

zopa bank



The Home of Money

Zopa Bank Limited

Annual Report and Accounts 2025



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Key sections in this report

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Awards won by Zopa Bank in 2025:

Sunday Times: 100 Tech

Moneynet: **Personal Savings Provider of the Year**

Moneynet: **Best Regular Savings Provider**

Moneynet: **Best Savings App**

The Banker: **Top 100 Digital Banks 2025**

Sifted 100: **UK & Ireland**

Car Finance Awards: **Best Independent Lender (Bank Owned)**

British Bank Awards: **Best Credit Card Provider of the Year**

Fintech Awards London: **Fintech Scale-Up of the Year**

CNBC: **Top Global Fintechs**

CNBC: **Top UK Fintechs**



Personal Savings Provider of the Year



Best Savings App



Best Regular Savings Provider



Best credit card provider Winner 2025



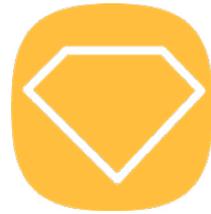
4.7 average score based on 31k reviews as at 31 December 2025.

Why we exist

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

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

Customers should feel the benefits of managing their finances with Zopa Bank, regardless of whether they have one product with us or many. However, as we grow, we want to help more people with more of their money needs. That's why we are creating a business where customers who do more with us see incremental benefits as the ease and value of our products build on and complement each other – building a deep and mutually beneficial relationship over time.



Valuable products

We build customer-centric products that provide tangible benefits.

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



Effortless experiences

We simplify banking journeys to eliminate complexity and frustration.



Deep relationships

We foster trust and long-term engagement with customers.

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

What's in this section

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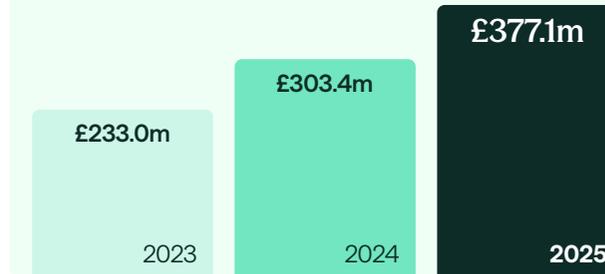
Strategic report

Zopa Bank at a glance

Profit before tax,
excluding share-based
payments and motor
finance redress costs^{1,2}



Total revenue¹



Total customers



Total operating
income



Net promoter score

75



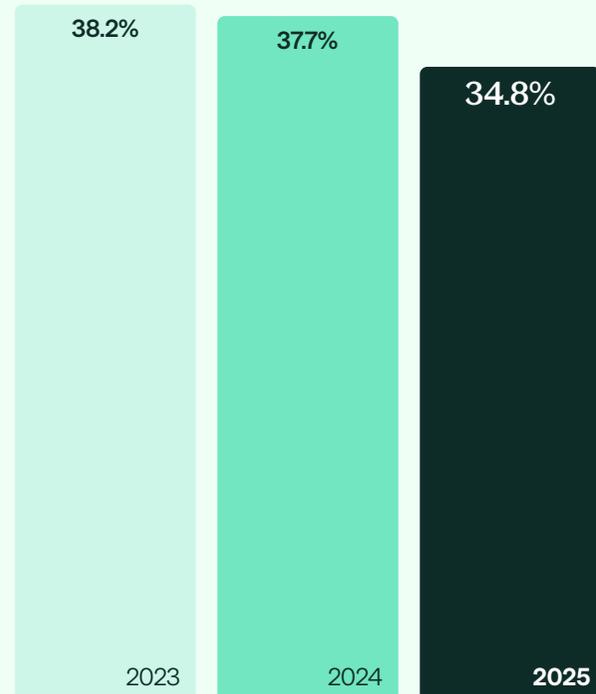
1. Refer to alternative performance measures on pages 172 and 173.

2. Share-based payments costs of £12.2m (2024: £2.6m) and motor finance redress costs of £7.9m (2024: £nil).



Zopa Bank at a glance continued

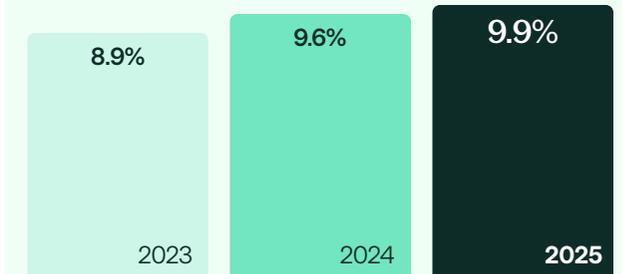
Cost-to-income ratio, excluding share-based payments¹



Gross new lending



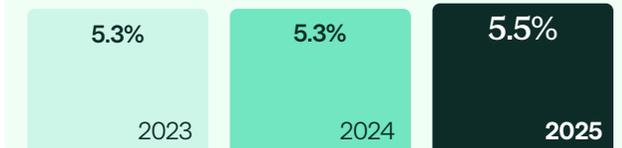
Lending net interest margin¹



Total deposits



Net interest margin¹



1. Refer to alternative performance measures on pages 172 and 173.

Our heritage

Zopa becomes the world's first peer-to-peer (P2P) lender to connect borrowers and investors.

2005

Zopa P2P is the first mainstream lender to deploy machine learning models for credit decisioning.



2015

Zopa P2P starts providing instant decisioning on digital aggregators.

2017



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

2020

Zopa Bank obtains its banking licence and launches motor finance, credit cards and savings, all on proprietary technology.



2021

Zopa Bank launches Smart Saver, an innovative easy access product, allowing savers to boost their pots to a term and an interest rate that works for them.

2022

Zopa Bank reaches full-year profitability for the first time.

Zopa Group acquires the lending business and technology assets of DivideBuy, and the Bank subsequently launches its point-of-sale lending product.

In savings, Zopa Bank launches Smart ISA, its cash ISA product, and new money management features in the Zopa Bank app.

2023

Zopa Bank launches its current account, Biscuit, as the best value current account in the UK, alongside launching Investments in beta, and integrating an AI voice assistant in the app.

Zopa Group acquires leading payments business, RVVUP, to accelerate growth in point-of-sale.

2025

Our products

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

Zopa serves the everyday person in the UK. We target the mass market. Our customers mirror the geographic spread of the UK population.

Typically aged
30+

Healthy
credit scores

Above median
incomes

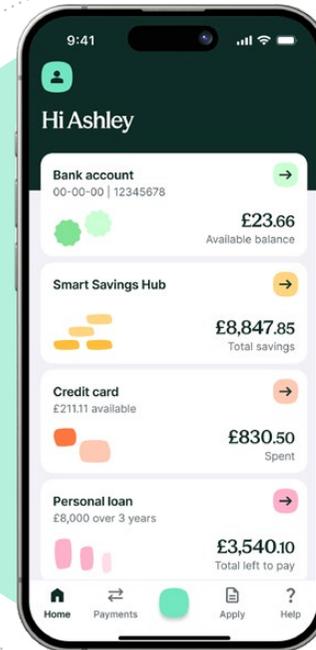
Majority
homeowners

Everyday banking

- Biscuit (current account)
- AI assistant

Borrow

- Unsecured personal loans
- Motor finance
- Credit cards
- Point-of-sale



Spending and payments

- Payments hub
- Debit card

Wealth

- Smart Saver
- Smart ISA
- Investments



Our products continued

Everyday banking

Biscuit (current account)

A fee-free current account built for everyday value, helping customers make more of their money. Biscuit rewards customers where it matters most: with cashback on bills, interest on balances and a linked Regular Saver. Simple to open, easy to manage and designed to make everyday banking much sweeter.

AI assistant

A voice-led feature that makes managing money feel more natural by removing friction from everyday banking. Customers can complete common actions, such as making payments simply by speaking, creating a faster and more intuitive experience.

Spending and payments

Payments hub

Powered by open banking, it enables customers to securely connect their external bank accounts, make instant payments between them, and automate regular transactions without cards or manual transfers, all within the app.

Debit card

A contactless debit card linked to Biscuit that enables customers to pay with confidence, supported by real-time balance updates and built-in security. Customers can manage their card directly in the app. Available on Google Pay and Apple Pay.

Wealth

Smart Saver

Bringing together easy access, notice accounts and fixed-term pots in one simple place. Smart Saver gives customers the flexibility to choose how and when they save. Designed to suit different needs, it helps customers grow their savings with clarity and control.

Smart ISA

A flexible cash ISA that makes it easy for customers to grow their savings tax efficiently. Customers can choose between instant access or a fixed-term pot, depending on their goals and time horizon.

Investments

Designed for a new generation of first-time investors. The Bank's Investments proposition makes it easy to get started without the usual complexity. Customers can choose between just two funds, Balanced or Bold, to match their comfort with risk while investing with clarity and peace of mind.

Borrow

Unsecured personal loans

The oldest and largest product, focused on the everyday borrower, provides pre-approved and guaranteed rates with fast disbursements, making borrowing easy and straightforward.

Motor finance

Focused on used cars, secured against the vehicle, spreading the cost of finance using hire purchase (HP) and personal contract purchase (PCP).

Credit cards

Designed to meet the needs of everyday spenders, with transparency on terms such as acceptance, rate and credit limit. Built to help customers stay in control, with helpful features such as Credit Cushion.

Point-of-sale

Offering both interest-free and interest-bearing credit at checkout for merchants and customers, focused on higher average order value segments.

Chair's statement



Gordon McCallum
Chair of the Board

“In 2025, the Bank marked its fifth anniversary, maintaining its strong growth trajectory. It has now been over 20 years since the establishment of the original Zopa proposition to help customers manage and grow their money and this remains core to everything we do.”

The Bank delivered another year of strong growth and profitability, with continued expansion across borrowing and savings, while nearly doubling underlying profit before tax. Customer numbers and revenues have grown consistently year-on-year, reflecting the continued relevance of our proposition and the trust that customers place in us.

Over the year, UK inflation continued to moderate and interest rates entered a cautious easing cycle, although unemployment increased and economic growth remained subdued. Against this backdrop, the Bank delivered strong growth and maintained stable margins as the base rate reduced, demonstrating resilience in a lower interest rate environment.

The Board was encouraged by the sustained strength of the Bank's performance and by the progress made in building the 'Home of Money' – a simpler, fairer way for customers to manage their finances in one place. This progress included the launch of the Bank's current account, Biscuit, marking an important milestone in extending Zopa's proposition into everyday banking and supporting the longer-term ambition to become more central to customers' financial lives. Initial take-up of Biscuit has exceeded our expectations, and we are excited about its ability to enhance our customer relationships. Additional capability was acquired in August 2025 with Zopa Group's purchase of RVVUP Ltd, a payments platform that operates alongside the Bank within the Group. RVVUP adds merchant payment capabilities and supports the future development and growth of point-of-sale financing and buy-now-pay-later products.

In 2025, we continued to ensure that the Bank maintains an appropriate level of capital to support its growth, reflecting regulatory requirements. During the year, Zopa completed two important transactions. In May, Zopa Group issued £80m of listed Additional Tier 1 (AT1) capital, with equivalent capital downstreamed into the Bank on the same basis. This strengthened the Bank's capital position, with the transaction attracting strong interest and support from debt investors. The Group also completed the public listing of its existing Tier 2 capital instrument, providing benefits for future access to this type of funding.

The Board closely monitored developments relating to the Financial Conduct Authority's (FCA) industry-wide review of historic motor finance commission arrangements. In October 2025, the FCA published a consultation setting out proposals for a potential redress scheme. While uncertainty remains regarding the final scope and mechanics of any scheme, the Board has overseen a prudent assessment of the Bank's potential exposure based on current indications. Zopa Bank's motor finance exposure is limited relative to the wider market, and in its 2025 financial results, the Bank has recognised a provision of £7.9m, including potential costs associated with managing any redress based on the FCA's latest position.

Chair's statement continued

The Board remains concerned that aspects of the proposed approach may disproportionately impact Zopa. In particular, the Bank entered the market with very competitive customer interest rates while paying market-standard commissions. The methodology proposed by the FCA appears to penalise this approach. In addition, in its 2021 ruling, the FCA had previously indicated that practices could differ between dealers and secondary brokers, due to a lack of evidence of customer harm in the latter. This distinction has been removed in the rules published for consultation. Zopa remains active in this segment of the market in the belief that it fulfils the Bank's mission of meeting our customers' needs in a fair and transparent way. Further details are set out in the financial review and in note 27.

During the year, the Bank accelerated its adoption and rollout of artificial intelligence (AI) tools, and the Board paid close attention to developments in this area. The use of AI is central to the Bank's strategy, and early adoption – both internally and through the rollout of the AI assistant for customers – reflects a continued commitment to innovation. The Board also endorsed the launch of Jobs 2030, a five-year commitment to help reskill up to 100,000 banking workers in AI-related disciplines by 2030. This initiative reflects the belief that innovation must be accompanied by responsibility and that financial services have an important role to play in supporting the future workforce.

Over the year, the Bank continued to evolve its Board composition and governance arrangements. Giles Andrews stepped down from the Board, and I would like to express our sincere thanks for his pivotal role in Zopa's history – as founder, former CEO and Chair, and most recently Non-Executive Director – and for his very significant contributions over many years.

There were also changes to investor representation, with Chris Jones stepping down and Max Ohrstrand joining the Board, replacing Marina Troshina. We thank Chris and Marina for their contributions and warmly welcome Max.

Looking ahead to 2026, we remain confident in the Bank's strategy and operating model. With a growing multi-product customer base, the Bank is well placed to continue delivering sustainable growth, while maintaining a disciplined focus on profitability and customer outcomes.

On behalf of the Board, I would like to thank all Zopians for their dedication and hard work in building and growing the Bank. I would also like to thank my fellow Board members for their continued oversight and our investors for their ongoing support as we progress towards our ambition of building the Home of Money.

Gordon McCallum
Chair of the Board

12 March 2026





Chief Executive Officer's letter



Jaidev Janardana
Chief Executive Officer

“We have built the UK’s best place to borrow and save, delivering ease and value to our customers through technology-led innovation.

In 2025, we reached an important milestone, marking our entry into everyday banking with the launch of Biscuit, our new current account.”

Purpose and progress

At Zopa, we are creating a bank that makes customers feel at home with their finances. Since launching the bank, we have focused relentlessly on creating an ecosystem that brings ease and value together, powered by technology and designed around unmet customer needs.

In pursuit of this purpose, we have built the UK’s leading digital platform for borrowing and savings. Through sustained innovation, we continue to combine valuable products with effortless experiences, enabling customers to save time, money and make better financial decisions.

In 2025, we further built our product ecosystem, including the launch of Biscuit, our current account. As a result, we now offer one of the broadest digital banking propositions at scale in the UK.

Our multi-product proposition drove strong growth through 2025, reaching 1.7 million customers and nearly doubling underlying profitability¹ to £65.0m.

Profitable growth in our core markets

Our profitability was underpinned by the ongoing strong performance of our borrowing and savings products.

Customers continued to appreciate the speed, certainty and value offered by our lending products. As a result, gross loans on our balance sheet have increased by 23% year-on-year to £3.8bn. In savings, sustained customer trust, combined with the simplicity and breadth of our offerings, has contributed to growth in customer deposits to £6.4bn.

This performance was delivered against a challenging macro environment, with rising unemployment and customers feeling the pinch of cost-of-living pressures. Given this backdrop, it was essential for us to maintain our focus on responsible lending. Owing to ongoing improvements in our credit modelling and a more cautious approach to underwriting, our cost of risk dropped from 5.3% to 4.9% in 2025. Additionally, we launched products such as motor refinancing that helped customers lower their cost of borrowing.

To strengthen our market-leading point-of-sale business, the Group acquired RVVUP, a payments platform, giving merchants more payment options.

Transforming everyday banking

In 2025, we extended the experience and value we provide to our customers’ everyday banking needs.

In June, we launched Biscuit, our current account proposition – as trustworthy as high street banks and as easy as neobanks – but better value than both. Our current account is fee-free and is built around the features that matter most to customers: in-credit interest on balances, meaningful cashback on Direct Debit bills and access to a highly competitive Regular Saver.

1. Profit before tax, excluding share-based payments and motor finance redress costs.



Chief Executive Officer's letter continued

Transforming everyday banking continued

Additionally, we have enriched our wealth proposition with the introduction of Investments in December. We know that most of our savers have sufficient funds to invest but lack the confidence to get started. Our ambition is to remove this barrier and make investing feel accessible, intuitive and aligned with long-term financial wellbeing.

Zopa now plays a much bigger role in customers' lives, solving almost all their needs in one place. Conscious of this responsibility, we have been investing in ways to make the interaction more effortless. With the launch of our AI assistant, our customers can now make payments and manage their accounts using just their voice. Over time, we will expand these capabilities further, evolving the AI assistant into a personalised financial concierge, supporting customers in making better decisions across their financial lives.

Deepening customer relationships

As we enhance our offerings, customers are increasingly selecting Zopa to meet a greater range of their financial needs. Despite limited investment in brand marketing, more than 500,000 gross new customers chose Zopa last year. Additionally, over one in four customers now hold multiple products with us. Unlike much of the industry, we place significant emphasis on rewarding loyalty, and the deepening of customer relationships has been the strongest indicator of our progress towards establishing the Home of Money.

Operating leverage: scaling through technology and artificial intelligence

Outstanding customer service, whether provided by humans or digital channels, has enabled us to sustain our market-leading net promoter score over recent years. Our customers strive to meet their needs quickly and engage with a Zopa agent when it is important. Following this philosophy, and by leveraging artificial intelligence (AI) advancements, we have significantly transformed the way we serve our customers.

In 2025, we have significantly enhanced our self-serve journeys through our AI-driven chatbots, increasing our instant digital servicing rate as well as customer satisfaction. With the launch of our current account, we have implemented AI tools to combat fraud and financial crime, deploying biometrics, smart transaction alerts and AI-driven fake ID detection to protect customers and the integrity of our platform.

Internally, AI is supporting productivity gains across the organisation. More than 85% of our people now use AI tools in their day-to-day work, with a growing number of custom-internal GPTs accelerating specific tasks, particularly in operations.

Enabling our performance

Our strong performance is underpinned by our people and culture. We made significant investments through the opening of two new offices in 2025 as we welcomed over 300 new Zopians to the Bank. In July, we opened a new office in Manchester. In November 2025, we relocated our London office to Canary Wharf, nearly doubling our office footprint and providing a significant upgrade to how our people work. Together, these underscore our commitment to driving growth and employment in the UK, and support our ambition to attract, develop and retain the best talent. We are proud to be ranked eighth in the UK's Top 100 Most Loved Workplaces in 2025.

Looking ahead

I would like to thank our Zopians for their continued commitment and hard work across the year, as well as our investors and the Board for their ongoing support.

For our customers, 2025 was a pivotal year, marking our entry into everyday banking. While we have made significant progress, we firmly believe that much bigger opportunities lie ahead as we pursue our purpose to create the Home of Money for our customers.

Jaidev Janardana
Chief Executive Officer

12 March 2026

Our business model and strategy

Our business model and strategy are designed to provide ease and value to our customers for all their financial needs, in one place.

Creating the Home of Money

At Zopa, our purpose is to create the Home of Money – a bank that makes customers feel at home with their finances.

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

In 2025, we entered everyday banking, with the launch of Biscuit, our award-winning current account, providing the best everyday value for people in the UK. Alongside this, we introduced an Investments product, to support first-time investors, including many of our existing savers.

Through this expansion, we have built one of the UK's broadest digital banking propositions at scale. All our products and services provide great value effortlessly, while delivering strong unit economics.

As a result, we are building deeper relationships with our customers, while driving profitable growth for our shareholders.

Penetrating large markets

The UK lending market is substantial, worth over £200bn in stock across our borrowing segments. Our addressable savings market is worth £1.9tn, while the launch of Biscuit extends our reach to a further £250bn of current account balances. In addition, our entry into Investments allows us to target £470bn of assets under administration in the UK's direct-to-consumer investing market.

Collectively, these markets represent an estimated £50bn revenue pool for incumbent banks, underlying the significant headroom for growth across all our target segments, as customers seek better value and experiences.

Our capabilities

Our competitive position in the UK is underpinned by three deeply differentiated capabilities: a customer-centric culture, lending and data expertise, and the use of cutting-edge technology. Together, these capabilities create an exceptional digital experience to help customers achieve their financial goals.





Our business model and strategy continued

Our capabilities continued

Customer-centric culture

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

In borrowing, we demonstrate our customer-centric culture by offering ease through pre-approved, guaranteed rate loans. In addition, we offer value by ensuring those loan rates are competitive. In 2025, we responded to customer needs in a falling rate environment by launching a motor refinancing product.

In savings, we provide value by offering highly competitive rates, delivering more interest to our customers than they would earn with other providers.

In 2025, we launched our Biscuit current account. Biscuit provides the best value fee-free current account in the UK and is top rated by MoneySavingExpert for cashback, perks and regular savings. Alongside this, our in-app AI assistant makes managing money easier than ever before and removes friction for our customers during everyday banking journeys.

We measure our customer-centric culture predominantly through net promoter score (NPS); this continues to achieve a leading score among our peers.

Lending and data expertise

Unlike other neobanks, we can leverage our long lending history and rich through-the-cycle data, spanning the 2008 global financial crisis, the COVID-19 pandemic and, more recently, the cost-of-living crisis.

In 2015, Zopa Group became the first mainstream lender to deploy machine learning models for credit decisioning. We continue to train these models on our proprietary historical data, further improving them. We combine the models with our people's deep experience in consumer credit to optimise our commercial strategy and scorecards. This rich organisational experience has enabled disciplined growth while preserving asset quality.

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

Use of cutting-edge technology

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

We continue to be at the forefront of new technologies, heavily investing in AI both internally for our staff and externally for our customers. In 2025, we made strong progress in applying AI across operations, improving efficiencies and delivering better customer outcomes, while maintaining high customer satisfaction scores. Over the year, wider adoption of AI across the organisation has also driven higher quality and productivity.

