally Accepted Accounting Principles (GAAP) under which we report. These measures are consistent with those used by management to assess underlying performance. In addition, a number of non-IFRS metrics are calculated which are commonly used within the banking industry. Together these represent a range of financial key performance indicators used to assess performance of the business.

Cost of funds

Interest expense on deposits by 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 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.

	Notes	**2024** £m	2023 £m
Operating expenses	5	**111.6**	90.4
Less: share-based payments	6	**(2.6)**	(1.0)
Operating expenses excluding share-based payments		**109.0**	89.4
Net interest and fee and commission income	2,3	**280.5**	217.1
Cost to income ratio		**38.9%**	41.2%

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	9	**156.2**	122.8
Average gross loan and advances to customers		**2,952.2**	2,393.5
Cost of risk		**5.3%**	5.1%

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	24	**5,456**	3,357.7
Loan to deposit ratio		**53%**	74%

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	**280.2**	214.9
Average gross interest-bearing assets		**5,307.2**	4,018.9
Net interest margin		**5.3%**	5.3%

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	**2024** £m	2023 £m
Profit before tax		**28.8**	10.8
Add: Share-based payments	6	**2.6**	1.0
Profit before tax, excluding share-based payments		**31.4**	11.8

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	**280.2**	214.9
Fee and commission income	3	**14.7**	13.7
Net interest income on swaps		**7.3**	5.7
Other operating income		**2.1**	0.8
Total revenue		**304.3**	235.1
Total revenue growth		**29.4%**	34.2%

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 by 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 by customers divided by of average deposits by 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 & Advances to Customers.
Allowance for expected credit losses	Allowance for expected credit loss deducted from Loans & Advances to Customers.
Expected credit losses charge	Expected credit losses and other credit impairment charges (which includes write-offs and recoveries, net of collection costs but excluding debt sales) as reported in the Statement of Comprehensive Income.
Gross new lending (UPL and car finance loans)	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.
Loan to deposit ratio	Net loans and advances to customers expressed as a percentage of total deposits by customers.
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 30).
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.
Operating expenses	Operating expenses as reported in the Statement of Comprehensive Income.
Total deposits	Total deposits by customers as reported in the Statement of Financial Position.
Total equity	Total shareholders' equity as reported in the Statement of Financial Position.
Total loans & advances to customers	Total loans and advances to customers as reported in the Statement of Financial Position.
Total number of customers	Total customer numbers are defined as follows: • UPL & Car Finance: customers with a loan balance >£0 and their balance are not in default. • Credit Cards: customers with an open credit card and their balance are 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 & Tools: customers who are actively subscribed to Borrowing Power or have interacted with a 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. These forward-looking statements speak only as at the date on which they are made. Forward-looking statements are subject to risks, uncertainties and assumptions about the Company, its securities, investments and the environment in which it operates, including, among other things, the development of its business and strategy, any acquisitions, combinations, disposals or other corporate activity undertaken by the Company, trends in its operating industry, changes to customer behaviours, macroeconomic and/or geo-political factors including, but not limited to, the economic repercussions of the UK’s exit from the European Union and the Russia-Ukraine war, the direct and indirect impacts of the COVID-19 pandemic, changes to its Board and/or employee composition, exposures to terrorist activity, IT system failures and its impact on the Company’s business and operations, cybercrime, fraud and pension scheme liabilities, changes to law and/or the policies and practices of any governmental or regulatory authority, market-related risks including changes in inflation, deflation, interest rates and foreign exchange rates, changes in the liquidity, capital, funding and/or asset position and/or credit ratings of the Company, future capital expenditures of the Company, the repercussions of the UK’s exit from the EU (including any change to the UK’s currency), Eurozone instability, and any referendum on Scottish independence.

In light of these risks, uncertainties and assumptions, the events in the forward-looking statements may not occur. Forward-looking statements involve inherent risks and uncertainties. Other events not taken into account may occur and may significantly affect the analysis of the forward-looking statements. No member of the Company or their respective directors, officers, employees, agents, advisers or affiliates gives any assurance that any such projections or estimates will be realised or that actual returns or other results will not be materially lower than those set out in this document. All forward-looking statements should be viewed as hypothetical. No representation or warranty is made that any forward-looking statement will come to pass. No member of the Company or their respective directors, officers, employees, agents, advisers or affiliates undertakes any obligation to update or revise any such forward-looking statement following the publication of this document nor accepts any responsibility, liability or duty of care whatsoever for (whether in contract, tort or otherwise) or makes any representation or warranty, express or implied, as to the truth, fullness, fairness, accuracy, sufficiency or completeness of, the information in this document. The information, statements and opinions contained in this document do not constitute or form part of any advice, recommendation or guarantee about the future performance of the Company and should not be relied upon.