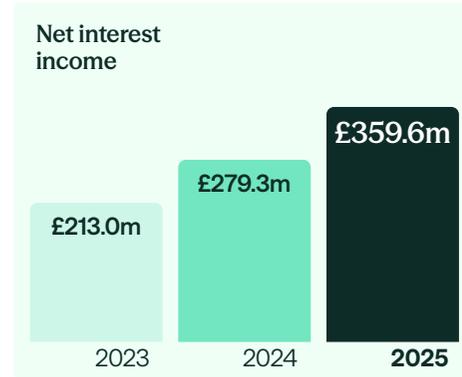
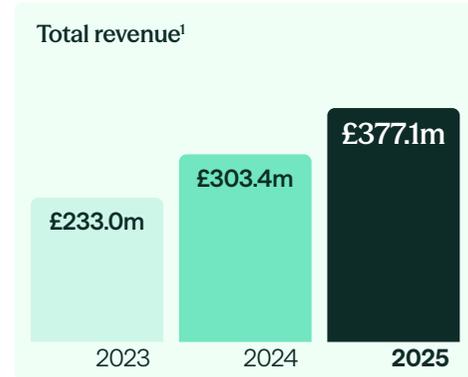
Our digital platform, with no physical branches and a modern technology stack, means we benefit from a lean cost base as we scale, enabling us to operate with a best-in-class cost-to-income ratio for the neobank sector.



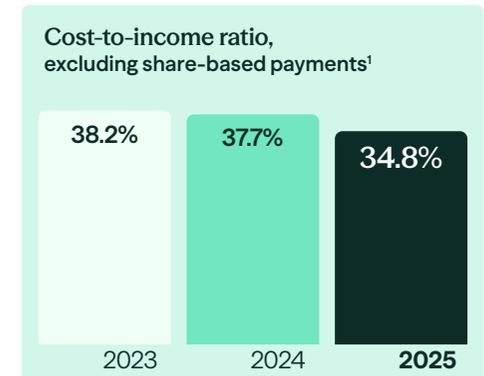
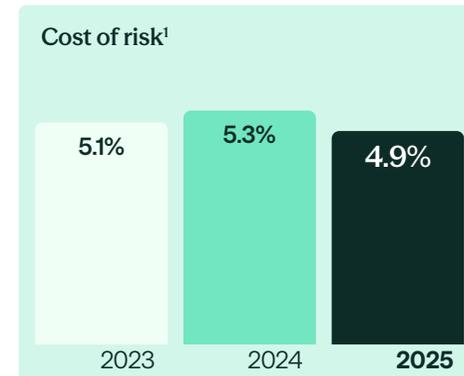
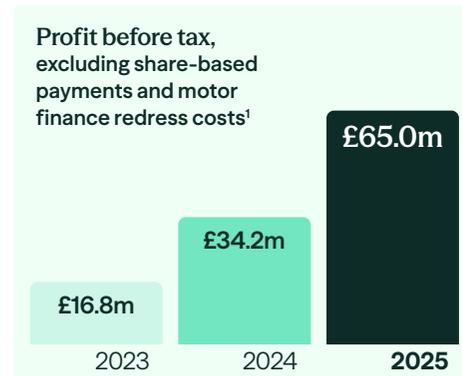
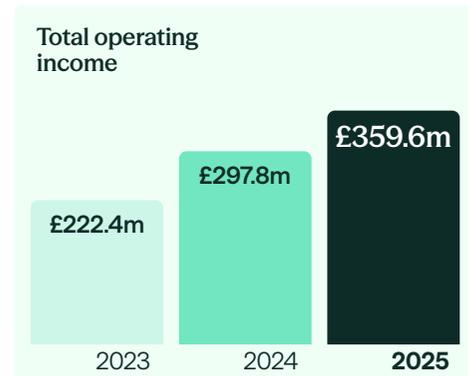
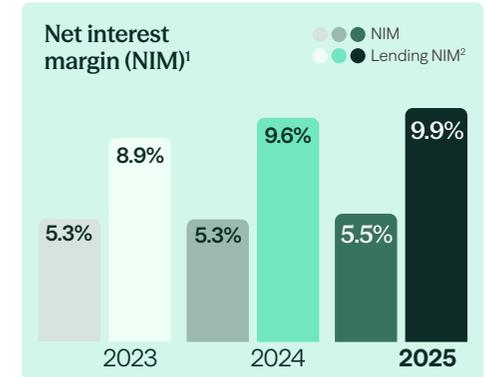
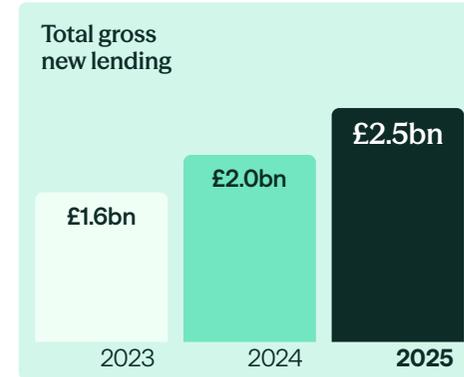
Financial review

Key performance indicators

Income statement metrics



General performance metrics



1. Refer to alternative performance measures on pages 172 and 173.

2. Lending net interest margin, more detail is provided in the Financial Review.



Financial review continued



Steve Hulme
Chief Financial Officer

“We delivered significant growth in profitability, supported by our continued customer expansion and product innovation. Zopa Bank reached £65.0m underlying profit before tax, up 90% year-on-year.”

2025 saw the Bank continue to deliver on our ambition to create the Home of Money for increasing numbers of customers. Our total customer numbers passed 1.7 million, up 21% year-on-year. Gross loans on the Bank’s balance sheet increased by 23% to £3.8bn, and our total savings balances grew to £6.4bn. This enabled revenue¹ growth of 24% to £377m, with moderately higher interest margins compared to 2024, accompanied by stable credit risk.

This increasing scale was delivered with improving efficiency. Our cost-to-income ratio, excluding share-based payments, remained best-in-class relative to our closest neobank peers, falling by 2.9 percentage points (ppt) to 34.8%. Taken together, these factors drove an increase of underlying profit to £65.0m, an increase of 90% over 2024, and continues our track record of improving profitability every year since our Bank launch back in 2020.

Profitability

Underlying profit before tax increased to £65.0m

	2025	2024	2023	24–25 change
Net operating income	£222.6m	£189.8m	£139.2m	17%
Underlying profit before tax (excluding share-based payments and motor finance redress costs)	£65.0m	£34.2m	£16.8m	90%
Profit before tax (excluding share-based payments) ¹	£57.1m	£34.2m	£16.8m	67%
Statutory profit before tax	£44.9m	£31.6m	£15.8m	42%
Taxation	(£11.5m)	(£9.8m)	£23.1m	17%
Statutory profit after tax	£33.4m	£21.8m	£38.9m	53%

1. Share-based payments costs of £12.2m (2024: £2.6m).



Financial review continued

Profitability continued

Motor finance redress

During the year, the FCA announced its intention to introduce an industry-wide redress scheme in relation to historical motor finance discretionary commission arrangements. At the date of this report, based on the FCA's announcement, we expect the redress rules to be finalised by the end of March 2026. We then expect the scheme to open for claims from mid-2026, with compensation started thereafter. We wish to support fair outcomes for customers and have engaged constructively with the regulator. We are concerned that aspects of the proposed approach may disproportionately impact us. In particular, the Bank entered the market with very competitive customer interest rates while paying market-standard commissions. The methodology proposed by the FCA appears to penalise this approach. In addition, in its 2021 ruling, the FCA had previously indicated that practices could differ between dealers and secondary brokers, due to a lack of evidence of customer harm in the latter. This distinction has been removed in the rules published for consultation.

While Zopa has been offering motor finance since late 2017, scaling for Bank launch in 2020, it has only been a gradually growing part of our overall lending portfolio. In 2025, the Bank recognised a year-end provision of £7.9m, noting this is subject to final clarification of the redress rules by the regulator. This includes expected operational costs to manage the redress scheme based on the FCA's proposed approach. The total £7.9m provision has been included within our change in provisions for other liabilities and charges on the statement of comprehensive income. As it is considered an exceptional charge, it has been excluded from our underlying profit before tax performance metric. More detail has been provided in note 27 to the financial statements.

Share-based payments

Consistent with the approach taken in 2024 for presenting underlying profitability metrics, we separate out share-based payments and exclude them from underlying profit, because the expense is a highly volatile number due to the accounting requirements of International Financial Reporting Standards (IFRS) 2. In 2025, a new management incentive programme was approved by the Board and implemented, featuring the granting of certain types of awards to management that equally vest over a five year period. IFRS 2 accounting results in significant front-loading of the overall lifetime expense for share-based payments awards, and hence does not match well with the period over which management receives the potential benefit from or provide the service linked to the awards. As a result of the new award programme, the total charge in 2025 was £12.2m compared to £2.6m in 2024. More detail on share-based payments can be found in note 6 to the financial statements.

Overall business performance

Gross lending

	2025	2024	2023	24-25 change
Gross loans and advances to customers	£3.8bn	£3.1bn	£2.7bn	23%

We continue to operate the broadest lending offering of any neobank in the UK, providing flexibility for customers looking to borrow. Our gross loans and advances to customers include all our lending products: unsecured personal loans (UPLs), motor finance, credit cards and point-of-sale (PoS) lending. We grew gross loans to £3.8bn, driven by year-on-year growth of 24% in gross new lending – which reached £2.5bn in 2025 – as we continued to deliver strong open market growth alongside diversifying our distribution, with more existing customers choosing to borrow from us.

UPLs continue to be our largest lending product by loan balances, while credit cards remain our largest by customer numbers.

Customer deposits

	2025	2024	2023	24-25 change
Customer deposit balances	£6.4bn	£5.5bn	£3.4bn	17%
Cost of funds	4.0%	4.6%	3.7%	(0.6ppt)
Loan-to-deposit ratio	54.8%	52.5%	73.8%	2.3ppt

In 2025, we continued to offer a broad and flexible range of savings products designed to meet different needs and help customers build better savings habits. Our savings products include easy access, notice accounts, fixed-term and ISA accounts, with deposit balances also held by customers in our newly launched current account, Biscuit. We also maintain diversification and flexibility using savings partnerships.

Competition in the savings market was higher in 2025 than in 2024, particularly from non-bank players and personal finance management apps. However, central to our balance growth is the fact that customers continue to choose us for our combination of value, simplicity and security. With the launch of the Biscuit current account, we also provided attractive rates through a current account-linked Regular Saver proposition, as well as other enhanced rate offers. Overall, our diverse product set and well-priced savings products enabled growth of 17% in total deposit balances in 2025, with the total now at £6.4bn in 2025.



Financial review continued

Overall business performance continued

Customer deposits continued

Our cost of funding benefited from a modest easing of interest rates by the Bank of England. During the year, we continued to earn a positive spread on excess savings through the Bank of England reserve account and other high-quality liquid assets. Since our current accounts only launched publicly in June, these balances are small relative to the total and thus have limited impact on our cost of funding.

Over the longer term, we expect current account balances to increase and contribute to a structurally lower cost of funding base.

Revenue and total operating income

Total revenue grew by 24% and total operating income grew by 21%

	2025	2024	2023	24–25 change
Interest income	£599.0m	£503.8m	£350.0m	19%
Interest expense	(£239.3m)	(£224.5m)	(£137.0m)	7%
Net interest income	£359.7m	£279.3m	£213.0m	29%
Fee and commission income	£15.2m	£14.3m	£13.0m	6%
Fee and commission expense	(£16.6m)	(£14.0m)	(£10.7m)	19%
Net fee and commission (expense)/income	(£1.4m)	£0.3m	£2.3m	(546%)
Total revenue	£377.1m	£303.4m	£233.0m	24%
Total operating income	£359.6m	£297.8m	£222.4m	21%
Net interest margin (NIM)	5.5%	5.3%	5.3%	0.2ppt
Lending net interest margin (Lending NIM)	9.9%	9.6%	8.9%	0.3ppt

In 2025, we saw continued growth in customers' borrowing and saving with us, increasing our overall revenue by 24% and total operating income by 21%. Most of our interest income was derived from interest charged on customer loans, with fee income from areas such as interchange income. Our strong savings performance also contributes to our income through earning a positive spread on excess savings. These are mostly held as cash balances at the Bank of England or invested in other high-quality liquid assets (HQLAs). These treasury-related investments provide additional income above our cost of funding.

In this report, we have introduced a new metric called the lending net interest margin (lending NIM). We also show this metric on an equivalent basis for historical years. Internally, this is included in our balanced scorecard and is an important metric monitored by management. We assess our performance through both NIM, which is based on all interest-bearing assets as the denominator, as well as lending NIM, which only has lending assets as the denominator. Lending NIM provides more clarity on our lending performance, as it excludes the effect of holding additional cash through excess savings. We define lending NIM as: (Net interest income on lending assets minus net Tier 2 expense)/Average gross loans. For more information on how these metrics are calculated, see page 173.

The NIM (based on all interest-bearing assets, including liquid assets) rose slightly year-on-year to 5.5% and is an important indicator of how efficiently we generate income from our whole balance sheet, while continuing to offer competitive rates and fair value to customers. In 2025, our lending NIM was 9.9%, moderately increasing from 2024 levels and continuing to demonstrate the strength of our lending capabilities, since the lending NIM achieved provides significant returns to the bottom line after deducting our credit risk expense.

Cost-to-income ratio

Cost-to-income ratio fell to 34.8%, a leading ratio among fintech peers

	2025	2024	2023	24–25 change
Operating expenses (excluding share-based payments)	£124.8m	£105.4m	£82.3m	18%
Net interest, fee and commission income	£358.2m	£279.7m	£215.3m	28%
Cost-to-income ratio (excluding share-based payments)	34.8%	37.7%	38.2%	(2.9ppt)

We continued to maintain our leading cost-to-income ratio with a further reduction in 2025. This was despite investment in building, launching and scaling our current account product. Marketing spend for our Biscuit current account launch in 2025 was limited, helping to support slow growth in overheads, as we focused on attracting new customers by offering the best value possible. Headcount growth in 2025 was maintained at levels well below our customer and revenue growth, being predominantly related to launching and scaling our current account product as well as other new products and initiatives.



Financial review continued

Cost-to-income ratio continued

Cost-to-income ratio fell to 34.8%, a leading ratio among fintech peers continued

In 2025, we made changes to our location strategy. We opened a new office location in Manchester, enabling us to scale our employee base more flexibly and efficiently as we grow. We also relocated our London office to a brand-new larger office in Canary Wharf, achieving cost neutrality by square foot of space, while providing a more productive environment for our employees. Our London move also significantly improved the environmental sustainability of our workspaces, as noted in the climate-related financial disclosures.

Elsewhere, we have continued to optimise our use of outsourcing in Operations and have worked to achieve further efficiencies in our third-party supplier costs. Our pace of AI deployment increased significantly, with our Operations team doubling the rate of customer self-serve, with a rapid increase in the proportion of customer queries being solved by our AI chatbot. Overall, these efficiencies allow us to reinvest in better service, faster decisioning and improved digital experiences for customers.

Expected credit losses (ECL)

Cost of risk reduced by 0.4ppt to 4.9%

	2025	2024	2023	24–25 change
ECL charge	£167.5m	£156.2m	£122.8m	7%
ECL allowance	£268.9m	£201.5m	£174.4m	33%
Coverage ratio	7.0%	6.4%	6.5%	0.6ppt
Cost of risk ¹	4.9%	5.3%	5.1%	(0.4ppt)

Accounting rules require us to recognise an expected credit loss (ECL) of 12 months at the point a customer takes a loan with us. We then recognise a full lifetime impairment if significant credit deterioration from that point onwards is observed. Our key measure of credit performance is our coverage ratio, which assesses our total expected credit losses allowance as a percentage of total gross loans and advances to customers. In 2025, we continued to further develop our advanced credit underwriting, deploying our latest iteration of machine learning underwriting models to support strong performance. Overall credit performance saw improvement further supported by a maturing loan book and disciplined underwriting through what was an uncertain economic outlook.

1. Refer to alternative performance measures on pages 172 and 173.

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

Our cost of risk metric noted above is based on the ECL charge from the statement of comprehensive income. This number excludes the gain on sale we achieved from the debt sale of credit-impaired loans, which is separately presented within the net gains on derecognition of financial assets measured at amortised cost line item (note 4). Our credit management and recovery process includes the sale of defaulted loan balances. Therefore, incorporating the gain or loss from these credit-impaired loan sales provides a more accurate representation of overall credit performance. The gain on the sale of credit-impaired loans was £3.3m in 2025, and with this benefit included, our cost of risk for 2025 would be 4.8% (2024: 5.1%).

We remain well positioned in terms of our overall provision levels with a coverage ratio of 7.0%. This increased over 2024, with the prior year being reduced by a debt sale of defaulted loans in credit cards. Accounting for this impact, our underlying coverage ratio has remained broadly stable year-on-year.

Capital

Additional Tier 1 (AT1) raise and ongoing profitability supports strong capital position

	2025	2024	2023	24–25 change
Risk-weighted assets (RWAs)	£3,364.4m	£2,670.5m	£2,205.3m	26%
Overall capital ratio	19.1%	19.6%	19.9%	(0.5ppt)
Common Equity Tier 1 (CET1) ratio	14.5%	16.8%	16.5%	(2.3ppt)
Leverage ratio ²	11.4%	13.0%	13.5%	(1.6ppt)

In May 2025, Zopa Group completed its £80m inaugural issuance of listed AT1 capital, further optimising capital structure and strengthening our regulatory capital position without diluting Group shareholders. Of the £80m, the full amount after costs was downstreamed into the Bank with an equivalent AT1 instrument on the same terms. We pay a periodic interest coupon on the AT1 securities, and this is accounted for as a dividend payment, recorded as a direct deduction in equity on the balance sheet.



Financial review continued

Capital continued

Additional Tier 1 (AT1) raise and ongoing profitability supports strong capital position continued

Overall, our regulatory capital position remained very strong throughout the year, with our increasing profitability and AT1 injection supporting the significant growth in RWAs. At the end of 2025, the overall capital ratio stood at 19.1% (2024: 19.6%), which includes CET1, AT1 and Tier 2 capital. Our CET1 ratio remained strong but fell year-on-year following a successful capital raise in Q4 2024.

In order to manage capital resources appropriately, reports on the current and forecast level of capital are considered by the Bank's Board, Board Risk Committee (BRC) and the Asset and Liability Management Committee (ALCO). The Internal Capital Adequacy Assessment Process (ICAAP) is used to assess the adequacy and efficiency of our capital resources that are required to support our business model and the key stress assumptions that drive that requirement.

Liquidity

Our liquidity position continues to be prudently managed well ahead of regulatory minimums

	2025	2024	2023	24-25 change
Net stable funding ratio (NSFR)	229.0%	259.0%	190.0%	(30%)
Liquidity coverage ratio (LCR)	459.6%	548.0%	539.0%	(88%)

A strong liquidity position was maintained throughout the year against both regulatory metrics and internal risk appetite. High-quality liquid assets (HQLAs) stood at £3.4bn (2024: £3.2bn) at year end, providing sufficient liquidity should it be required.

In 2025, liquidity metrics continued to be well above the internal risk appetite, which was itself well above regulatory minimums. The decrease in LCR from 2024 was expected, as the excess liquidity from strong retail savings growth in 2024 was utilised via increased lending volumes, with the ratio remaining very healthy. Zopa's Internal Liquidity Adequacy Assessment Process (ILAAP) provides an assessment of the adequacy of the liquidity resources in relation to both quality and quantity, and assurance that a prudent funding plan is in place to support future growth.

In addition to the liquidity held, eligible collateral is pre-positioned with the Bank of England, which provides contingent funding, further strengthening our liquidity position.

Positioned for the future

In an uncertain geopolitical environment, we continue our growth from a position of strength, with repeated increases in profitability, underpinned by our track record of balance sheet growth. This performance reflects the strength of our underlying business model, disciplined risk and cost management, as well as providing customers with the broadest offering at scale of any neobank in the UK.

We remain focused on being the bank that consistently offers ease and value to customers in one place. Supported by our profitability, we continue to reinvest in a deeper and wider product ecosystem, positioning us well for our ambition of creating the Home of Money.

Steve Hulme

Chief Financial Officer

12 March 2026

Non-financial and sustainability information statement

At Zopa, our goal is to maintain a compelling workplace culture in which Zopians feel enthused, engaged, able to thrive and committed to working for Zopa, especially in a fast-growing and competitive industry.

Zopa's people are our unique superpower, helping us to make Zopa everything it is and everything it aspires to be.

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

Zopa's culture remains a defining strength, enabling strong performance and growth.





Non-financial and sustainability information statement continued

Our people: our culture

As Zopa grows, we know that our culture represents a competitive advantage that helps us to hold on to the brilliant Zopians already with us and attract those we hope will join in the future. In 2025, changes were visible not just in how we work but also in where we work, as we prepared for the next phase of Zopa's growth journey.

Transformational change was the theme for 2025, anchored by our bold decision to relocate our London Bridge office, home to Zopa for almost 10 years, to 20 Water Street in Canary Wharf. Our new London home almost doubles our office footprint to around 45,000 sq ft, and the space has been designed specifically for dynamic collaborative teamwork and innovation. The London office provides both quiet, focused work areas and collaborative zones supporting the hybrid connected way we work today. Joining the established fintech community in Canary Wharf places us alongside more than 65 other innovative financial services and technology firms, in a location known for its connectivity, amenities and vibrant neighbourhood. We were committed from the outset to involving Zopians in the decision about the new office, and involved a group made up of representatives from across all areas of the business. Having settled on our new home, we continued that same people-first approach in the design of the space itself.

Although we are now spread across three floors, the office has been intentionally designed to feel as connected and cohesive as when we previously occupied a single floor. A central internal staircase links all levels, encouraging movement, visibility and everyday interaction, while a shared communal kitchen remains a focal point for lunches, informal collaboration and social connection across the whole business. The design was developed through a strong neurodiversity lens. Our Neurodiversity consultant was particularly impressed by the depth of thought given to sensory needs, inclusion and choice, and by how deliberately the space had been designed with our neurodiverse community in mind.

Zopa's culture, values and behaviours continue to guide everything we do. As the Bank grows and our organisation expands, we are intent on creating a consistent experience for all Zopians, regardless of role, team or location. This commitment has never been more important since the opening of our new regional office in central Manchester. The Manchester office underscores our commitment to invest in people, innovation and regional growth, bringing us closer to the diverse communities we serve across the UK and strengthening the connection between our workplace culture and our national customer base.

Rachel Morgan Trimmer
Firebird Neurodiversity Consultancy

“Zopa is leading the way when it comes to designing neuroinclusive spaces. They've considered a number of factors that may seem minor but will have a significant impact, both on mood and productivity.

For example, being able to control artificial and natural light levels is really important, as is setting the temperature. Creating the 'bubble' over several floors is an innovative way to balance essential security with ease of movement, both very important features for productivity and reducing anxiety. Using visual cues such as glass windows/doors and delineating spaces using flooring are not only useful, they also reduce the need for signage and improve physical and psychological comfort at work.”



Zopa's new Canary Wharf office, designed to be neuroinclusive.



Non-financial and sustainability information statement continued

Our people: our culture continued

Manchester was chosen for its thriving tech ecosystem, strong financial services presence and deep talent pool – characteristics that align with Zopa's long-term strategy to attract and retain talent outside of London. Initially accommodating around 50 Zopians working across product, engineering and specialist operations, our ambitions are to scale up to a 300-strong team over time, reflecting both our growth ambitions and our belief in regional opportunity.

Together, these moves are more than a change of address. Our new workspaces are a statement of intent about Zopa's long-term growth ambitions, the confidence we have in our strategy and our commitment to creating an environment where our people can do their best work.

Our annual end-of-year event evolved once again, and in December 2025, with more Zopians than ever and two new offices to celebrate, we brought everyone together in the newly opened Troubadour Theatre to reflect on a year of strong business performance, our successful relocations and the continued evolution of our purpose and strategy.

It is a testament to our culture that, after a year full of transformation and change, we ended the year with over 94% of Zopians sharing their feedback via our engagement survey – we're proud that this is an industry-leading result.

We were also delighted to be placed eighth in the UK's Top 100 Most Loved Workplaces of 2025, something that we're genuinely proud of, especially as this result was based on data and feedback from a survey sent out to Zopians.

“By far the best place I have ever worked. Zopa has a fantastic blend of being flexible to work from home, but a social office culture that has been missing since before the pandemic, and it's such a breath of fresh air!”

Zopometer comment
H2 Survey 2025



Anthony Andrews
Operations Training Manager

“I joined Zopa two years ago as the Operations Training Manager, and it's been a truly rewarding experience. From the moment I arrived, I've had the privilege of working alongside incredibly talented and supportive individuals. Together, we've implemented programmes that have made a meaningful difference throughout the business.

What I appreciate most about Zopa is the encouragement to explore new ideas and take innovative risks without fear of failure. It's heartening to be part of a company that genuinely prioritises its customers. Zopa has also shown a deep commitment to my personal and professional growth through external qualifications, and I've been able to weave my passion for advocacy into my work, which culminated in a presentation at a company meeting – something I never imagined I would be able to do in my previous role. I truly feel a sense of belonging and purpose here, and I am excited about the journey ahead, eager to continue growing and make a positive impact.”



Non-financial and sustainability information statement continued

Career progression

Career progression at Zopa is a key pillar of Zopa's Employee Value Proposition (EVP), and we delivered some significant enhancements to accelerate Zopian development in 2025.

Career growth and salary frameworks

Throughout 2025, we continued to strengthen our approach to career progression and reward by designing and rolling out clear growth frameworks and salary ranges across the organisation. This work represents a significant step forward in providing clarity, fairness and consistency in how careers develop at Zopa, while supporting our ambition to attract and retain high-performing talent.

Significant investment was also made in enabling our leaders to embed the frameworks into everyday people practices. Our managers received extensive training on using the frameworks within one-to-ones, development planning and objective setting. Following a successful early-year pilot within Technology, we rolled out the approach to additional functions with all colleagues covered by a framework that will be used as part of their year-end review.

The frameworks have also been integrated into our hiring processes, ensuring we assess skills and experience consistently at entry, place new joiners appropriately, and clearly identify the development and support needed for long-term success at Zopa.

Leadership Academy

Now in its fourth year, the Leadership Academy continues to be a highly sought-after development opportunity at Zopa. In 2025, the programme was redesigned in partnership with leadership development experts at MindGym. More than 100 emerging leaders across the business have completed the programme, each nominated by Zopa's leadership team. Our Leadership Academy's purpose is to equip and inspire Zopa's emerging leaders to build core leadership behaviours, and it focuses on Authentic Leadership, Psychological Safety, Decision-Making, Motivation & Performance Coaching and Understanding Zopa (strategy and operating context).



Francis Nwobu
Senior Analytics Engineer

“This year, the Leadership Academy has been central to my development at Zopa. It gave me space to reflect on how I lead, make decisions and support others, and I drew on it often during cross-functional work where clear direction mattered.

It sharpened my focus on high-impact decisions and strengthened how I mentor, helping colleagues grow technically and shape their careers. It also built my confidence in representing Zopa externally, which included speaking at major industry conferences about our analytics engineering journey. Since joining as Zopa's first Analytics Engineer, I have grown from an individual contributor into a broader technical and emerging thought leader, enabled by the trust and opportunities Zopa provides.”

Non-financial and sustainability information statement continued

Leadership Academy continued

The programme also creates valuable cross-functional connections, bringing together Zopians who might not otherwise collaborate and those who have formed a strong bond. Alumni often continue to collaborate together after the academy has finished, strengthening both networks and ideas across the business. The academy programme culminates in a celebratory awards event. Our last ceremony took place at Everyman Cinema in Canary Wharf, where teams showcased the extracurricular projects they developed during the programme and presented their ideas to the leadership team before enjoying a film and celebrating.

Mentoring programme

Now in its fourth year, our mentoring programme has been enhanced to reflect diversity, equity and inclusion (DE&I) priorities. We created a mentor pool representing the richness of backgrounds, experiences and perspectives across Zopa, which led to **over 70 mentoring partnerships in 2025** that provide invaluable support to colleagues. This programme involved members of our leadership team and employees at almost every level of the business – a testament to top-to-bottom development and our commitment to individual growth.



Robert Ennis
Risk Analyst

“At Zopa, ideas are evaluated purely on their merit, and anyone – regardless of position – can make a meaningful impact. Many companies claim this, but it’s been remarkable to see the result when properly embraced.

I joined Zopa this year as a graduate analyst, with a strong interest in generative AI but no experience. From the start, I was given the space to research and experiment with how AI could transform analytics. As this work proved successful, I was encouraged and supported to expand this across the business – building new, business-wide AI applications and working with a range of exceptional colleagues to help their teams incorporate AI into their own work. That trust extended to being invited to present my work to the Board just four months in. This has grown skills and experience that I never would have expected to gain this early in my career.”

Non-financial and sustainability information statement continued

Manager training

Our commitment to creating a high-performance culture extends through to how we train our people managers. In 2025, we continued to run impactful new and established training programmes for managers, to ensure that the people experience offered at Zopa remains strong and consistent across the business in every team and location.



Tosin Akinyemiju
Senior Delivery Manager

“Since joining Zopa as a Delivery Manager just over two years ago, I’ve had the opportunity to lead large-scale, high-impact initiatives that translate our strategy into value, directly strengthening our position in the wider market, and more importantly, improving the experience of our customers.

A core tenet of the Delivery team is developing both depth and breadth across the Bank, which means we’re constantly exposed to and drive a mix of highly technical and non-technical initiatives. This exposure has allowed me to build strong relationships with teams across Zopa and experience our collaborative spirit from the frontlines. The primary focus of my role is driving clarity and alignment across complex initiatives, usually involving anywhere from 10–15+ teams, whether delivering time-critical resilience work or launching new products. The trust placed in me has accelerated my growth immensely.

What makes Zopa truly stand out is the safe, empowering environment that treats challenges as learning opportunities and is filled with colleagues who live our values every day. Being recently promoted to Senior Delivery Manager reinforces that my development is a priority here. Zopa has given me the space to grow, make an impact and build meaningful connections, and that’s what makes working here so fulfilling.”

Non-financial and sustainability information statement continued

Diversity, equity and inclusion updates

We recognise that a diverse workforce, encompassing a broad range of experiences and perspectives, is integral to a high-performing organisation. We want every Zopian to feel valued, included and comfortable bringing their whole selves to work. In 2025, we embarked on a new partnership with consultancy experts at T-minus and The Gender Equity Collective to roll out additional masterclass training. Zopa employees represent 52 nationalities, with 28% identifying as ethnically diverse. We set ourselves an internal target to improve the level of senior diverse (gender and ethnicity) representation from 41% to 48% by the end of 2026, and as of December 2025, we are currently at 45%. We remain positive that we will achieve 48% by the end of 2026.

Our Employee Resource Group (ERG), the Women In Business Network (WIBN), is now in its second year and has garnered 145 members across the business. The WIBN ended 2025 with a newly articulated vision, full sponsorship from Merve Ferrero (Chief Strategy Officer) and several internal workstreams under its belt, as well as two personalised open Q&A sessions from senior leadership team members.

One of the WIBN's open Q&A sessions was with our Chief People Officer, Iain Kendrick, where Zopians had time to ask questions about diversity data, representation and inclusion strategies for the future.

Our commitment to gender representation at Zopa remains strong. Since signing the Women in Finance Charter in 2018, we have consistently pushed beyond the pledge of 33% women in senior management (defined as leadership team and their direct reports), and we are thrilled to report that we have again achieved our representation target of 40% (as at 31 August 2025).



Rini Mathew
Delivery Manager

“During the year, the Women In Business Network continued to strengthen their engagement across the organisation. Key initiatives included a Q&A session with our Chief People Officer on Zopa’s future Diversity & Inclusion priorities and a facilitated workshop to collaboratively define a clear organisational purpose for the ERG.

The agreed purpose – ‘We service current and future Zopians. When we succeed, the women of Zopa feel supported and enabled to thrive through the creation of a more equitable environment where women are positioned to make a meaningful impact’ – now provides a shared and actionable framework to guide the Network’s activities and contribution to the wider business.”

Non-financial and sustainability information statement continued

Diversity, equity and inclusion updates

continued

In 2025 hiring, we strengthened our diversity insights with an 80% candidate diversity questionnaire completion rate. Women were hired at a higher rate than their share of applications, representing 37.9% of applicants (who completed our diversity questionnaire) and 42.7% of hires. This demonstrates positive momentum in translating female talent into successful hiring outcomes. It also reflects meaningful progress in career advancement opportunities for women and reinforces our commitment to fair and inclusive progression across the organisation.



Heather Cook
People Experience Manager

“I joined Zopa on a three-month fixed-term contract in 2022 to support some ongoing People team initiatives and with no intention of staying longer than the contracted period... Almost four years later and I’m still finding Zopa a brilliantly diverse and engaging workplace where I enjoy all of the opportunities and projects sent my way.

One of the things I really appreciate is the flexibility I’m given as a full-time working single parent. My manager is very supportive of my career progression and understanding when the inevitable out-of-left-field child-related matters crop up. I love coming into the office twice a week to be with the rest of my team and find the office environment to be energising and a nice change from home. The learning and development opportunities I’ve been given have been relatively easy to fit in around my work and family commitments and have been well worth the extra effort. We’ve just wrapped on our big 2025 project, moving Zopa into our brand-new office in Canary Wharf, and I’m looking forward to all the new initiatives coming in 2026.”

Non-financial and sustainability information statement continued

Climate-related financial disclosures

Zopa is committed to operating responsibly and sustainably for customers, colleagues, shareholders and the wider society. Transparent and decision-useful disclosures of climate-related matters forms part of this commitment. This section of our strategic report sets out Zopa Bank's climate-related financial disclosures across the four pillars of the Task Force on Climate-related Financial Disclosures (TCFD): governance, strategy, risk management, and metrics and targets.

The UK Government has adopted the recommendations of the Financial Stability Board's TCFD as the basis for its approach to climate-related financial reporting. The Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022 require certain publicly quoted companies and large private companies, including Zopa Bank, to include TCFD-aligned disclosures in their annual reports. Accordingly, this is the third year Zopa Bank has included TCFD-aligned climate-related financial disclosures in its Annual Report.

In addition, we continue to monitor developments in the UK Sustainability Reporting Standards and related FCA consultations, and will assess their implications for the Bank's future reporting in due course.

Over recent years, Zopa has strengthened the integration of environmental, social and governance (ESG) considerations into how the Bank is governed and managed. Foundational enhancements to governance, strategy and risk management frameworks were implemented in earlier reporting periods, with continued focus during 2025 on embedding those arrangements into business-as-usual processes. This approach reflects our view that effective climate risk management should be proportionate to the Bank's scale, complexity and risk profile, while remaining aligned with evolving regulatory expectations and our broader business objectives.

We recognise that embedding environmental considerations, particularly climate-related matters, into our business model requires careful sequencing and prioritisation. Our approach is designed to ensure that resources are deployed where they have the greatest impact, while maintaining a clear commitment to supporting the UK's net-zero ambition and addressing climate-related risks and opportunities over the medium to long term.

Governance

Board oversight of climate-related risks and opportunities

The Board of Directors retain ultimate accountability for ESG matters, including climate-related risks and opportunities, with Gaenor Bagley the nominated ESG Board Champion. Oversight is exercised through the Board and its committees, supported by management reporting and review as part of the Bank's wider governance and risk management framework.





Non-financial and sustainability information statement continued

Climate-related financial disclosures continued

Governance continued

Board oversight of climate-related risks and opportunities continued

The Board's responsibilities in respect of ESG and climate-related matters include:

- approving the ESG strategy, roadmap and any associated transition planning;
- monitoring delivery of the ESG strategy and performance against agreed priorities;
- maintaining oversight through requesting regular reporting from management on ESG performance and associated risks considered in the context of the Bank's strategy and business plans; and
- approving significant changes to ESG initiatives, including decisions to extend, reshape or cease activities.

The Board receives ESG-related updates from management throughout the year. Climate-related risks and opportunities are considered at least annually as part of the strategy and risk management cycle.

During the year, the Board supported the launch of Zopa the Jobs2030 initiative, a five-year commitment to support the reskilling of 100,000 banking professionals in AI-related skills. The initiative reflects the Bank's focus on responsible innovation.

Other Board committees have defined responsibilities relevant to climate-related matters as follows.

- **Board Risk Committee (BRC):** oversees climate-related risk frameworks, policies and metrics. During the year, the BRC considered the Bank's exposure to physical and transitional climate risks and reviewed ongoing alignment with the expectations set out in the Prudential Regulation Authority Supervisory Statement 3/19.
- **Board Audit Committee (BAC):** oversees ESG disclosures, including climate-related disclosures and the supporting frameworks and policies. The BAC reviewed and approved the climate-related disclosures in this Annual Report.
- **Board Nomination Committee (NomCo):** ensures that ESG considerations, including climate-related expertise, are reflected in Board capability, training and succession planning. The Board considers its current level of expertise to be appropriate given Zopa's scale, complexity and climate risk exposure.
- **Board Remuneration Committee (RemCo):** considers how ESG factors are reflected in performance management arrangements. At year end, there were no climate-related metrics directly linked to executive remuneration or the Bank's performance scorecard.

The Board's oversight of climate-related risks is supported by ongoing briefings on evolving regulatory expectations and relevant industry developments.

Management responsibilities

Responsibility for ESG matters, including climate-related risks and opportunities, is embedded across the organisation.

The Executive Committee (ExCo) is responsible for:

- developing and proposing the ESG strategy, roadmap and priorities for Board approval;
- considering climate-related risks and opportunities for the Group at least annually;
- overseeing delivery of ESG priorities and performance against agreed objectives;
- managing operating performance in light of ESG objectives, business plans and budgets;
- reviewing management information on ESG performance and associated risks; and
- recommending significant changes that extend or cease any ESG activities to the Board for consideration.

The Risk Management Committee (RMC) oversees financial risks arising from climate change, whether physical or transitional, including risks associated with lending activities and operations.

The Disclosure Committee reviews ESG-related disclosures to ensure compliance with applicable standards, laws and regulations.

The ESG Steering Forum supports the development and implementation of the ESG strategy, monitors progress against initiatives, and oversees related governance and procedures. The Forum comprises senior representatives from across the business and reports to ExCo.

Climate change considerations are embedded within the risk management framework and relevant policies, including the Outsourcing, Procurement and Supplier Management Policy and the Travel and Expense Policy. The ESG responsibilities across business functions and relevant senior management functions have been defined.



Non-financial and sustainability information statement continued

Climate-related financial disclosures continued

Strategy

Business model and strategic approach

Potential climate-related opportunities are considered within the annual Board strategy process. Where identified, they are assessed using the same commercial framework as applied to other strategic initiatives, including customer demand, competitive dynamics, delivery feasibility and expected returns. Climate-related risks are identified and assessed through the risk management framework. The key risks and opportunities identified through this process are summarised on the right. Further detail on Zopa's risk identification, assessment, mitigation, monitoring and reporting processes is set out on page 33.

The strategic risk posed by climate change is considered as part of Zopa's annual strategic planning exercise and is reviewed at least annually. The Bank's current strategy assumes it will not enter into business lending, property-secured lending or long-dated fixed-rate lending that would materially increase exposure to physical or transitional risks arising from climate change. Any proposal to change this strategic assumption would be subject to Board approval and would trigger a reassessment of the Bank's risk appetite, the ICAAP and related controls.

Risks and opportunities

Physical risk

Indirect impacts on customers' ability to service their credit

Timeframe:

Medium and long term

Physical risk

Direct impacts on operations and value chain

Timeframe:

Medium and long term

Transitional risk

Impacts on vehicle values affecting motor finance collateral

Timeframe:

Short, medium and long term

Our strategic view

Changes in weather patterns and the increased frequency of severe weather events predicted by the Met Office may affect household finances and, in turn, credit performance. Zopa's exposure to this risk is currently assessed as relatively low, reflecting the Bank's business model and portfolio characteristics. Zopa does not provide property-secured lending or business lending, and the average term and weighted average life of instalment loans are relatively short, being much shorter than the seven-year maximum term. Credit card exposures are open-ended but subject to relatively low credit limits.

Operational risks associated with climate change are considered as part of supplier selection and outsourcing decisions. Zopa operates a hybrid working model and has demonstrated the ability to operate effectively in a fully remote environment. Business continuity planning and testing includes severe weather scenarios and operational metrics are used to monitor and manage operational risk exposure.

In addition to UK-based climate scenarios, the Bank has incorporated climate risk modelling for other relevant geographies, including South Africa, within its assessment of physical risks to operations and the value chain. These analyses have not identified material impacts on operational resilience, and the Bank's overall physical risk exposure remains low.

Changes in regulation, technology and consumer preferences may affect the residual values of vehicles financed by the Bank. Zopa's exposure arises primarily through its personal contract purchase (PCP) offering. The scale of the PCP portfolio remains a relatively small proportion of total lending, representing 20.0% of our total motor finance portfolio.



Non-financial and sustainability information statement continued

Climate-related financial disclosures continued

Risks and opportunities continued

Transitional risk

Cost-of-living pressures affecting borrower affordability

Timeframe:

Short, medium and long term

Opportunities

Product and funding opportunities in retail consumer markets

Timeframe:

Medium and long term

Our strategic view continued

Climate-related transitional measures and market dynamics may contribute to increases in living costs, potentially affecting borrowers' disposable income. This risk is monitored through the risk appetite statement (RAS), credit policies and macroeconomic monitoring, including metrics relating to net losses, delinquency, loan-to-value and debt-to-income ratios, portfolio composition and inflation trends.

Potential opportunities, including green lending and sustainability-linked funding structures, are considered as part of the annual strategy review and are subject to Board challenge. While these are not currently a near-term strategic priority, specific opportunities are assessed on a case-by-case basis. During the period, Zopa continued to develop partnerships aligned with customer needs and its digital banking model. Examples of exploration of further climate-friendly investment options such as green energy that could be considered in future include buy-now-pay-later (BNPL) partnerships to finance renewable energy, tailored HP and PCP products for electric vehicles, green lending across personal loans, credit cards and point-of-sale, and sustainability-linked capital funding.

Strategy continued

Climate risk scenario analysis

Climate-related macroeconomic stress scenarios are considered as part of our annual strategic planning. We use three climate change scenarios to reflect the physical risk of a severe weather event in the UK, the transitional risk to our motor finance assets, and the physical risk of a severe weather event in South Africa impacting Zopa's major outsourcing provider for customer services and collections.

'Physical risks' impacting all lending

In 2025, we simulated the impact of an extensive regional flooding event in the UK, assessing the direct costs to customers and indirect impact on their Zopa loan performance. We have continued to assume that this would impact default rates for all customers living in these regions, equivalent to that observed as a result of the first COVID-19 pandemic lockdown.

'Transitional risks' impacting motor finance portfolios

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

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

The two scenarios we have modelled are:

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



Non-financial and sustainability information statement continued

Climate-related financial disclosures continued

Strategy continued

'Physical risks' impacting Zopa's major outsourcing provider for customer services and collections

We considered the impact of a significant cut to services at our major outsourcing provider. We assessed the impact on the ability for customers to contact Zopa and the resulting gestures of goodwill and fines that Zopa may be required to pay as a result of delays to customer servicing.

Assuming all three of these scenarios occurred concurrently, our analysis concluded that capital losses would be comfortably absorbed by our capital buffers.

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

Risk management

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

Zopa Bank's Board and the BRC consider financial risks from climate change as part of their existing responsibilities for maintaining risk management and internal control systems, as well as for the identifying, measuring, managing and controlling risks involving Zopa.

Zopa's Risk Management Framework (RMF) sets out how the Board delegates the execution of these responsibilities to various individuals and Board and management committees.

Zopa's Risk Appetite Statement (RAS) includes three climate-related credit risk metrics. One metric tracks the flood risk associated with Zopa's lending portfolio. The second metric limits exposure to older, more polluting cars on secured motor finance, while the third metric limits exposure to electric and hybrid vehicles. These metrics help to measure and limit Zopa's exposure to borrowers and assets which may be more vulnerable to physical or transitional risks from climate change.

Individual risk oversight responsibility for identifying and managing climate-related risks was allocated to the Chief Risk Officer (CRO), who will hold the responsibility alongside their existing senior management functions (SMFs).

The Bank's material risk assessment includes specific guidance on how Zopa captures climate-related risks within its risk types.

The plan for Zopa's approach to climate-related risks, and the documents described above, have all been reviewed and approved by the Board.

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



Non-financial and sustainability information statement continued

Climate-related financial disclosures continued

Metrics and targets

Zopa uses a range of metrics to support strategic planning, resource allocation and monitoring of climate-related risks and opportunities. The Bank also reports on greenhouse gas (GHG) emissions associated with its operations. At present, Zopa has not set specific targets for climate-related risks or opportunities.

Operational emissions

Our emission footprint is calculated using externally recognised emission factors, including UK Government conversion factors, USEEIO and CDP, together with internal business data such as site energy consumption, employee travel, and supplier spend. Emissions are reported in tonnes of carbon dioxide equivalent (tCO₂e). Scope 2 is reported on a location-based basis and Scope 3 is measured using a hybrid approach that combines spend-based USEEIO factors with supplier-specific and activity-based emission factors where available.

During 2025 the Group updated its Scope 3 purchased goods and services methodology to further align with GHG Protocol guidance, recognising emissions at the point of expenditure rather than over time. The revised approach has been applied retrospectively and 2024 figures have been restated to ensure comparability. The impact is isolated to Scope 3; Scope 1 and Scope 2 are unchanged. The change reflects a methodology update rather than a change in underlying operational activity.

Greenhouse gas emissions

GHG emissions	2025	2024 (restated)
Scope 1	27.2	16.7
Scope 2	81.4	59.7
Scope 3 ²	9,902.0	8,176.6 ¹
Total (location-based)	10,010.6	8,253.0
Total emissions per full-time employee (intensity ratio)	11.2	10.1

- 2024 figures have been restated to reflect an update to the Scope 3 purchased goods and services methodology.
- The Bank reports selected Scope 3 categories. Category 3.15 (Investments / financed emissions) is not currently included.

Key year-on-year changes include the following:

- Scope 1 emissions increased primarily due to the first full-year inclusion of DivideBuy operations within the Bank's reporting boundary, which brought additional direct emission sources.
- Scope 2 emissions were also higher, reflecting the inclusion of DivideBuy premises and higher purchased electricity from estate expansion, including our move to 20 Water Street and the Manchester office expansion.
- Scope 3 emissions increased due to growth in our operations and headcount during the year.



Non-financial and sustainability information statement continued

Climate-related financial disclosures continued

Metrics and targets continued

Scope 3 emissions

We measure our Scope 3 emissions across relevant business categories. The largest category contributing to our Scope 3 emissions in 2025 was Category 1 purchased goods and services (74%), which includes cloud hosting, third-party servicing, and professional services. Other material categories include employee commuting (6%), capital goods (5%) and business travel (4%). This reflects the nature of our business as a fully digital bank. We have not yet set any specific targets for reducing our emissions in each of these business categories.

Energy efficiency actions

Zopa operates several initiatives to reduce its environmental footprint. These include:

- ongoing engagement with suppliers to expand Scope 3 emissions data coverage and granularity;
- a cycle-to-work scheme to encourage low-carbon commuting;
- an electric vehicle leasing scheme available via salary sacrifice to support uptake of zero tailpipe emission vehicles; and
- a hybrid working model that reduces commuting and office energy use.

In 2025, we moved our main London office to 20 Water Street, premises that have a Building Research Establishment Environmental Assessment Method (BREEAM) Outstanding rating that represents best-in-class performance in energy efficiency and operational sustainability. This supports lower operational energy demand and in-office GHG emissions over the long term.

The interior fit-out has been delivered to Royal Institution of Chartered Surveyors' (RICS) SKA Gold standard, recognising the sustainable design and execution of the workspace, including energy and resource efficiency, reduced construction waste and adaptability for future change. The fit-out also holds WELL Platinum certification, reflecting improvements in workplace quality and colleague wellbeing.

The building features energy-efficient systems such as LED lighting, high-performance heating, ventilation and air-conditioning with building management controls, and sub-metered monitoring. Together with our hybrid working approach and landlord-managed renewable electricity and waste schemes, these measures reduce operational energy demand while supporting a high-quality workplace environment.

These actions support our sustainability objectives, alongside customer-facing initiatives such as green lending for electric vehicles and solar panels.

Financed emissions

In addition to our operational emissions, the Bank recognises that financed emissions arising from lending activities will become an increasingly important consideration in climate transition planning. Measuring financed emissions can support understanding of transition risks and opportunities, and provide a foundation for future target-setting.

Given the evolving nature of methodologies, data availability and regulatory expectations, Zopa has not yet measured or disclosed its financed emissions. Zopa recognises that measuring, managing and reporting financed emissions will be critical to shaping our transition plans and net zero targets. We will continue to monitor market and regulatory expectations in the preparation of future disclosures.

Stakeholder engagement

Section 172 disclosure

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

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

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

UK Modern Slavery Act

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

Our stakeholders

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

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 and 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 Bank and our stakeholders.





Stakeholder engagement continued

Our shareholders

Directors and senior management engage in regular and fair dialogue with the Company's shareholders to share strategic and financial updates, as well as seek feedback. This engagement helps the Board understand shareholder perspectives on the Bank's long-term strategy, capital needs and risk appetite, supporting sustainable value creation.

During 2025, those discussions covered a broad range of topics, including the medium and long-term strategic direction of the Bank, financial performance and planning, market dynamics, regulatory areas of focus and engagement with other stakeholders. Feedback from shareholders informed the Board's consideration of strategic priorities, capital planning and sequencing of growth initiatives.

Stakeholder: Zopa Group investors

How we engage

- Some of our largest investors are on the Board and participate or observe in Board committee meetings.
- Large investors had regular dialogue with key management.
- All investors receive periodic shareholder updates, with larger investors receiving more detailed information and access to the Bank's financials each month.

What matters to them

- Corporate strategic direction.
- Product growth.
- Financial performance.
- Strong management and aligned incentives.
- Market perception.
- Impact of future dilution.
- Long-term value realisation and sustainable valuation outcomes.

How the Board considers it

Our largest shareholders currently sit on the Board and therefore have direct input into key decisions. In considering shareholder perspectives, the Board balances these views with its statutory duties and the long-term interests of the Bank and its wider stakeholder base. The Board considers this alongside:

- an annual strategy and budget process – the Board considers the Bank's capital needs, alongside its funding options, as well as potential dilution on existing shareholders and valuation outcomes;
- 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, ensuring alignment between management, shareholders and the Bank's long-term success; and
- where required, external advice on key topics like management incentives, market outlook, valuation, strategy and growth, which supports robust and independent decision-making on matters of significance to shareholders.



Stakeholder engagement continued

Our employees

Our people are at the heart of our success, and we strive to serve their needs. We are proud of our unique culture, which is fuelled by our purpose, drive, empowerment and collaboration.

We conduct our employee engagement survey (the Zopometer) twice a year. We set an overall engagement target score to maintain, which is submitted to the Board as a scorecard metric annually. Our participation rates are always high; the last five surveys have seen an average of 92% participation from our people. This continues to be 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 and inclusion continues to be a focal point for the Board. Zopa Bank's community encompasses 52 nationalities with some 28% of our employees identifying as ethnically diverse, an increase of 4% since 2024. We encourage Zopians to disclose their ethnicity during our bi-annual engagement survey. Our WIBN continues to thrive and has grown to over 150 members in the last three years. In the last year, our Chief Strategy Officer joined the Network as the executive sponsor, connecting our leadership team directly to this Employee Resource Group (ERG).

Stakeholder: Employees

How we engage

- Employee engagement measured twice a year.
- Strategy updates and company meetings.
- Regular Bank-wide announcements.
- Review of employee benefits including pay, bonus and employer pension contributions.
- Monitoring of external sources of employee satisfaction such as Glassdoor.

What matters to them

- Gender pay gap.
- Fair remuneration.
- Flexible working.
- Wellbeing.
- Sense of belonging.
- DE&I.
- Learning and development.

How the Board considers it

The Board evaluates results relating to the employee engagement surveys and management's plans to address areas for improvement. The Board also evaluates data on the gender pay gap and DE&I, and how management plans to make further improvements. The Board assesses and approves recommendations for the Remuneration Committee on pay, bonuses and other benefits.



Stakeholder engagement continued

Our customers

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

Our unyielding focus on addressing our customers' needs and dedication to creating positive experiences enable us to retain a strong overall net promoter score (NPS) at 75. We leverage AI to generate a deep understanding of key drivers of satisfaction and dissatisfaction, which underpins our delivery plans. Our highly rated customer experience means that we continue to grow our customer base for customers who 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.

Stakeholder: Customers

How we engage

- 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; we also analyse our own data such as call recordings to share emerging themes.

What matters to them

- Value (interest rate, fees, etc.).
- Certainty (of rate and acceptance).
- Speed of disbursement for loans.
- Understanding and managing their financial wellbeing.
- Security of their savings Financial Services Compensation Scheme (FSCS) coverage.
- Ease of application and management.

How the Board considers it

The Board evaluated this through the 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.

The Board assessed whether the Bank's actions and products will benefit Zopa Bank's customers. In 2025, the Board maintained oversight of deposit pricing in the context of a falling rate environment and competitive dynamics. The Board also evaluated the Bank's planned launch of Biscuit, its current account, within the context of its overall funding.



Stakeholder engagement continued

Our suppliers

2025 saw us focus on selecting key partners to support our product growth and the launch of the current account. We continued to leverage a diverse network of suppliers to deliver essential goods and services across our business domains, including critical operations. In order to maintain our high service standards, we continuously ensure our procurement processes align with stringent Prudential Regulation Authority (PRA) regulations and expectations. This ensures careful selection of partners who share our commitment to excellence.

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

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

Stakeholder: Suppliers and outsourcing partners

How we engage

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

What matters to them

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

How the Board considers it

The Board maintains oversight of supplier performance and risk assessment, including review of regular management reports.

The Board oversees the selection process for new material suppliers to ensure that the chosen supplier is the best choice for Zopa Bank.

Ensures appropriate action is taken where performance is a concern and improvements are required. The Board reviewed some of our material suppliers to ensure that they align with our long-term strategic goals.



Stakeholder engagement continued

Our industry bodies

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

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

We engage with the FLA on motor finance issues, with UK Finance on issues relating to the rest of our product set, and with Innovate Finance on topics relating to the FinTech sector. Subject matter experts across the Bank engage with relevant forums and working groups, while a central contact facilitates information sharing. Regular membership-level reviews ensure we optimise our participation in and derive maximum value from these bodies.

Stakeholder: Industry bodies

How we engage

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

What matters to them

- 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.

How the Board considers it

The Bank and industry bodies share similar views on the matters that are important to the sector and its customers. In 2025, Zopa's management provided updates to the Board on key industry trends and developments, informed in part by Zopa's engagement with industry bodies, including its engagement with the FLA (Finance & Leasing Association) on motor finance. The Board draws on this information whenever it makes strategic decisions regarding the Bank.



Stakeholder engagement continued

Our regulators

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

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

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

Stakeholder: UK regulators

How we engage

- Holding periodic meetings between management, directors and the regulators.
- Sharing copies of our Board papers and reports.
- Submitting key prudential documents such as the ICAAP, 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.

What matters to them

- Governance, culture and accountability at Zopa Bank.
- How we treat our customers, and whether we deliver good outcomes for them, consistent with the Consumer Duty.
- Operational resilience of our business.
- Ensuring we are appropriately capitalised and have sufficient liquidity, including for stress events.

How the Board considers it

The Board receives updates on the Bank's engagement with the PRA and the FCA and on new regulatory initiatives and publications at every meeting. A full review of the regulatory environment is also conducted annually as part of the strategy process.



Stakeholder engagement continued

Our communities, environment and climate change

Zopa's workplace strategy balances environmental performance with employee wellbeing. It aims to reduce energy use and operational emissions, achieve zero waste to landfill, and support employee health, productivity and operational resilience.

Both our Canary Wharf and Manchester offices source 100% renewable electricity. Our Canary Wharf office holds a BREEAM Outstanding rating as well as RICS SKA Gold and WELL Platinum certifications, reflecting sustainable design, responsible fit-out practices and a focus on air, lighting and thermal comfort. Waste at our main Canary Wharf office is managed through landlord-certified schemes targeting zero waste to landfill.

With guidance from our Jamaican employees, we donated to support relief efforts following Hurricane Melissa and became headline sponsor of the White Hat Ball in aid of Childline, an NSPCC service. We also continued our partnership with StepChange Debt Charity.

Stakeholder: Community and environment

How we engage

- Colleague volunteering days and packing drives.
- Lunch and learn sessions and mentoring programmes.
- Financial health tools, guidance on budgeting and resilience, and materials on spotting and avoiding financial fraud.
- Partnerships with organisations such as Code First Girls.

What matters to them

- Mentoring and skills development.
- Equal opportunities and representation in tech and finance.
- Clarity on the environmental impact of our activities (e.g. GHG emissions).
- Clear sustainability commitments and measurable social impact.

Source: Zopa Bank and Juniper Research, 'Generative AI: Transforming the UK Banking Sector' (2025).

How the Board considers it

During the year, the Board supported the Bank's ESG initiatives, including the launch of Jobs 2030, a five-year coalition delivering AI training tailored to banking and aiming to reskill 100,000 workers by 2030. The Board receives regular updates on progress and considers how the programme supports consumer resilience, employability and inclusive access to future jobs. It also reviewed climate-related financial disclosures and oversees community and sustainability activity.

Risk management

Risk management framework

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

Risk culture and people

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

Culture

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

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

Illustration of risk management framework



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

Values

Customer champions

Fearless choices

In it together

Walk the talk

Win smarter

Application to risk management

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.

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.

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.

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

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



Risk management continued

Risk culture and people continued

Culture continued

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

- for all employees, a hiring and performance appraisal process and a reward scheme that rewards behaviour consistent with Zopa's values;
- for senior employees, a remuneration structure including equity awards, which aligns individual interests with the Bank's long-term performance. For Executive Committee (ExCo) members designated to perform senior management functions (SMFs), performance assessments and remuneration outcomes are also in part determined by an assessment by the Chief Risk Officer (CRO) of their performance against risk objectives over the previous year;
- a whistleblowing process that allows any employee to raise concerns directly to Compliance or the Chair of the Board Audit Committee (BAC), who acts as Zopa's Whistleblowing Champion;

- a conflicts of interest policy that ensures that any potential conflicts between the interests of employees or directors and the interests of the Bank are declared and managed appropriately; and
- an anti-bribery and corruption policy that limits the risk of employees becoming subject to inappropriate external incentives.

People

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

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

- designing a remuneration and incentive scheme, which is approved by the Board via the Board Remuneration Committee, based on behaviours that balance risk and reward;
- managing succession planning, which is overseen by the Board Nomination Committee;

- managing resource requirements through effective recruitment and retention strategies;
- developing the training strategy for both compulsory and development requirements, and by supporting first-line SMFs in ensuring that their employees are trained and competent to identify and assess risk;
- supporting the Chief Compliance Officer to map responsibilities to job descriptions so that all senior managers falling under the Senior Managers and Certification Regime (SM&CR) have clear statements of responsibilities and the related risk limits are translated into employees' individual objectives;
- maintaining records of managers subject to SM&CR training and competency requirements; and
- centrally managing the performance appraisal process to ensure a consistent application in line with Zopa's values and risk culture across the business.

Risk appetite

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

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



Risk management continued

Three lines of defence

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

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

Risk governance

Zopa establishes clear roles and responsibilities around risk management. In broad terms, these are as follows:

- 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, Chief Compliance Officer and the Money Laundering Reporting Officer (MLRO) hold SMF responsibility for overall second-line risk management, compliance and financial crime risk. In turn, second-line individuals nominated by the CRO act as 'risk oversight owners', who are responsible for second-line oversight of each individual risk type, including establishing policies and conducting monitoring and assurance activities.
- Management committees provide a forum for the first line and second line to review and discuss risk issues to aid in the discharge of their responsibilities. Committees perform regular review of reporting, challenge first-line SMFs and issue recommendations on various matters to final decision-makers.

Policies, standards and procedures

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

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



Risk management continued

Risk management

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

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

Stress testing

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

Principal risks

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

Emerging risks

In addition to the principal risks set out above, the Bank conducts ongoing horizon scanning to identify any emerging risks – driven by both internal and external factors – that could materially change the risk profile of any of its risk types. Where necessary, new mitigations are introduced to address them. The Board reviews an assessment of these emerging risks, and the steps being taken in response, on an annual basis.

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



Risk management continued

Credit risk

Definition

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

Credit risk includes the following subtypes.

- Counterparty credit risk: the risk that counterparties to which Zopa has non-loan exposures default.
- 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 motor loans or credit card loans.

Appetite

Overall credit risk

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

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

Credit concentration risk

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

Counterparty credit risk

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

Mitigation

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

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

- Credit scorecards are designed to assess the credit risk of loan applicants using models trained on historic Zopa and credit bureau data.
- Minimum affordability and eligibility criteria are applied to all incoming applications.

- The Bank encourages borrowers who are experiencing financial difficulties to draw up an affordable payment plan to pay down their arrears over time. Payment plans may offer temporary relief in the form of reductions to contractual payments.
- Regular monitoring of loan performance against expectations is performed by focusing on granular metrics across multiple loan characteristics.
- Regular monitoring of the economic and credit market environment is performed.
- Action is taken on front-book lending where portfolio performance or the economic outlook worsens against expectations.
- Credit-risk-related decisions must be approved by accredited decision-makers, with the seniority requirement being determined by the materiality of the decision.
- Hard limits for counterparty credit exposures and the minimum credit quality of counterparties are established and monitored against risk appetite, and other key management reports are monitored by the RMC, the BRC and the Board at their regular meetings.
- The Bank's credit exposures are all in the UK.



Risk management continued

Credit risk continued

Definition

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

Credit risk includes the following subtypes.

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

Assessment and measurement

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

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

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

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

Monitoring and reporting

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

Refer to note 37 to the financial statements for more information on the risk management of financial instruments held by the Bank.



Risk management continued

Capital risk

Definition

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

Risk profile

The material capital risk that the Bank faces is:

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

Appetite

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

Mitigation

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

Through the ICAAP, material risks to the Bank's capital position are analysed in light of the Bank's strategy, operations and risk profile. The ICAAP includes stress testing, in which stress scenarios are used to develop an informed understanding and appreciation of the Bank's capacity and resilience to withstand shocks of varying severities. It also identifies management actions which could be taken to mitigate the impact of stresses on the Bank's capital position.

The ICAAP is treated as a live document and used to inform ongoing capital management. Throughout 2025, the Bank continued to maintain capital ratios within the Board's risk appetite and regulatory requirements.

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

Assessment and measurement

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

Throughout the financial year, the Bank complied with the capital requirements in force as set out by the PRA. Further details can be found in the financial review on pages 19 and 20, note 37 to the financial statements and in the Bank's published Pillar 3 disclosures report.

Monitoring and reporting

Current and forecast levels of capital are monitored against the capital risk appetite approved by the Board, and the capital position is reported to the Bank Board, as well as to the Bank's Asset and Liability Management Committee (ALCO), the Risk Management Committee (RMC) and the Board Risk Committee (BRC) on a regular basis. The BRC reviews and recommends the Bank ICAAP, which the Bank Board approves.

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



Risk management continued

Liquidity risk

Definition

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

Risk profile

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

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

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

Appetite

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

Mitigation

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

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

Assessment and measurement

The Bank produces forward-looking assessments of liquidity resources and requirements, which are summarised in the ILAAP document and agreed at Board level. The ILAAP requires the Bank to consider all material liquidity risks in detail, document an analysis of each key liquidity risk driver and set a liquidity risk appetite against each of those drivers. Key liquidity ratios are disclosed and discussed in the financial review on page 20.

Monitoring and reporting

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



Risk management continued

Market risk

Definition

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

It includes the following subtypes.

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

Risk profile

The Bank does not operate a trading book and, as a result, does not undertake proprietary trading. The Bank's investment activities are focused on HQLAs and a limited amount of other high-quality fixed-income securities. These holdings do not give rise to material market risk.

In 2025, the Bank maintained most of its liquid asset buffer in the reserves account with the Bank of England, and a portion in a portfolio of HQLAs in the form of covered bonds and Sovereign, Supranational and Agency (SSA) bonds, which falls outside of the scope of market risk. Throughout 2025, the Bank continued to broaden its HQLA portfolio, incorporating Residential Mortgage-Backed Securities (RMBS) and Asset-Backed Securities (ABS) under a clearly defined risk mandate.

The material market risk that the Bank faces is:

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

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

Appetite

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

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

Mitigation

Hedging activity is performed to reduce residual interest rate risk exposure. Specifically, during 2025, Zopa continued booking interest rate swaps for hedging purposes, with a total nominal of £885m at the end of the year.

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

Assessment and measurement

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

Monitoring and reporting

Levels of market risk are monitored at Bank level. The 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 the ALCO.



Risk management continued

Operational risk

Definition

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

Operational risk includes the following subtypes.

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



Risk management continued

Operational risk continued

Definition

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

Risk profile

The material operational risks that the Bank faces are:

- external fraud events, including fraudulent personal loan or credit card applications or authorised push payment fraud;
- cyber attacks resulting in service outages or data breaches;
- 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, failure to support customers in financial difficulty or failure to provide statutory notices, resulting in poor customer outcomes, unenforceable loans or regulatory breaches;
- financial crime breaches; and
- internal fraud events in areas processing money movements or personally identifiable information resulting in financial loss or data breaches.

Appetite

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

Mitigation

Each business area in the Bank must identify the operational risks present in its activities, assess these risks, implement suitable controls to prevent the risks from materialising and detect any that do. These assessments are documented in each area's Process, Risk and Controls (PRC) Register.

Any risks identified as being outside risk appetite must be addressed, whether through applying enhanced controls to reduce residual risk or changes to the activity or process to reduce inherent risk.

Key controls include:

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

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

Assessment and measurement

Operational risk is measured in terms of potential financial losses, impact on customers and regulatory breaches. All risks identified in PRC Registers must be quantified according to the severity and likelihood of these adverse outcomes. In terms of the capital required to protect against severe operational risk events, the operational risk requirement for the Bank under Pillar 1 was calculated using the basic indicator approach, whereby a 15% multiplier is applied to the historical average net interest and fee income of the last three years based on audited financial statements. Under that approach, the Pillar 1 operational risk requirement was £43.0m as at 31 December 2025.

Monitoring and reporting

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



Risk management continued

Customer outcomes risk

Definition

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

Risk profile

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

Possible sources of customer outcomes risk	Potential risk area
Product	<ul style="list-style-type: none"> Product design/targeting Customer journey/life cycle Distribution and marketing
Operational processes	<ul style="list-style-type: none"> Arrears management Redress calculations Outsourcing arrangements Cyber security and information Financial crime and fraud events
Credit	<ul style="list-style-type: none"> Automated credit decisioning Lending practices (e.g. affordability checks)

Mitigation

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

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

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

Assessment and measurement

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

Monitoring and reporting

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



Risk management continued

Strategic risk

Definition

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

Strategic risk includes:

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

Risk profile

The material strategic risks that the Bank faces are:

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

Appetite

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

Mitigation

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

Assessment and measurement

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

Monitoring and reporting

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



Company viability statement

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

- The impact of current and emerging risks as identified through the Bank's established risk management framework and the overall control environment to manage these risks appropriately.
- Updates on the business performance and the progress of its strategy execution at various times during the year to assess the current and future financial performance and business position.
- The current and forecast liquidity and funding plans supporting the strategic objectives and plans.
- The updated business strategy, together with short-term and long-term (five-year) financial plans. These were considered by the Board in November 2025 and February 2026, and included various macroeconomic stress scenarios such as the impact of the changing interest rate environment. The plans demonstrated that the Bank continued to operate within regulatory requirements for both capital and liquidity over the period.

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

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

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

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

- significant deterioration of current risk and tail risks around financial stability, including changes in levels of unemployment, the interest rate environment, inflation and the wider UK economy; and
- risks from heightened geopolitical uncertainty, escalating trade tensions, renewed increases in inflationary pressures and financial market turmoil.

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

The formal viability statement is included under the 'Board's assessment of prospects' on page 74.



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Governance



Board of Directors

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

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

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

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

**Gaenor Bagley****Committees:** ●●●●●**Appointed:** 13 December 2018**Roles:** Independent Non-Executive Director, Chair of the Board Audit Committee

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

Key

● Board Audit Committee ● Board Nomination Committee ● Board Remuneration Committee
● Board Risk Committee ○ No appointments to Board committees

**Richard Goulding****Committees:** ●●●●●**Appointed:** 30 January 2018**Roles:** Independent Non-Executive Director, Chair of the Board Risk Committee

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

**Philippa Lambert****Committees:** ●●●**Appointed:** 1 June 2023**Roles:** Independent Non-Executive Director and Chair of the Remuneration Committee

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

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

Pippa is currently a Non-Executive Director and Board Remuneration Committee Chair at Aviva plc, a member of the Senior Salaries Review Body and a trustee at Future Dreams Charity.

Shown are the directors who held office as at 12 March 2026.



Board of Directors continued

**Michael Woodburn****Committees:** ●**Appointed:** 12 January 2022**Roles:** Independent Non-Executive Director

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

**Paul Cutter****Committees:** ● ●**Appointed:** 30 January 2018**Roles:** Independent Non-Executive Director

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

**Nicholas Aspinall****Committees:** ○**Appointed:** 12 January 2022**Roles:** Non-Executive Shareholder Director

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

**Max Ohrstrand****Committees:** ○**Appointed:** 30 October 2025**Roles:** Non-Executive Shareholder Director

Max is a Partner at the SoftBank Vision Fund, a Zopa shareholder, based in London. He leads investments in high-growth private technology companies across Europe. Max joined SoftBank in 2017 from Moelis & Company, where he advised clients on M&A, IPO and debt restructuring transactions. Max also sits on the board of SoftBank portfolio companies Atom Learning, ContractPod Technologies, Gousto and Permutive.

Key

● Board Audit Committee ● Board Nomination Committee ● Board Remuneration Committee
● Board Risk Committee ○ No appointments to Board committees

Shown are the directors who held office as at 12 March 2026.



Board of Directors continued



Jaidev Janardana

Committees: ○

Appointed: 31 March 2017

Roles: Bank Chief Executive Officer (CEO) and Executive Director

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

Before Zopa, Jaidev held senior leadership positions for Capital One (Europe) plc, including Chief Credit Officer and Chief Marketing Officer, and he has over 20 years' experience in consumer financial services and lending.



Steve Hulme

Committees: ○

Appointed: 30 March 2021

Roles: Bank Chief Financial Officer (CFO) and Executive Director

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

Key

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

Shown are the directors who held office as at 12 March 2026.



Our executive committee



Jaidev Janardana

Chief Executive Officer (CEO)

Devoted to creating simple and fair financial products and services, Jaidev joined Zopa in October 2014.

Since then, Zopa has secured its banking licence to offer its customers a wider range of financial products, increasing its lending volumes ninefold and growing its revenue 33x (as of 2025).

Before Zopa, Jaidev spent 12 years at Capital One. Starting out in McLean, Virginia, he was initially focused on the US card business. He then moved to the UK in 2007 with a big task at hand – to manage credit risk through the financial crisis as Chief Credit Officer for the UK business.

Having helped Capital One UK successfully navigate through the crisis, he took on the broader role of Chief Marketing Officer and was instrumental in returning the UK business back to profitability and growth.



Steve Hulme

Chief Financial Officer (CFO)

Steve leads Zopa's Finance and Legal teams. He was pivotal in Zopa achieving its banking licence, working tirelessly to successfully take the Company from a P2P loan provider to a fully fledged UK bank. In 2021, he led Zopa's funding strategy that resulted in SoftBank Vision Fund's \$300m equity investment.

He joined Zopa at the start of 2018, having spent nearly two decades in financial roles with a range of innovative financial services companies.

Prior to joining Zopa, Steve was CFO at Tandem Money, CFO for PayPal's global credit business and CFO for Capital One's UK and Canadian businesses.



Merve Ferrero

Chief Strategy Officer (CSO)

Merve oversees savings, investment and current account products for Zopa as well as strategy, including corporate development. Merve joined Zopa in 2015 and has since led multiple new product builds and launches. Her work to secure the Company's banking licence and launch the Bank has allowed Zopa to grow, become profitable and make its first acquisition. Prior to joining Zopa, Merve worked in investment banking in EMEA and early-stage incubators in China.



Peter Donlon

Chief Technology Officer (CTO)

Peter oversees Zopa's 350-strong Technology team, expanding its best-in-class products and technology infrastructure while ensuring its platform retains an unrivalled leadership position in the use of AI and machine learning. Along with engineering and data, Peter also leads the IT, information security (InfoSec) and programme management functions. Prior to Zopa, Peter scaled Moonpig plc's product, technology and data functions to 300 employees, and he was key to its £1.2bn London Stock Exchange listing. Previously, he led Sainsbury's 500-person engineering team, delivering customer and back-office solutions for Sainsbury's 25 million weekly customers.



Our executive committee continued



Kate Erb

Chief Operations Officer (COO)

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



Clare Gambardella

Chief Customer Officer

Clare is responsible for Zopa's brand, marketing, communications and product design. She leads the customer life cycle – driving customer experience and value in cross-product channels such as the app, AI assistant and customer relationship management. She and her team also shape Zopa's wider contribution to the industry through ESG programmes such as the Fintech Pledge and Jobs 2030. Prior to Zopa, Clare was the Group Chief Marketing Officer at Virgin Active, overseeing brand and marketing for the group's international network. She began her career at Procter & Gamble and has also worked in strategy consulting at The Boston Consulting Group.



Jeremy Penzer

Chief Analytics Officer

Jeremy is Zopa's Chief Analytics Officer. Prior to joining Zopa, Jeremy worked at Visa, the digital payments network, where he was Head of Data Science for Europe. He also served as Capital One Europe's Chief Analytics Officer and as an academic statistician at the London School of Economics.

Jeremy leads a team of 80 data scientists and analysts – machine learning, business intelligence, credit decisioning and valuations experts.



Our executive committee continued



Iain Kendrick

Chief People Officer

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

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

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



Tim Waterman

Chief Commercial Officer

Tim is charged with leading on all of Zopa's lending products, unsecured personal loans, credit card, motor finance and point-of-sale. He is responsible for delivering profitable growth on our lending products while ensuring the Bank delivers great customer outcomes.

Tim has over 19 years' experience in consumer lending businesses, specialising in data, analytic and technology-led innovation. Before Zopa, Tim was Chief Marketing Officer at Lendable, where he led the growth of its unsecured personal loan product and evaluation of new product opportunities. Prior to Lendable, Tim was Chief Analysis Officer at Oakbrook Finance. Tim started his career at Capital One.



Graham Robinson

Chief Risk Officer (CRO)

With 25 years of experience in leadership across credit risk, operations and digital, Graham leads on risk management at Zopa as its Chief Risk Officer.

Prior to Zopa, Graham worked at Capital One for over 18 years across various senior risk positions, and more recently, he built the credit risk management capability at Monzo Bank to support its growing lending operation.

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



Our executive committee continued



Victoria Matthews

General Counsel

Vicky joined Zopa in July 2018 and leads the Legal function at Zopa, advising the business and senior management on the legal affairs of the Group, including significant transactions such as debt and equity fundraising and new product launches. As Group Company Secretary, Vicky also oversees a suitable corporate governance framework for all group entities. Prior to joining Zopa, Vicky was a vice-president in the Legal function at Barclays Bank, advising on M&A, financial technology investment and restructuring transactions, and leading on key aspects of execution of the bank's programme for creation of the ring-fenced bank.



Gregory Stevens

Chief Compliance Officer

Greg leads Zopa's enterprise, operational and compliance risk oversight functions, with a focus on ensuring an approach grounded in data, clear analysis and smart, efficient controls. He joined Zopa in 2017, leading the application to secure Zopa's banking licence and helping to build strong risk management foundations to support Zopa's future growth.

Prior to joining Zopa, Greg spent eight years in roles across the Bank of England, the financial services regulators and the House of Commons.



Elizabeth Morgan

Director of Financial Crime Risk (Money Laundering Reporting Officer)

Elizabeth joined Zopa in 2024 as Money Laundering Reporting Officer and Director of Financial Crime Risk. She has over 13 years' experience across government, industry bodies and digital banking, specialising in fraud and financial crime.

She began her career at the US Embassy in London and later worked at Cifas to strengthen cross-industry fraud prevention. She then spent over seven years at Monzo, supporting its growth into retail and business banking. As Director of Financial Crime Intelligence, she established Monzo's Financial Intelligence Unit and sat on the Financial Crime senior leadership team.



Corporate governance

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

As a public interest entity authorised by the PRA and regulated by both the FCA and the PRA, the Bank is required to comply with a number of statutory and regulatory governance requirements. We recognise the importance and value of robust corporate governance and aim to reflect best practice in our governance structure and arrangements to ensure the highest standards are achieved. With this in mind, we voluntarily apply the UK Corporate Governance Code 2024 (the 'Code'), as published by the Financial Reporting Council on its website, www.frc.org.uk, in addition to our statutory and regulatory requirements. More information about how we comply with the Code can be found on this page of this report.

The Bank's progress and achievements in 2025 are testament to the strength of its governance structure, which has provided a stable framework for navigating the sustained economic and political challenges. Looking ahead, the Bank's robust corporate governance framework will continue to evolve to support its mission and ensure that innovation and growth promote the Bank's long-term, sustainable success.

Compliance with the UK Corporate Governance Code (2024)

For 2025, the Bank voluntarily applied the principles and provisions of the Code. To help our stakeholders evaluate our approach to governance, the table below identifies the parts of this report which demonstrate how we have applied each of the principles. The Board considers that, for 2025, the Bank has applied all the principles set out in the Code.

Application of the Principles of the Code	Principle	Pages
Board leadership and company purpose		
Section 172 statement	A	36
Who we are, and what our mission is	B	2
Risk management	C	44 to 56
Stakeholder engagement	D	36 to 43
Whistleblowing	E	81
Division of responsibilities		
Corporate governance	F, G, H & I	66 to 74
Composition, succession, evaluation		
Board Nomination Committee report	J & K	82 and 83
Board effectiveness	L	69
Audit, risk and internal control		
Policies and procedures	M	77 to 81
Directors' report	N	87 to 89
Risk management – Principal risks	O	47 to 56
Remuneration		
Board Remuneration Committee report	P, Q & R	84 to 86

As we are not a publicly listed company, there are some provisions of the Code with which we don't currently comply for various reasons relating to the Bank's size, complexity, history and/or ownership structure. In each case of non-compliance, we have an appropriate and proportionate alternative arrangement in place to ensure we maintain the highest standards of corporate governance. The Bank was not compliant with the following provisions of the Code in 2025.



Corporate governance continued

Compliance with the UK Corporate Governance Code (2024) continued

Provision 4

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

Provision 5

Provision 5 prescribes three methods for the Board to engage with the workforce for the purposes of informing on relevant decision-making: a director appointed from the workforce; a formal workforce advisory panel; and/or a designated NED for the workforce. The Bank does not currently operate formal workforce engagement. Given its size and management structure, the communication mediums available for staff feedback, including the bi-annual employee engagement survey, are considered proportionate and effective. Further detail on employee engagement is included on page 38.

Provision 18

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

Provision 23

While a report of the Nomination Committee's activities is included on pages 82 to 83, executive succession planning and DE&I initiatives fall within the remit of the Remuneration Committee and are referenced in that report on pages 84 to 86.

Provision 37

The Bank's malus and clawback policy only applies to variable remuneration paid to executive material risk-takers. We consider that our limited application of clawback is appropriate and proportionate to the level of director remuneration. Variable remuneration is not paid to Non-Executive Directors.

Provision 41

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

Governance highlights 2025

- The Board approved a reduction in the number of investor representatives on the Board from four to two, reducing the size of the Board from 12 directors to 10 and creating a majority independent Board.
- The terms of reference for the Bank Board and its committees were fully reviewed and updated to strengthen alignment with the UK Corporate Governance Code (2024).
- The directors participated in a skills assessment to inform the board evolution and succession planning work.
- Identified and approved appointment of Richard Goulding as Senior Independent Director.



Corporate governance continued

Governance structure

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

Our Board

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

The Board ensures that the Bank and the Board itself comply with the Articles of Association and all relevant legal, regulatory and governance requirements. The Board has adopted a formal schedule of matters reserved for its approval, which includes decisions related to strategy and budget, financial control, risk management, governance, remuneration and key policies. Certain responsibilities are delegated to the Board committees. For more information on the responsibilities of Board committees, see the committee reports on pages 75 to 86.

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

Board committees

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

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

Our committees are chaired by iNEDs, who provide regular updates to the Board on their activities after each meeting. The composition of each committee is reviewed annually by the Board to ensure that it continues to be fit for purpose and meet any legal and regulatory requirements. To find out which Board members sit on our committees, see 'Board of Directors' on pages 59 to 61. For further information on our Board committee activities, see our committee reports on pages 75 to 86.

Executive Committee

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

Division of responsibilities

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

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



Corporate governance continued

Key roles

Chair

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

CEO

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

Company Secretary

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

NEDs

As mentioned in 'Governance structure', the Bank has iNEDs and non-independent NEDs who represent key shareholders. All the NEDs provide constructive challenge to executive management and use their experience and expertise to develop the Bank's strategy. Certain NEDs hold key senior management function (SMF) roles by chairing our Board committees. For further information on the Bank's NEDs, see 'Our Board' on pages 59 to 61.

ExCo members

ExCo members support the CEO with the implementation of the Board-approved strategy and oversee the day-to-day management of the Bank. They implement the policies and procedures set by the Board and play a key role in managing the workforce and promoting the desired culture of the Bank. ExCo members include those who hold SMF roles and the General Counsel (see pages 62 to 65).

Board effectiveness

Board evaluation cycle

The Board carries out regular effectiveness reviews to ensure continuous improvement and development. In line with Provision 21 of the Code and PRA expectations, the Board commissioned an externally facilitated evaluation in 2024 to review its overall performance, the performance of its committees and the individual performance of the Chair and directors. The Board commissions an external provider to conduct a review every three years. In the intervening years, the Company Secretary undertakes a questionnaire-based annual assessment and reports to the Board on the directors' views of the Board's effectiveness. The Board completed an annual assessment in October 2025 and held a discussion at its November meeting to address the feedback. The responses demonstrated a general perception that the Board operates well and interacts effectively with management. The key area for potential improvement was around broadening the skills and experience of the current Board, which is something that the Nomination Committee is already working to address as part of the Board succession work.



Corporate governance continued

Board and Board-level committees





Corporate governance continued

Committees

Board committees

The Board sets strategy and monitors its execution. It delegates detailed oversight of specific matters to its sub-committees.

Executive committees

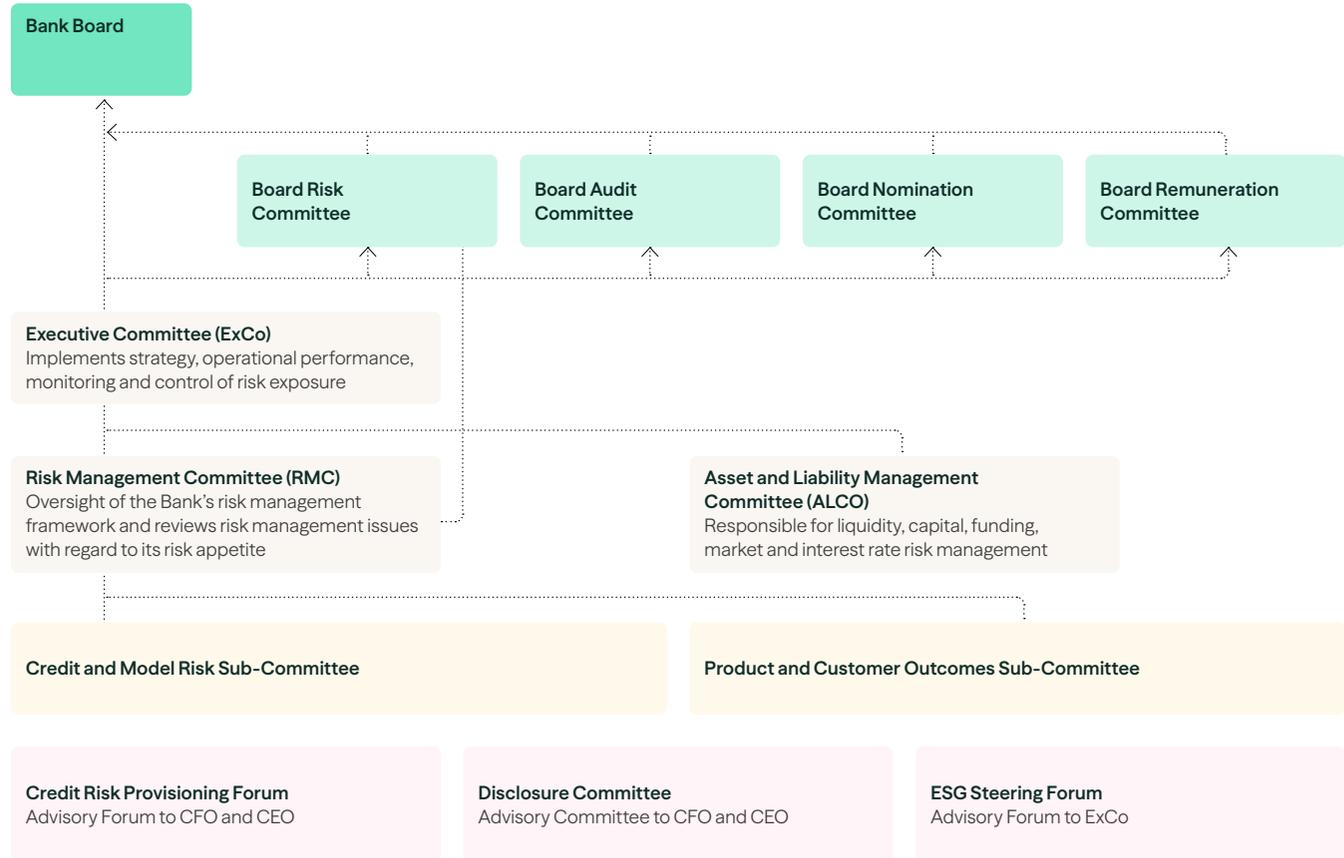
ExCo oversees operational execution of the strategy. It delegates detailed oversight of specific matters to its sub-committees.

Executive risk sub-committees

The RMC delegates detailed executive oversight of specific risk types to its sub-committees.

Advisory bodies

Various advisory bodies provide advice and guidance to executives and committees on areas of interest for the Bank.





Corporate governance continued

The Board and its activities

Board leadership and company purpose

The Board recognises the value of good corporate governance in underpinning the Bank's strategic pillars to fulfil its mission and ensure the long-term sustainable success of the business. The frequency of Board meetings and the quality of discussions, constructive challenge and decision-making in the boardroom are key to this. The directors met 10 times in 2025, enabling them to perform their duties effectively and to support the executive team in executing the strategic goals set at the beginning of the year. The Board directors provide a strong combination of skills, experience and knowledge, which is utilised effectively through delegated authority to specialist committees and, as a whole, at Board meetings to support the delivery of the strategy.

Setting our strategy

The Board holds an annual full-day strategy offsite session with the executive leadership team to discuss the progress made on the current strategy and to provide constructive challenge and guidance on the proposed strategy for the following year. The strategy offsite meeting took place on 30 October and provided the opportunity for the directors to focus on the Bank's strategic direction, challenge assumptions and decisions, and build relationships between the leadership team members and NEDs.

Attendance

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

In 2025, the Board was satisfied that all directors had sufficient time available for meeting their duties and responsibilities. Where absence occurred at Board or committee meetings, this was due to reasons related to urgent personal matters or prior commitments and was confirmed in advance of the meeting. All directors receive all Board materials in advance and are encouraged to raise any questions or provide feedback on the papers ahead of the meeting when they are unable to attend.

Board members (attendance)

Composition of the Board as at:	No. of individuals	
	31.12.25	31.12.24
Number of independent directors ¹	6	6
Number of non-independent directors	4	6
of whom Executive Directors	2	2
Total number of directors	10	12

1. The number of independent directors includes the Chair.

Member	Total meetings attended/meetings eligible to attend
Gordon McCallum (Chair)	11/11
Paul Cutter	11/11
Gaenor Bagley	10/11
Richard Goulding	11/11
Jaidev Janardana	11/11
Steve Hulme	11/11
Giles Andrews	8/10
Nicholas Aspinall	11/11
Scott Christopher Jones	6/10
Michael Woodburn	9/11
Philippa Lambert	10/11
Marina Troshina	8/10
Max Ohrstrand	1/1

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

- Giles Andrews resigned as a director of the Board on 30 October 2025;
- Scott Christopher Jones resigned as a director of the Board on 30 October 2025;
- Marina Troshina resigned as a director of the Board on 30 October 2025; and
- Max Ohrstrand was appointed as a NED on 30 October 2025. He represents a significant shareholder and replaced the previous shareholder representative, Marina Troshina.



Corporate governance continued

The Board and its activities continued

Board activity

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

Summary of activities

Area of focus	Actions, decisions and outcomes
Strategy	<ul style="list-style-type: none"> Approved the launch of the Zopa Bank Investments product, provided with partners Invesco and Upvest. Approved the launch of Biscuit, Zopa's current account product. Supported the acquisition of RVVUP Ltd, a payments technology business that will support the growth and development of the Bank's point-of-sale lending business. RVVUP Ltd was acquired by Zopa Group PLC as a sister company to the Bank and provides services to the Bank on an arm's length basis. These decisions supported delivery on the strategic objective to support profitability through customer acquisition and engagement and through operational efficiencies.
Finance and business performance	<ul style="list-style-type: none"> Review and approval of 2025 annual budget and proposed budget for 2026. Constructive challenge and approval of 2025 performance scorecard and proposed scorecard for 2026. These decisions supported delivery on the strategic objective of strong profitable growth through effective monitoring and challenge of the path to profitability.

Area of focus

Governance

Actions, decisions and outcomes

- Approved a reduction in the number of investor representatives on the Board from four to two, reducing the size of the Board from 12 directors to 10 and creating a majority independent Board.
- Applied revisions to the delegated authority framework (DAF) related to Bank decision-making.
- Approved 2024 Annual Report and Accounts and the Pillar 3 disclosures.
- Approved appointment of replacement investment director representing significant shareholder.
- Reviewed and approved periodic updates to policies.
- Approved an expansion of scope of the Disclosure Committee to include classification of information as inside information for the purposes of EU Market Abuse Regulation (MAR). EU MAR now applies to the Group following listing of the Additional Tier 1 and Tier 2 debt instruments at Group level.

Risk and compliance

- Approved expansion of a range of potential treasury investments to optimise liquidity.
- Approved annual second-line risk assurance plan.
- Approved amendments to the Bank RMF following its annual review.



Corporate governance continued

Summary of activities continued

Area of focus	Actions, decisions and outcomes
Regulatory matter	<ul style="list-style-type: none"> Approved annual updates to the Bank Recovery Plan. Oversaw the outcome of the Bank's periodic capital stress testing. Approved the Bank's operational resilience self-assessment in line with regulatory requirements. Reviewed and approved the annual fitness and propriety assessment of the Bank's senior managers. Approved the Bank's ICAAP and Capital Management Plan. Approved the Bank's ILAAP. Approved the long-term financial plan for use in the Group's ICAAP. Approved the Bank's application for a variation of permissions to facilitate the launch of the Investments product. Supported application to the PRA and FCA for the Group's Employee Benefit Trust to acquire more than 10% of the Group's share capital in respect of share issuances to be made pursuant to the new management incentive plan.
Remuneration, culture and people	<ul style="list-style-type: none"> Approved the bonus payout against the 2024 scorecard performance. Regularly reviewed evaluations of Company culture, including through two employee engagement surveys. Approved new management incentive plan for key management to incentivise retention. Approved the relocation of the London head office to Canary Wharf and the opening of a new office in Manchester.
Debt financing	<ul style="list-style-type: none"> Approved issuance of £80m Additional Tier 1 bonds to the Group following the Group's completion of a publicly listed £80m Additional Tier 1 fundraise. Approved consequential amendments to the Tier 2 bond instrument issued to the Group following the listing of the Group Tier 2 instrument.

Conflicts of interest

All directors have a duty to avoid situations that may give rise to a conflict of interest. In order to manage this, we have formal procedures in place for dealing with any conflicts of interest. Directors are responsible for notifying the Chair and the Company Secretary as soon as they become aware of any actual or potential conflict of interest for discussion by the Board members, who consider the circumstances of the conflict when deciding whether to waive the potential conflict or impose conditions on the director in the Bank's interests. Directors are also required to seek the Board's approval for any new appointments or changes in commitments.

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

Board's assessment of prospects

As part of conducting its activities in respect of the year ended 31 December 2025, the directors approved the Annual Report for the year ended 31 December 2025, and considered that taken as a whole, the Annual Report is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy. As further set out in the Company viability section on page 57 and the going concern assessment on page 102, the directors have a reasonable expectation that Zopa will be able to continue in operation and meet its liabilities as they fall due.

Gordon McCallum

Chair of the Board

12 March 2026



Report of the Board Risk Committee

Committee members (attendance)

Member	Total meetings attended/meetings eligible to attend
Richard Goulding (iNED and Chair)	10/10
Paul Cutter (iNED)	10/10
Gaenor Bagley (iNED)	10/10
Michael Woodburn (iNED)	9/10

Introduction

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

The BRC also oversees:

- the Board's risk appetite;
- credit risk;
- operational risk;
- capital risk;
- liquidity risk;
- market risk;
- customer outcomes risk;
- financial risks from climate change;
- stress testing and capital requirements;
- recovery and resolution planning; and
- risk inputs into remuneration decisions.

For in-depth information related to risk management and how the Bank assesses its principal and emerging risks, please refer to 'Risk management' on pages 44 to 56.

BRC composition, skills and experience

The BRC's membership is made up of independent Non-Executive Directors (iNEDs) with relevant competency and experience. Richard Goulding, Chair of the BRC, provides expertise as the business continues to grow. Biographies for the BRC members can be found on pages 59 to 61.



Report of the Board Risk Committee continued

Summary of activities

Area of focus	Actions, decisions and outcomes
Prudential	<ul style="list-style-type: none"> Recommended the total capital requirement, capital and liquidity buffers, stress testing, and capital management plan in the Bank's ICAAP and ILAAP to the Board for approval. Provided advice to the Board on the core assessments of prudential adequacy (ICAAP, ILAAP and Recovery Plan). Reviewed and considered implications of the Small Domestic Deposit Takers regime vs Basel 3.1.
Oversight	<ul style="list-style-type: none"> Reviewed the Bank's approach to managing risk arising from the use of large language models. Undertook an annual thematic review of risk events and reviewed root-cause analyses on material individual events. Reviewed assessment of risk regarding proposed FCA redress scheme on motor finance commission. Set and recommended an annual second-line assurance plan and oversaw the plan's execution. Approved annual operational resilience self-assessment in line with regulatory requirements for recommendation to the Board. Advised the Board on annual updates to the Bank's Recovery Plan. Received quarterly updates from the Product Customer Outcomes Committee regarding Consumer Duty. Reviewed and approved periodic updates to policies.
Development of the risk function	<ul style="list-style-type: none"> Approved updates to the risk appetite statement (RAS) for recommendation to the Board as part of the Bank's ICAAP and ILAAP. Approved updates to the Bank's risk management framework. Approved revisions to the delegated authority framework (DAF) for the Bank's decision-making for recommendation to the Board.

Area of focus	Actions, decisions and outcomes
Scenario planning	<ul style="list-style-type: none"> Approved the stress scenarios, stress assumptions and management actions to be used in the Bank's ICAAP and ILAAP.
Funding	<ul style="list-style-type: none"> Recommended for approval to the Board an update to the Bank's Information and Cyber Security Policy to reference management of market-sensitive data following the Group's listing of Additional Tier 1 debt on the International Securities Market of the London Stock Exchange.
Products	<ul style="list-style-type: none"> Approved readiness assessment, implementation plan and associated changes to policies regarding the launch of the Investments product and approved the appointment of Upvest as the technology provider for recommendation to the Board. Oversaw and approved scaling of Zopa's current account product, Biscuit.
Remuneration and people	<ul style="list-style-type: none"> Provided advice to the Board Remuneration Committee on risk weightings to be applied for performance objectives and remuneration and recommended bonus payout proposal to the Board.

Richard Goulding
Chair of the Board Risk Committee

12 March 2026



Report of the Board Audit Committee

Committee members (attendance)

Member	Total meetings attended/meetings eligible to attend
Gaenor Bagley (INED and Chair)	7/7
Richard Goulding (INED)	5/7
Paul Cutter (INED)	7/7

Introduction

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

The other key areas that the BAC oversees are:

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

BAC composition, skills, experience and operation

The BAC composition fully complies with Provision 24 of the UK Corporate Governance Code (2024). The BAC comprises three independent Non-Executive Directors (iNEDs) to ensure appropriate governance and compliance with the Code, and to ensure that the interests of the shareholders are properly protected in relation to financial reporting and internal control.

All members of the BAC are iNEDs with competence in the financial and technology sectors. Their biographies can be found on pages 59 to 61. The Chair, Gaenor Bagley, is a former Big Four Tax Partner, with extensive board-level experience and knowledge encompassing audit, tax, mergers and acquisitions, corporate purpose, diversity, talent management and sustainability. She has held many roles in banking, central government, education and health.

The BAC's effectiveness is reviewed as part of the Board's evaluation process. For further information, see 'Board effectiveness' on page 69.

While the BAC's membership comprises the NEDs noted above, the Chief Executive Officer (CEO), Chief Financial Officer (CFO), Chief Risk Officer, Group Finance Director, Director of Financial Reporting and internal and external auditors also attend meetings, as appropriate. Details of BAC membership and meeting attendance can be found in the committee members (attendance) table. During 2025, members of the BAC also held separate sessions with the internal and external audit teams, without members of the executive management present.

Summary of activities

Area of focus	Actions, decisions and outcomes
Internal audit	<ul style="list-style-type: none"> • Approved the annual internal audit plan and Internal Audit Charter. • Considered internal audit reports. • Evaluated effectiveness of internal audit. • Monitored internal auditors' progress against the annual plan and management's resolution of internal audit findings. • Ensured ongoing independence and suitability of the internal audit function.
External audit	<ul style="list-style-type: none"> • Approved the independence policy for the external auditors. • Considered the external audit plan presented by PwC. • Received regular updates from the external auditors and reviewed the findings of their work on the financial statements. • Monitored management's resolution of external audit findings. • Ensured ongoing independence of the external auditors and approved non-audit services. • Evaluated effectiveness of the external auditor.



Report of the Board Audit Committee continued

Summary of activities continued

Area of focus	Actions, decisions and outcomes
Financial reporting	<ul style="list-style-type: none"> Reviewed and challenged significant accounting policies, accounting judgements and estimates. Reviewed management judgement papers over significant judgements and estimates; the valuation of the newly issued Share Appreciation Rights (SARs) to key management; IFRS 2 share-based payment adjustments, provisioning for motor finance consumer redress from the FCA's proposed redress scheme; IFRS 9 expected credit losses (ECLs); continued recognition of a deferred tax asset. Reviewed the tax, accounting and regulatory impacts of the issuance of an Additional Tier 1 bond instrument to the Group and the impacts of capital restructure to support the insurance. Reviewed the tax, accounting and regulatory impact of new management incentive plan awards to key management. Reviewed and recommended the Annual Report to the Board for approval. Reviewed and recommended the Pillar 3 disclosures report to the Board for approval. Reviewed and recommended the Bank's tax strategy for publication. Reviewed and approved periodic updates to disclosure and reporting policies.
Whistleblowing	<ul style="list-style-type: none"> Reviewed the annual whistleblowing report and policy.

Fair, balanced and understandable

The BAC, fulfilling its responsibility under Code Provision 25, carefully assessed whether the 2025 Annual Report and financial statements were presented in a fair, balanced and understandable manner. This rigorous process, mirroring past practices, involved the following.

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

Both the BAC and the auditor closely examined key areas of judgement, estimation and uncertainty, along with emerging issues (detailed on pages 79 to 80). The going concern assumption was particularly scrutinised.

In order to ensure compliance with the Code, the BAC evaluated the report against specific criteria as follows.

- Fairness: does the report accurately reflect the full story of the year, consistent with communicated messages throughout?
- Balance: does the narrative align with financial data, and are statutory and adjusted measures presented in a balanced way?
- Understandability: is the information presented logically and clearly? Are key messages highlighted, and are tables or graphs used effectively to aid reader comprehension?

After thorough assessment, including consideration of a report from the Disclosure Committee, the BAC concluded that, as a whole, the 2025 Annual Report and financial statements are fair, balanced and understandable.



Report of the Board Audit Committee continued

Going concern statement

The BAC reviewed management's assessment of the Bank's ability to continue as a going concern. The results of the assessment are disclosed on page 102. The assessment included an analysis of risks and uncertainties that could affect the going concern assertion. As part of the review, the BAC challenged and discussed management's assessment, asking questions about specific risks and uncertainties, and how they could be mitigated. The BAC also assessed whether the going concern disclosures in the financial statements are adequate.

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

The BAC assessed how appropriate the Bank's financial reporting and significant accounting policies were and whether these policies had been adhered to. It reviewed whether the accounting estimates and judgements made by management were appropriate. The significant matters and accounting judgements considered by the BAC, regarding the 31 December 2025 year end, are set out below.

Reporting matter

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

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

The total allowance for ECLs as at 31 December 2025 was £268.9m (2024: £201.5m).

Board Audit Committee (BAC) action

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

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

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



Report of the Board Audit Committee continued

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

Reporting matter

Motor finance consumer redress provision

The UK motor finance sector is facing ongoing complaints and legal claims regarding past commission practices. Zopa Bank recognised provision of £7.9m in 2025 (2024: £nil) in respect of the FCA's proposed redress scheme, as explained in note 34 to the financial statements.

Reporting matter

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

The Board is required to report as to whether the 2025 Annual Report and Accounts, when taken as a whole, is fair, balanced and understandable.

The Bank uses APMs in its reporting of financial performance, including the lending net interest margin. These measures are used to provide insight into the underlying performance of the business. These measures are defined within the APMs and key ratios information on pages 172 and 173.

BAC action

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

Conclusion: The BAC was satisfied regarding the amount of provision recognised, and that the disclosures set out in note 34 are appropriate.

BAC action

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

The BAC also reviewed all APMs used in the Annual Report and these are disclosed on pages 172 and 173. As part of this review, the BAC challenged the appropriateness of the APMs used and the extent to which these are monitored by the Board and used in management reports.

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

External audit

Appointment and tenure

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

Independence and objectivity

In order to ensure the independence and objectivity of the external auditor, the BAC maintains appropriate safeguards, including:

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

Effectiveness

The BAC Chair held at least quarterly private meetings with the external auditors throughout 2025. Any member of the BAC or the external auditor can also request a private committee session without members of the executive management present. This allows the external auditor and BAC members to raise any issues of concern.

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

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



Report of the Board Audit Committee continued

External audit continued

Non-audit work

The non-audit fees disclosed on page 107 relate to an annual subscription fee to PwC's digital platform, Viewpoint, which provides accounting standard, financial reporting, business and regulatory hot topics insights that are generic in nature and not specifically tailored to Zopa.

Internal audit

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

The internal audit acts primarily to provide the BAC with the information it needs to fulfil its own responsibilities and duties. The internal audit's implicit role is to support management in fulfilling its own risk, control and compliance responsibilities.

The annual audit plan of the internal audit function will include a cross section of report areas and include topics which assess the effectiveness of the system of risk management and internal control, supporting the BAC's compliance with Provision 29 of the 2024 UK Corporate Governance Code.

Independence

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

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

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

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

Objectivity

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

Whistleblowing

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

Gaenor Bagley

Chair of the Board Audit Committee

12 March 2026



Report of the Board Nomination Committee

Committee members (attendance)

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

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

Introduction

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

The NomCo focuses on the following key areas:

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

Committee composition

The composition of the NomCo complies with Provision 17 of the UK Corporate Governance Code (2024). The NomCo comprises four independent Non-Executive Directors (iNEDs), including the Chair of the Board, Gordon McCallum. Gordon chairs the NomCo but does not chair any discussions relating to the Board Chair post.

Summary of activities

Area of focus	Actions, decisions and outcomes
Non-executive appointments	<ul style="list-style-type: none"> • Recommended the re-appointment of Giles Andrews as a NED to the Board. • Recommended the appointment of Max Ohrstrand as a NED to the Board.
Governance	<ul style="list-style-type: none"> • Agreed and recommended to the Board a reduction in the number of investor NEDs on the Board from four to two, reducing the size of the Board from 12 to 10. • Undertook an annual review of iNED performance.
Succession planning	<ul style="list-style-type: none"> • In line with our Board Succession Planning Framework, we conducted a tender process and appointed headhunters to support the appointment of future iNEDs. • Undertook a skills assessment of the Board to identify focus areas of skill and experience for future Board appointments. • Reviewed executive succession plan for senior management roles.
Senior Managers Regime	<ul style="list-style-type: none"> • Approved the appointment of Jeremy Penzer as senior management function (SMF) 18, responsible for models and data analytics. • Provided oversight of the annual fitness and propriety checks of SMFs and reviewed the Bank's annual assessment of the certified functions.



Report of the Board Nomination Committee continued

Board training and induction

Induction

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

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

Ongoing director training

At the beginning of the year, the Board reviews and approves the Board's training programme, which considers the Bank's strategy and the continued professional development needs of the Board both as a collective and individually. In 2025, the training programme comprised a variety of presentations and seminars conducted by internal and external facilitators. It included the following topics: financial crime updates; the 2024 UK Corporate Governance Code; legal and regulatory landscape for Investments products; Institute of Directors' (IoD) Code of Conduct and market environment.

Gordon McCallum

Chair of the Board Nomination Committee

12 March 2026



Report of the Board Remuneration Committee

Committee members (attendance)

Member	Total meetings attended/meetings eligible to attend
Philippa Lambert (INED and Chair)	5/5
Gaenor Bagley (INED)	5/5
Richard Goulding (INED)	5/5

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

Introduction

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

The RemCo focuses on the following key areas:

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

Our approach to remuneration

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

- sets fair and appropriate remuneration to attract, motivate and retain employees of high calibre;
- encourages behaviour consistent with Zopa's values;

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

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

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

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

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



Report of the Board Remuneration Committee continued

Our approach to remuneration continued

It concluded that the Bank's Remuneration Policy should continue to include malus and clawback provisions, with their application subject to investigation and Board discretion (as delegated to the RemCo).

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

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

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

RemCo composition, skills and experience

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

Summary of activities

Area of focus	Actions, decisions and outcomes
Culture	<ul style="list-style-type: none"> In-depth review of the Zopometer survey results throughout 2025. Oversaw the move of the London and Stoke offices and considered staff impacts, including increase in office-based working. Review of People MI to measure key data points under engagement, attrition, DE&I and presence.

Area of focus	Actions, decisions and outcomes
Diversity, equity and inclusion (DE&I)	<ul style="list-style-type: none"> Monitored evolution of the Bank's compensation philosophy to ensure it considers gender and ethnic diversity. Reviewed diversity targets in the 2026 People Strategy and scorecard. Reviewed the workforce ethnicity disclosure data.
Remuneration Policy	<ul style="list-style-type: none"> Extensively discussed ongoing appropriateness of the Remuneration Policy, including evolution of the fixed-to-variable pay ratio based on benchmark data. Approved increase to employer pension contributions and other benefits.
Executive remuneration	<ul style="list-style-type: none"> Reviewed senior manager performance and approved salary and bonus compensation. Reviewed proposed annual bonus payout for employees and executives based on the 2025 scorecard performance. Reviewed proposed 2026 performance scorecard.
Executive succession planning	<ul style="list-style-type: none"> Discussed senior management function (SMF) succession planning.
Workforce performance	<ul style="list-style-type: none"> Reviewed and approved salary budget. Monitored the effect of mid-year and end-of-year salary and bonus reviews on the gender pay gap across the Bank.
Equity	<ul style="list-style-type: none"> Approved for recommendation to the Board a new management incentive plan.



Report of the Board Remuneration Committee continued

Diversity

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

Our culture, values and standards

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

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

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

Philippa Lambert

Chair of the Board Remuneration Committee

12 March 2026



Directors' report

Corporate governance

The directors of Zopa Bank Limited (henceforth the 'Bank' or the 'Company') present their Annual Report together with the audited financial statements for the year ended 31 December 2025 (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 57. As noted in the table below, the Bank has chosen, in accordance with Section 414C(11) of the Companies Act 2006, to include certain matters in its strategic report that would otherwise be disclosed in this directors' report.

Subject	Pages
Business review and future developments	9 to 14
Results for the year	15 to 20
Composition of the Board and Board committees	59 to 61
Approach to corporate governance	66 to 74
Relationship with shareholders	37
Employees and employees with disabilities	38
Relationship with suppliers	40
Environment and GHG emissions	29 to 35
Risk management	44 to 56
Use of financial instruments	110 to 114
Post balance sheet events	170

Dividends

The directors are not recommending any dividend in respect of the year ended 31 December 2025 (2024: £nil).

Going concern

The financial statements have been prepared on a going concern basis, as the directors are satisfied that the Bank will have the resources to continue business for a period of at least 12 months from the date of approval of these financial statements.

In making this assessment, the directors have considered a wide range of information relating to present and future conditions, including the current state of the balance sheet (the statement of financial position), future projections of profitability, liquidity and capital resources. The Bank's capital and liquidity plans, including alternative scenarios such as inflation remaining at similar or higher levels for longer than current expectations, increases to interest rates and a stagflation scenario, have been reviewed by the directors. When preparing the forecasts, the Bank has reflected the economic repercussions of the current increased geopolitical tensions and uncertainties over economic growth.

Political donations

The Bank made no political donations in 2025 (2024: £nil).

Research and Development

The Bank is dedicated to research and development activities in respect of development and enhancement of its platform and products.

Share capital

Zopa Bank Limited is a private limited company limited by shares, incorporated in England & Wales and domiciled in the United Kingdom under the Companies Act 2006 (registered number 10627575).

Details of the Bank's issued share capital, together with details of any movements in the Bank's issued share capital during the year, are shown in note 29 of the financial statements. As at 31 December 2025, the Bank has one class of ordinary share of £0.122 each (2024: £1 each). As at 31 December 2025, 561,819,069 ordinary shares were in issue (2024: 554,819,069).

Substantial shareholdings

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

Restrictions on the transfer of shares

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



Directors' report continued

Rights attaching to shares

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

New issues of share capital

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

Purchase of own shares

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

Appointment and resignations of directors

The appointment and resignations of the directors is governed by the Company's Articles of Association and the Companies Act 2006. The Company's Articles of Association may be amended by a special resolution of the Company passed by the shareholders at either a general meeting or in writing.

The following director appointments and resignations have taken place in 2025 and until the date of publication of this Annual Report and Accounts.

Director	Appointed	Resigned
Scott Christopher Jones		30.10.2025
Marina Troshina		30.10.2025
Giles Andrews		30.10.2025
Max Ohrstrand	30.10.2025	

Directors' remuneration

The Bank adheres to the requirements of the Remuneration Code as defined by the 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 accounts in accordance with applicable law and regulation.

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

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

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

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

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



Directors' report continued

Statement of directors' responsibilities in respect of the financial statements continued

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

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

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

Directors' confirmations

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

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

Independent auditors

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

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

Jaidev Janardana
Chief Executive Officer

12 March 2026



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Financial statements





Independent auditors' report to the members of Zopa Bank Limited

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the Company's affairs as at 31 December 2025 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Accounts (the 'Annual Report'), which comprise:

- the Statement of financial position as at 31 December 2025;
- the Statement of comprehensive income for the year then ended;
- the Statement of changes in equity for the year then ended;
- the Statement of cash flows for the year then ended; and
- the notes to the financial statements, comprising material accounting policy information and other explanatory information.

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

Basis for opinion

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

Independence

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

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

We have provided no non-audit services to the Company in the period under audit.

Our audit approach

Overview

Audit scope

- The scope of our audit and the nature, timing and extent of audit procedures performed were determined by our risk assessment and other qualitative factors.

Key audit matters

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

Materiality

- Overall materiality: £6,232,000 (2024: £4,934,000) based on 1% of net assets.
- Performance materiality: £4,674,000 (2024: £3,700,500).

The scope of our audit

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

Key audit matters

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



Independent auditors' report to the members of Zopa Bank Limited

continued

Report on the audit of the financial statements continued

Our audit approach continued

Key audit matters continued

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

Key audit matter

Determination of allowance for expected credit losses on loans and advances

Determining ECL is inherently judgemental and involves making various assumptions. This can give rise to increased estimation uncertainty.

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

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

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

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

- forward looking economic scenarios, and the weighting assigned to these; and
- judgements involved in determining probabilities of default ("PD").

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

How our audit addressed the key audit matter

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

Forward looking economic scenarios and assigned weightings

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

Model methodology and judgements relating to PD

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

We evaluated the methodology, appropriateness and implementation of the judgements involved in determining PD.

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

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

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



Independent auditors' report to the members of Zopa Bank Limited continued

Report on the audit of the financial statements continued

Our audit approach continued

How we tailored the audit scope

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

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

The impact of climate risk on our audit

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

Materiality

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

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

Overall company materiality	£6,232,000 (2024: £4,934,000).
How we determined its	1% of net assets
Rationale for benchmark applied	The Company's net assets is considered the most appropriate benchmark as it is correlated to capital and is a key metric for the users of the financial statements. The benchmark takes into consideration balance sheet growth, the importance of capital, and increasing scale of operations.



Independent auditors' report to the members of Zopa Bank Limited

continued

Report on the audit of the financial statements continued

Our audit approach continued

Materiality continued

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2024: 75%) of overall materiality, amounting to £4,674,000 (2024: £3,700,500) for the Company financial statements.

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

We agreed with the Board Audit Committee that we would report to them misstatements identified during our audit above £298,000 (2024: £247,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

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

- a risk assessment to identify factors that could impact the going concern basis of accounting;
- evaluating management's going concern assessment including the Company's capital and liquidity position and financial forecasts over the going concern period;
- evaluation of the stress testing performed by management including their severe but plausible downside scenario;
- substantiation of financial resources available to the Company; and
- reading and evaluating the adequacy of the disclosures made in the financial statements in relation to going concern.

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

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

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

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

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

Reporting on other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information.



Independent auditors' report to the members of Zopa Bank Limited

continued

Report on the audit of the financial statements continued

Reporting on other information continued

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 2025 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Corporate governance statement

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

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

- The directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;
- The disclosures in the Annual Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- The directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- The directors' explanation as to their assessment of the Company's prospects, the period this assessment covers and why the period is appropriate; and
- The directors' statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

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

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

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



Independent auditors' report to the members of Zopa Bank Limited

continued

Report on the audit of the financial statements continued

Corporate governance statement continued

- The section of the Annual Report describing the work of the Board Audit Committee.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

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

- discussions with management, and those charged with governance, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- reading correspondence with the FCA and the PRA;
- reading minutes of the board and audit committee to identify any matters of audit relevance;
- challenging assumptions and judgements made by management in their significant accounting estimates; and
- Identifying and testing journals that meet the higher risk criteria.

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.



Independent auditors' report to the members of Zopa Bank Limited continued

Report on the audit of the financial statements continued

Auditors' responsibilities for the audit of the financial statements continued

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

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Appointment

We were first appointed by the Company for the financial year ended 31 December 2017. Our uninterrupted engagement covers nine financial years.

Michael Whyte (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors
London

12 March 2026



Statement of comprehensive income

For the year ended 31 December

The accompanying accounting policies and notes on pages 102 to 170 are an integral part of the financial statements.

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

	Notes	2025 £000	2024 £000
Interest income		598,989	503,794
Interest expense		(239,341)	(224,454)
Net interest income	2	359,648	279,340
Fee and commission income		15,232	14,347
Fee and commission expense		(16,633)	(14,033)
Net fee and commission (expense)/income	3	(1,401)	314
Other operating income		266	2,478
Net gains on derecognition of financial assets measured at amortised cost	4	212	10,095
Changes in fair value of financial instruments measured at FVTPL	14	827	5,561
Total operating income		359,552	297,788
Operating expenses	5	(136,999)	(107,992)
Net operating income		222,553	189,796
Change in expected credit losses and other credit impairment charges	9	(167,501)	(156,229)
Change in provisions for other liabilities and charges		(10,200)	(2,017)
Profit before tax		44,852	31,550
Taxation	10	(11,472)	(9,773)
Profit after tax		33,380	21,777
Other comprehensive income/(loss)			
Items which will be reclassified subsequently to profit or loss:			
– Changes in fair value of investment securities held at FVOCI	30	187	(46)
Total other comprehensive income/(loss)		187	(46)
Total comprehensive income		33,567	21,731
Attributable to:			
Equity holders		33,567	21,731



Statement of financial position

As at 31 December

The accompanying accounting policies and notes on pages 102 to 170 are an integral part of the financial statements.

The financial statements were approved by the Board of Directors on 12 March 2026 and signed on its behalf by:

Jaidev Janardana
Chief Executive Officer

Steve Hulme
Chief Financial Officer

	Notes	2025 £000	2024 £000
Assets			
Cash and cash equivalents:			
– Central bank	12	2,225,694	2,761,315
– Other bank	12	82,231	58,428
– Debt securities	12	30,572	—
Amounts due from other Group undertakings	16	39,724	642
Derivative financial instruments	14	141	5,946
Loans and advances to customers	15	3,506,654	2,865,635
Investment securities	17	1,253,125	455,157
Prepayments and accrued income	18	8,578	6,445
Other assets	19	22,470	22,259
Property, plant and equipment	21	1,676	1,150
Right-of-use assets	20	17,109	2,137
Intangible assets	22	43,949	32,360
Deferred tax assets	23	11,788	17,573
Total assets		7,243,711	6,229,047
Liabilities			
Derivative financial instruments	14	6,020	1,087
Amounts due to banks	24	50,783	157,227
Deposits by customers	25	6,393,598	5,455,740
Amounts due to other Group undertakings	16	34,361	4
Subordinated liabilities	26	76,086	76,086
Accruals		17,498	16,747
Provisions	27	10,521	3,110
Other liabilities	28	15,313	20,016
Lease liabilities	20	16,314	1,739
Total liabilities		6,620,494	5,731,756
Equity			
Called-up share capital	29	68,542	554,819
Share premium	29	6,146	—
Other equity instruments	29	78,298	—
Other reserves	30	21,826	9,428
Retained earnings		448,405	(66,956)
Total equity		623,217	497,291
Total equity and liabilities		7,243,711	6,229,047



Statement of changes in equity

For the year ended 31 December

The accompanying accounting policies and notes on pages 102 to 170 are an integral part of the financial statements.

	Notes	Called-up share capital £000	Share premium £000	Other equity instruments £000	Other reserves £000	Retained earnings £000	Total equity £000
Balance as at 1 January 2024		486,319	—	—	6,829	(88,733)	404,415
Profit for the year		—	—	—	—	21,777	21,777
Other comprehensive loss relating to investment securities	30	—	—	—	(46)	—	(46)
Total comprehensive income		—	—	—	(46)	21,777	21,731
Shares issued	29	68,500	—	—	—	—	68,500
Net share option movements	31	—	—	—	2,645	—	2,645
Balance as at 31 December 2024		554,819	—	—	9,428	(66,956)	497,291
Balance as at 1 January 2025		554,819	—	—	9,428	(66,956)	497,291
Profit for the year		—	—	—	—	33,380	33,380
Other comprehensive income	30	—	—	—	187	—	187
Total comprehensive income		—	—	—	187	33,380	33,567
Shares issued	29	854	6,146	—	—	—	7,000
Capital reduction	29	(487,131)	—	—	—	487,131	—
Issue of other equity instruments	29	—	—	78,298	—	—	78,298
Coupons paid on other equity instruments		—	—	—	—	(5,150)	(5,150)
Net share option movements	31	—	—	—	12,211	—	12,211
Balance as at 31 December 2025		68,542	6,146	78,298	21,826	448,405	623,217



Statement of cash flows

For the year ended 31 December

The accompanying accounting policies and notes on pages 102 to 170 are an integral part of the financial statements.

	Notes	2025 £000	2024 £000
Reconciliation of profit before tax to net cash flows from operating activities:			
Profit before tax		44,852	31,550
Adjustments for:			
– Non-cash items	13	108,122	67,370
– Changes in operating assets and liabilities	13	216,056	1,640,591
– Current tax expense	10	(5,687)	(3,439)
Net cash generated from operating activities		363,343	1,736,072
Cash flows from investing activities			
Purchase of investment securities		(948,990)	(431,925)
Investment securities matured during the year		154,254	67,356
Purchase of property, plant and equipment	21	(1,486)	(659)
Purchase and development of intangible assets	22	(21,194)	(23,775)
Net cash used in investing activities		(817,416)	(389,003)

	Notes	2025 £000	2024 £000
Cash flows from financing activities			
Shares issued	29	7,000	68,500
Issuance of other equity instruments	29	80,000	—
Transaction costs on issuance of other equity instruments	29	(1,702)	—
Coupon payment on other equity instruments		(5,150)	—
Repayment of TFSME borrowings		(150,000)	—
Proceeds from ILTR borrowings		50,000	—
Change in non-trading amounts due to and from other Group undertakings	16	(5,393)	4
Cash payments on lease liabilities	20	(1,928)	(1,822)
Net cash (used in)/generated from financing activities		(27,173)	66,682
Net (decrease)/increase in cash and cash equivalents			
		(481,246)	1,413,751
Cash and cash equivalents at start of year	12	2,819,743	1,405,992
Cash and cash equivalents at end of year	12	2,338,497	2,819,743
Profit before tax includes:			
Interest received		581,912	497,000
Interest paid		(241,540)	(218,408)



Notes to the financial statements

For the year ended 31 December

1. Basis of preparation and material accounting policies

Overview

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

1.1 General information

The Company provides retail banking and consumer lending services in the UK and is a private limited company limited by shares incorporated in England & Wales and domiciled in the United Kingdom under the Companies Act 2006 (registered number 10627575). The registered office is at Level 12, 20 Water Street, Canary Wharf, London, United Kingdom, E14 5GX. The Company is a subsidiary of Zopa Group PLC (the 'Group'), which has the same registered office as Zopa Bank Limited.

1.2 Basis of preparation

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

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

1.3 Going concern

The financial statements have been prepared on a going concern basis, as the directors are satisfied that the Company will have the resources to continue business for a period of at least 12 months from the date of approval of these financial statements. In making this assessment, the directors have considered a wide range of information relating to present and future conditions, including the current state of the statement of financial position, future projections of profitability, liquidity and capital resources.

The Company's capital and liquidity plans, including alternative scenarios such as inflation remaining at similar or higher levels for longer than current expectations, increases to interest rates and a stagflation scenario, have been reviewed by the directors. When preparing the forecasts, the Company has reflected the economic repercussions of the current increased geopolitical tensions and uncertainties over economic growth.

Directors also considered the key assumptions and uncertainties that feed into these plans alongside management actions and mitigants that are available. Under all scenarios considered, the directors believe the Company to remain a going concern on the basis that it maintains sufficient resources to be able to continue to operate for the period of at least 12 months from the date of authorisation of these financial statements.

1.4 Functional and presentational currency

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

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

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

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



Notes to the financial statements

continued

For the year ended 31 December

1. Basis of preparation and material accounting policies

continued

Overview continued

1.5 Segmental reporting

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

1.6 Cash flow statement

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

1.7 Critical judgements and accounting estimates

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

The areas noted in the table below have a higher degree of complexity, judgement or the estimates have a significant risk of a material adjustment to the carrying amounts within the next financial year. No other significant judgements or other significant estimates have been made in the process of applying the accounting policies.

Management believes that the underlying assumptions applied as at 31 December 2025 are appropriate and that the financial statements therefore present the financial position and results of the Company fairly.

Policy	Judgement	Estimate	Further information
Expected credit loss (ECL) allowance	Criteria for significant increase in credit risk Use of post-model adjustments to address the risks not captured by the models	ECL estimates contain a number of measurement uncertainties (such as the impact of macroeconomic scenarios and weightings on the probability of default) and disclosures include sensitivities to show impact on the application of different weightings	Note 37

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

1.8 New accounting standards, interpretations and changes to accounting policies

The Company has not provided disclosures in respect of new and amended standards and interpretations that became effective for 2025, as none of these had a material impact on the Company's financial statements.

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



Notes to the financial statements

continued

For the year ended 31 December

2. Net interest income

Accounting policy

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

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

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

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

- lease income on secured motor finance loans which 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 EIR basis.

	Notes	2025 £000	2024 £000
Interest income			
Cash and cash equivalents:			
– Central banks		91,979	104,274
– Other banks		2,290	1,931
– Debt securities		2,622	—
Amounts due from other Group undertakings	16	1,270	—
Loans and advances to customers		463,260	383,567
Investment securities		37,474	14,022
Lease deposit	20	94	—
Total interest income		598,989	503,794
Interest expense			
Deposits by customers		(221,866)	(205,440)
Amounts due to other Group undertakings	16	(955)	(4)
Subordinated liabilities		(10,800)	(10,935)
Amounts due to other banks		(5,236)	(7,705)
Lease liabilities	20	(484)	(370)
Total interest expense		(239,341)	(224,454)
Net interest income		359,648	279,340



Notes to the financial statements

continued

For the year ended 31 December

3. Net fee and commission (expense)/income

Accounting policy

The Company recognises fee and commission income when services are provided to customers and the Company has satisfied its performance obligations under the contract. Income is recognised at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods and services, and management concludes that there is a high probability that there will be no significant reversal of the estimated income. Income from credit cards and supervision fees are recognised at a point in time when the Company has fully provided the service to the customer.

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

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

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

	Note	2025 £000	2024 £000
Fee and commission income			
Credit cards		12,977	10,644
Supervision fee	16	—	2,184
Referral commission		1,460	1,116
Servicing fee		510	393
Other fees		285	10
Total fee and commission income		15,232	14,347
Fee and commission expense			
		(16,633)	(14,033)
Net fee and commission (expense)/income		(1,401)	314

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

Accounting policy

The Company sells financial assets if they no longer meet the Company's credit policy. This occurs when the credit rating has declined below that required by the policy. For this reason, any sale of these credit-impaired loans does not give rise to a change in business model, and therefore does not impact the classification of the loan portfolio. Sales for other reasons should be infrequent or insignificant.

Net gains on derecognition of financial assets include the gain on sale of credit-impaired loans and loan write-offs due to fraud. Loan write-offs due to credit risk are included in the 'Change in expected credit losses and other credit impairment charges' line in the income statement. It also includes the one-off gain on sale of performing loans in 2024 (refer to note 36 for further details).

	Note	2025 £000	2024 £000
Gains on sale of credit-impaired loans		3,253	4,973
Loan write-offs due to fraud		(3,041)	(927)
Gains on sale of performing loans	36	—	6,049
Net gains on derecognition of financial assets measured at amortised cost		212	10,095



Notes to the financial statements

continued

For the year ended 31 December

5. Operating expenses

	Notes	2025 £000	2024 £000
Wages and salaries	6	99,358	78,394
Contractors		6,898	3,559
Less: capitalised development costs recognised as intangible additions		(20,659)	(15,673)
Outsourced staff		5,068	3,724
Legal and professional		9,012	8,001
Depreciation of PPE and right-of-use assets	20,21	2,968	3,100
Amortisation of intangible assets	22	9,024	7,258
Impairment of PPE, intangible assets and right-of-use assets	20,21 & 22	1,027	212
Information technology		14,937	12,690
Intragroup recharges	16	404	422
Other		8,962	6,305
Total operating expenses		136,999	107,992

The capitalised development costs recognised as additions to intangible assets (see note 22) reduces the wages and salaries and contractor costs.

6. Wages and salaries

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

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

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

The below expenses are presented gross of staff costs which were capitalised as part of the Company's intangible assets. See note 22 for accounting policies on intangible asset capitalisation.

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

	Note	2025 £000	2024 £000
Employee benefits		74,436	65,464
Social security costs		9,662	7,750
Defined contribution pension expenses		3,049	2,535
Equity-settled share-based payments	31	12,211	2,645
Total wages and salaries		99,358	78,394

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

	2025 Number	2024 Number
Loan operations and servicing	525	471
Administration	396	343
Total staff	921	814



Notes to the financial statements

continued

For the year ended 31 December

7. Directors' remuneration

This table sets out emoluments and pension contributions in respect of 2025.

	2025 £000	2024 £000
Directors' emoluments	2,246	2,971
Pension contributions	20	10
Total directors' remuneration	2,266	2,981

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

	2025 £000	2024 £000
Emoluments	962	1,435
Pension contributions	10	10
Total highest paid director remuneration	972	1,445

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

In accordance with the Large and Medium-sized Companies (Accounts and Reports) Regulations 2008, the value of share-based awards is excluded from directors' emoluments. In 2024, the amounts disclosed in respect of share awards granted in 2024 were £719k in aggregate and £463k for the highest paid director.

8. Independent auditors' fees

	2025 £000	2024 £000
Fees payable for the statutory audit of the Company's financial statements	1,719	1,625
Fees payable for subscription services	3	3
Total fees payable to auditors	1,722	1,628

Auditors' remuneration to PricewaterhouseCoopers LLP for 2025 in relation to the statutory audit includes £100k (2024: £160k) which pertains to additional fees for 2024 that were paid during the current year.

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

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



Notes to the financial statements

continued

For the year ended 31 December

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

Accounting policy

The accounting policies for expected credit losses are included in note 37. Write-offs occur when either part, or all, of the outstanding debt is considered irrecoverable and all viable options to recover the debt have been exhausted. Any amount received after the loss allowance has been raised or debt has been written off is recorded as a recovery and reflected as a reduction in the expected credit loss allowance in the income statement.

	Notes	2025 £000	2024 £000
ECL movements and write-offs on loans and advances to customers	37	170,748	159,126
Recoveries of loans and advances, net of collection costs		(3,543)	(3,209)
Increase in ECL on off-balance sheet exposures	27	296	312
Change in expected credit losses and other credit impairment charges		167,501	156,229

The impairment charge includes £477k (2024: £249k) in respect of residual value impairment within the Company's motor finance loan business.

10. Taxation

Accounting policy

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

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

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised, or the deferred income tax liability is settled.

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

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



Notes to the financial statements

continued

For the year ended 31 December

10. Taxation continued

Current tax for the year ended 31 December 2025 is based on rates of 25% for the standard rate of UK corporation tax.

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

No corporation tax liabilities are payable to HMRC for the year (2024: £nil).

Details on the deferred tax is provided in note 23.

10.1 Tax charge/(credit)

	2025 £000	2024 £000
Current tax expense		
– Current tax on profits for the year	6,208	2,945
– Adjustments in respect to prior years	(521)	494
Deferred tax charge/(credit)		
– Current year	7,452	4,142
– Adjustments in respect to prior years	(1,667)	2,192
Total tax charge/(credit)	11,472	9,773

10.2 Reconciliation of effective tax rate

The expected tax charge for the year ended 31 December 2025 is 25% (2024: 25%). A reconciliation from the charge/(credit) implied by the standard rate to the actual tax credit is as follows:

	2025 £000	2024 £000
Profit before tax	44,852	31,550
Tax charge based on the applicable UK Corporation Tax rate of 25% (2024: 25%)	11,213	7,888
Tax effect of:		
Non-deductible expenses for tax purposes	4,216	796
Group relief claimed/surrendered	—	(1,498)
Adjustments in respect to prior years	(2,188)	2,686
Other differences	(1,769)	(99)
Total tax charge/(credit)	11,472	9,773



Notes to the financial statements

continued

For the year ended 31 December

11. Financial instruments

Accounting policy

Recognition and derecognition

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

Derecognition of financial instruments

Financial assets are derecognised when, and only when:

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

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

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

Classification of financial assets

There are three principal classification categories for financial assets:

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

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

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

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



Notes to the financial statements

continued

For the year ended 31 December

11. Financial instruments

continued

Accounting policy continued

Classification of financial assets continued

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

Measurement of financial assets

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

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

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

The accounting policies on the expected credit loss of financial instruments are included in note 37.

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

Financial liabilities at amortised cost

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

Offsetting

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

As at 31 December 2025 and 31 December 2024, no financial instruments have been offset in the statement of financial position.



Notes to the financial statements

continued

For the year ended 31 December

11. Financial instruments

continued

Accounting policy continued

Classification of debt and equity instruments

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 Company include ordinary share capital that meet 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.

Reclassification between financial liability and equity

Equity or liability classification is made by the Company on initial recognition. A change of contractual terms and conditions might result in derecognising the original instrument and recognising a new instrument.

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.

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.



Notes to the financial statements

continued

For the year ended 31 December

11. Financial instruments

continued

Financial assets pledged as collateral

The Company has pledged £269,654k (2024: £357,321k) of loans and advances to customers as encumbered collateral. As at 31 December 2025, the collateral relates to the Bank of England's Indexed Long-Term Repo (ILTR) facility and may be called upon in the event of default under that arrangement. Further details of this Bank of England funding scheme can be found in note 24.

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

2025	FVTPL £000	FVOCI £000	Amortised cost £000	Total £000
Cash and cash equivalents:				
– Central bank	—	—	2,225,694	2,225,694
– Other banks	—	—	82,231	82,231
– Debt securities	—	—	30,572	30,572
Amounts due from other Group undertakings	—	—	39,724	39,724
Derivative financial instruments	141	—	—	141
Loans and advances to customers	—	—	3,506,654	3,506,654
Investment securities	—	299,611	953,514	1,253,125
Other assets	—	—	8,564	8,564
Total financial assets	141	299,611	6,846,953	7,146,705
Derivative financial instruments	6,020	—	—	6,020
Amounts due to other banks	—	—	50,783	50,783
Deposits by customers	—	—	6,393,598	6,393,598
Amounts due to other Group undertakings	—	—	34,361	34,361
Subordinated liabilities	—	—	76,086	76,086
Other liabilities	—	—	12,768	12,768
Total financial liabilities	6,020	—	6,567,596	6,573,616



Notes to the financial statements

continued

For the year ended 31 December

11. Financial instruments

continued

Financial assets pledged as collateral continued

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

There were no reclassifications of financial assets or liabilities during the year ended 31 December 2025 or 31 December 2024.



Notes to the financial statements

continued

For the year ended 31 December

12. Cash and cash equivalents

Accounting policy

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

	2025 £000	2024 £000
Cash and balances with central bank	2,225,694	2,761,315
Cash and balances with other banks	82,231	58,428
Debt securities (less than three months)	30,572	—
Total cash and cash equivalents	2,338,497	2,819,743

All cash and cash equivalents were Stage 1 assets under IFRS 9 as at 31 December 2025 and 31 December 2024. There was no allowance for expected credit loss in respect of cash and cash equivalents as at 31 December 2025 (2024: £nil).

13. Cash flow information

13.1 Cash generated from operating activities

Notes	2025 £000	2024 £000
Adjustments for non-cash items:		
– Change in expected credit losses and other credit impairment charges	9	156,229
– ECL on disposal of assets outside of credit risk appetite	37	(85,552)
– Change in provisions		7,687
– Depreciation, amortisation and impairment	5	13,019
– Share-based payment charge	31	12,211
– Interest on leases	20	484
– Interest on subordinated liabilities and other borrowings		(1,494)
– Interest on investment securities		(4,755)
– Changes to fair value adjustment of hedged risk	14	(4,868)
– Changes in fair value of financial instruments measured through profit and loss		4,041
– Other non-cash items		(152)
Total adjustments for non-cash items	108,122	67,370

Notes	2025 £000	2024 £000
Changes in operating assets and liabilities:		
– Loans and advances to customers		(717,921)
– Deposits by customers	25	937,858
– Financial instruments at fair value through profit or loss		6,697
– Amounts due to other banks	24	(4,950)
– Intercompany trading balances	16	668
– Prepayments and accrued income	18	(2,133)
– Accruals		751
– Other assets	19	(211)
– Other liabilities	28	(4,703)
Total changes in operating assets and liabilities	216,056	1,640,591



Notes to the financial statements

continued

For the year ended 31 December

13. Cash flow information

continued

13.2 Net debt reconciliation

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

	Liabilities from financing activities			Other assets		Total £000
	Borrowings £000	Leases £000	Sub-total £000	Cash £000	Investments £000	
Net debt as at 1 January 2025	(5,689,057)	(1,739)	(5,690,796)	2,819,743	3,321,434	450,381
Cash flow items						
Financing cash flows	(867,970)	1,928	(866,042)	(821,618)	1,460,992	(226,668)
Interest payments/(receipts)	241,540	—	241,540	340,372	(581,912)	—
Non-cash flow items						
Interest (expense)/income	(239,341)	—	(239,341)	—	598,989	359,648
Accretion of interest	—	(484)	(484)	—	—	(484)
Additions – lease	—	(16,019)	(16,019)	—	—	(16,019)
Net debt as at 31 December 2025	(6,554,828)	(16,314)	(6,571,142)	2,338,497	4,799,503	566,858

	Liabilities from financing activities			Other assets		Total £000
	Borrowings £000	Leases £000	Sub-total £000	Cash £000	Investments £000	
Net debt as at 1 January 2024	(3,596,395)	(3,038)	(3,599,433)	1,405,992	2,560,354	366,913
Cash flow items						
Financing cash flows	(2,086,616)	1,822	(2,084,794)	1,135,159	754,286	(195,349)
Interest payments/(receipts)	218,408	—	218,408	278,592	(497,000)	—
Non-cash flow items						
Interest (expense)/income	(224,454)	—	(224,454)	—	503,794	279,340
Accretion of interest	—	(370)	(370)	—	—	(370)
Additions – lease	—	(153)	(153)	—	—	(153)
Net debt as at 31 December 2024	(5,689,057)	(1,739)	(5,690,796)	2,819,743	3,321,434	450,381



Notes to the financial statements

continued

For the year ended 31 December

14. Derivative and hedging activities

Accounting policy

Accounting for derivatives

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

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

Hedge accounting

The Company designates certain derivatives as hedging instruments in respect to interest rate risk in fair value hedges. The Company applies fair value hedge accounting for individual hedges (micro-hedges) and portfolio hedges of interest rate risk (macro-hedges). The hedged items are portfolios that are identified as part of the risk management process. Micro hedges are accounted for in accordance with IFRS 9. The Company applies the exemption to continue using IAS 39 hedge accounting for macro fair value hedges of interest rate risk.

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

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

At inception of every hedge, the Company produces hedge documentation which identifies the hedged risk, hedged item and hedging instrument. This documentation sets out the methodology used for testing hedge effectiveness.

Derivative financial instruments, relating to interest rate swaps and foreign currency forwards, are held solely for purposes of mitigating interest rate risk and foreign exchange risk, respectively. Where appropriate, the interest rate swaps are designated as hedging instruments. The Company applies both portfolio (macro) and individual (micro) hedging strategies to manage interest rate risk.

The following table sets out the derivative instruments held:

	2025			2024		
	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	885,000	141	5,970	705,000	5,946	1,072
Derivatives in economic and not accounting hedge						
Interest rate swaps	25,000	—	2	10,000	—	10
Foreign currency forwards	2,388	—	48	1,546	—	5
Total derivatives	912,388	141	6,020	716,546	5,946	1,087



Notes to the financial statements

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For the year ended 31 December

14. Derivative and hedging activities continued

Details of derivatives designated as hedging instruments in a qualifying hedging relationship are provided below. Interest rate swaps that are included in economic and not accounting hedge are those that were purchased in December 2025 and as such, were excluded in the December re-designation. These swaps were subsequently included in the accounting hedge relationships in the January 2026 re-designation.

Derivatives in economic and not accounting hedge relating to forward contracts are used to assist in managing the Company's liquidity.

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

	2025 £000	2024 £000
Net (loss)/gain on derivatives designated as fair value hedges	(5,960)	987
Fair value adjustments from hedge accounting	4,868	(3,010)
Ineffectiveness of fair value hedges	(1,092)	(2,023)
Movements on the other financial instruments measured at FVTPL	1,919	7,584
Changes in fair value of financial instruments measured at FVTPL	827	5,561

Fair value macro hedge

Interest rate risk on fixed loans

The Company holds portfolios of fixed-term loans and therefore is exposed to changes in fair value due to movements in market interest rates. The risk exposure is managed using interest rate swaps under its fair value macro hedging programme.

Only the interest rate risk element is hedged and therefore other risks, such as credit risk, are managed but not hedged by the Company. The interest rate risk element is determined with regard to the fixed rate that represents the benchmark rate of interest being hedged.

The interest rate risk is determined as the change in fair value of the fixed-rate loans arising from changes in market interest rates.

Such changes are usually the largest component of the overall change in fair value.

This strategy is designated as a fair value hedge and its effectiveness is assessed by comparing changes in the fair value of the loans attributable to changes in the benchmark rate of interest with changes in the fair value of the interest rate swaps.

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

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

Possible sources of ineffectiveness are as follows:

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



Notes to the financial statements

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For the year ended 31 December

14. Derivative and hedging activities continued

Fair value macro hedge continued

Interest rate risk on fixed loans continued

The following table contains details of the hedging instruments used in the Company's macro-hedging strategy:

2025	Notional £000	Carrying amount asset/(liability) £000	Statement of financial position line item	Changes in fair value used for calculating hedge ineffectiveness (charge) £000
Interest rate swaps	170,000	141	Derivative financial assets	(5,820)
	630,000	(4,177)	Derivative financial liabilities	
	800,000	(4,036)		(5,820)

2024	Notional £000	Carrying amount asset/(liability) £000	Statement of financial position line item	Changes in fair value used for calculating hedge ineffectiveness (charge) £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)

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

2025	Carrying amount (asset) £000	Accumulated amount of the fair value adjustments on the hedged item £000	Statement of financial position line item	Changes in fair value used for calculating hedge ineffectiveness income/(charge) £000
Fixed-rate loans and advances to customers	2,784,185	4,037	Loans and advances to customers	4,752

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



Notes to the financial statements

continued

For the year ended 31 December

14. Derivative and hedging activities continued

Fair value macro hedge continued

Interest rate risk on fixed loans continued

The following table contains the gains/(losses) attributable to the hedged risk:

2025 Macro fair value hedge Hedged item	Hedging instrument	Hedged item £000	Hedging instruments £000	Net cumulative fair value loss £000	Ineffectiveness recognised during the year £000	Line item in the statement of income
Fixed-rate loans and advances to customers	Interest rate swaps	2,784,185	800,000	(5,821)	(1,069)	Changes in fair value of financial instruments measured at FVTPL
2024 Macro fair value hedge Hedged item	Hedging instrument	Hedged item £000	Hedging instruments £000	Net cumulative fair value gain £000	Ineffectiveness recognised during the year £000	Line item in the statement of income
Fixed-rate loans and advances to customers	Interest rate swaps	2,277,833	705,000	987	(2,023)	Changes in fair value of financial instruments measured at FVTPL

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

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

Fair value micro hedge

Interest rate risk on fixed bonds

In 2025, the Company started designating certain fixed-rate UK Government bonds ('gilts') as hedged items for the benchmark interest rate risk and enters into interest rate swaps that receive fixed and pay-compounded SONIA (asset swaps). Changes in the swap's fair value are recognised in profit or loss, and the carrying amount of the hedged items is adjusted for changes in its fair value attributable to the hedged risk, with that adjustment also recognised in profit or loss in the same line item. When hedge accounting is discontinued, any cumulative fair value hedge adjustment included in the carrying amount of the hedged items is amortised to profit or loss using a recalculated effective interest rate over the remaining life of the instrument.

Micro fair value hedges are used alongside the Company's macro hedging to transform fixed-rate gilts into variable-rate exposures, aligning asset repricing with liabilities and reducing net interest income sensitivity to rate moves. Hedged risk is the benchmark (risk-free) interest rate component of the gilt's fair value; credit spread risk is not hedged. The hedge ratio is generally 1:1 (swap notional to par of the hedged item). Sources of expected ineffectiveness include timing mismatches, day-count/reset conventions, discounting curves, and counterparty credit/funding valuation adjustment.



Notes to the financial statements

continued

For the year ended 31 December

14. Derivative and hedging activities continued

Fair value micro hedge continued

Interest rate risk on fixed bonds continued

The following table contains details of the micro-hedging instruments used in the Company's micro-hedging strategy.

2025	Notional £000	Carrying amount (liability) £000	Statements of financial position line item	Changes in fair value used for calculating hedge ineffectiveness (income/(charge)) £000
Interest rate swaps	85,000	(978)	Derivative financial liabilities	(140)
	85,000	(978)		(140)

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

2025	Carrying amount asset £000	Accumulated amount of the fair value adjustments on the hedged item £000	Statements of financial position line item	Changes in fair value used for calculating hedge ineffectiveness income £000
UK gilts	85,951	117	Investments at amortised cost	117

The following table contains the gains/(losses) attributable to the hedged risk:

2025 Micro fair value hedge Hedged item	Hedging instrument	Hedged item £000	Hedging instruments £000	Net cumulative fair value loss £000	Ineffectiveness recognised during the year £000	Line item in the consolidated statement of income
UK gilts	Interest rate swaps	85,000	85,000	(861)	(23)	Changes in fair value of financial instruments measured at FVTPL



Notes to the financial statements

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For the year ended 31 December

15. Loans and advances to customers

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

- unsecured personal loans;
- secured motor finance loans (automotive hire purchase (HP) loans and personal contract purchase (PCP) loans); and
- credit cards.

Unsecured personal loans, credit cards and point-of-sale (PoS) loans are classified as unsecured lending, while motor finance loans are 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 motor finance loans includes £1,207k (2024: £730k) relating to provisions against residual values of vehicles subject to PCP loans. These provisions are included within the impairment charge and in the calculation of coverage ratios.

	Note	2025 £000	2024 £000
Gross unsecured lending		3,092,275	2,513,717
Less: allowance for expected credit losses		(234,128)	(180,446)
Total unsecured lending		2,858,147	2,333,271
Gross finance lease receivables		733,891	618,938
Less: unearned finance income		(54,614)	(64,848)
Net investment in finance leases		679,277	554,090
Less: allowance for expected credit losses		(34,807)	(21,012)
Total finance lease receivables		644,470	533,078
Fair value adjustment for hedged risk	14	4,037	(714)
Total loans and advances to customers		3,506,654	2,865,635

Gross finance lease loans are receivable as follows:

	2025 £000	2024 £000
Less than one year	241,165	193,924
One to two years	208,916	178,811
Two to three years	158,631	137,627
Three to four years	96,955	80,515
Four to five years	28,224	28,061
Total gross finance lease receivables	733,891	618,938

Note that this table differs to the maturity table in note 37. This is due to the above table representing the undiscounted contractual repayments of motor finance loans, while the table in note 37 represents the maturity profile of the net investment in finance leases.



Notes to the financial statements

continued

For the year ended 31 December

16. Amounts due to and from other Group undertakings

2025	Income £000	Expenditure £000	Amounts due from Group undertakings £000	Amounts due to Group undertakings £000
Zopa Group PLC – trading balances	41	404	—	26
Zopa Group PLC – intercompany loan	—	955	—	34,335
ZGL Employee Benefit Trust – intercompany loan	1,270	—	39,724	—
RVVUP Ltd – trading balances	227	—	—	—
Total	1,538	1,359	39,724	34,361

RVVUP Ltd is a wholly owned subsidiary of Zopa Group PLC which was acquired in August 2025.

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

The balance due from the ZGL Employee Benefit Trust (EBT) relates to funding provided to facilitate the acquisition of Zopa Group's shares under the share-based awards issued in 2025. Please refer to note 31 for further details.

2024	Income £000	Expenditure £000	Amounts due from Group undertakings £000	Amounts due to Group undertakings £000
Zopa Group PLC – trading balances	406	422	642	—
Zopa Group PLC – intercompany loan	—	4	—	4
Zopa Embedded Finance Limited – intercompany loan	2,184	1,010	—	—
Total	2,590	1,436	642	4

Refer to note 32 for the related party disclosures.



Notes to the financial statements

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For the year ended 31 December

17. Investment securities

Investment securities held by the Company can fall into one of the following three categories: amortised cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL). At the balance sheet date, all investment securities are non-complex, with cash flows comprising solely of payments of principal and interest. The Company holds some securities to collect cash flows; other securities are held to collect cash flows, and to sell if the need arises (e.g. to manage and meet day-to-day liquidity needs). Therefore, the Company has a mixed business model and securities are classified as either amortised cost or FVOCI as appropriate. The Company does not categorise any investment securities as fair value through profit and loss.

Refer to note 11 for the accounting policy.

Investment securities held at FVOCI

	2025 £000	2024 £000
Covered bonds issued by banks and building societies	248,662	248,454
Bonds issued by multilateral development banks	50,949	51,270
Total investment securities held at FVOCI	299,611	299,724

Investment securities held at amortised cost

	Note	2025 £000	2024 £000
Covered bonds issued by banks and building societies		306,233	118,571
Bonds issued by multilateral development banks (MDBs)		111,747	36,862
Residential mortgage-backed securities (RMBS)		178,838	—
Asset-backed securities (ABS)		46,680	—
Sovereign and government agency bonds		309,899	—
Gross investment securities held at amortised cost		953,397	155,433
Fair value adjustment for hedged risk	14	117	—
Total investment securities held at amortised cost		953,514	155,433

All of 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 2025.



Notes to the financial statements

continued

For the year ended 31 December

18. Prepayments and accrued income

	2025 £000	2024 £000
Prepayments	8,439	6,271
Accrued income	139	174
Total prepayments and accrued income	8,578	6,445
Current portion	8,201	5,544
Non-current portion	377	901

19. Other assets

Customer receivables primarily relate to customer loan and credit card repayments that have been remitted, but the cash has not yet cleared the bank account.

Debt sale receivables amounting to £nil (2024: £9,728k) relates to amounts owed to the Company from buyers for the sale of credit-impaired credit card loans in December 2024, which was settled subsequently in January 2025.

Corporate tax receivables primarily arise because the 33.75% withholding tax paid on interest on the loan to ZGL Employee Benefit Trust (refer to note 16) is treated as s.455 'loans to participators' tax, which is refundable/creditable once the loan is repaid or otherwise settled, hence it is recognised as an asset.

	2025 £000	2024 £000
Customer receivables	858	2,853
Trade debtors	826	999
Debt sale receivables	21	9,728
Corporation tax receivables	13,782	1,758
Other	6,983	6,921
Total other assets	22,470	22,259
Current portion	9,492	16,073
Non-current portion	12,978	6,186



Notes to the financial statements

continued

For the year ended 31 December

20. Right-of-use assets and lease liabilities

Accounting policy and commentary

The Company leases properties for office space.

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

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

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

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

In the absence of any borrowing history, the Company determined its incremental borrowing rate to be 12.875%. Lease payments are allocated between principal and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

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

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

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

Payments associated with short-term leases are recognised on a straight-line basis as an expense in the income statement. Short-term leases are leases with a lease term of 12 months or less.



Notes to the financial statements

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For the year ended 31 December

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

20.1 Right-of-use assets

	2025 £000	2024 £000
Balance as at 1 January	2,137	4,135
Additions	17,395	368
Depreciation charge for the year	(2,274)	(2,284)
Disposals	(149)	(82)
Balance as at 31 December	17,109	2,137

20.2 Lease liabilities

	2025 £000	2024 £000
Balance as at 1 January	1,739	3,038
Additions	15,988	199
Interest charged during the year	484	370
Payments during the year	(1,928)	(1,822)
Disposals	31	(46)
Balance as at 31 December	16,314	1,739
– of which is current	1,200	1,649
– of which is non-current	15,114	90

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

	2025 £000	2024 £000
Less than one year	3,171	1,803
One to two years	3,445	99
Two to five years	9,904	—
More than five years	8,887	—
Total undiscounted lease liabilities	25,407	1,902

20.3 Amounts recognised in the income statement

	Notes	2025 £000	2024 £000
Interest income	2		
Interest on lease deposit		94	—
Interest expense	2		
Interest on lease liabilities		(484)	(370)
Operating expenses			
Depreciation of right-of-use assets		(2,274)	(2,284)
Loss on disposal of lease		(180)	(36)
Change in provisions for other liabilities and charges	27		
Release of dilapidation provision		9	—
Total amounts recognised in the income statement		(2,835)	(2,690)

The additions to right-of-use assets and lease liabilities in 2025 relates to the new lease of the office located at 20 Water Street, Canary Wharf, London, United Kingdom, E14 5GX.



Notes to the financial statements

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For the year ended 31 December

21. Property, plant and equipment

Accounting policy

Property, plant and equipment are stated at historic purchase cost less accumulated depreciation. Cost includes purchase price and directly attributable costs necessary to bring the asset into use as 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.

Assets are reviewed for impairment where indicators exist. An impairment loss is recognised where the carrying amount exceeds the recoverable amount, being the higher of value in use and fair value less costs to sell and is reversed only to the extent the asset's carrying amount does not exceed the amount that would have been determined had no impairment been recognised.

Gains and losses on disposals are included in operating expenses in the statement of comprehensive income.

2025	Office equipment £000	Fixtures and fittings £000	Total £000
Cost			
Balance as at 1 January	5,685	186	5,871
Additions	1,426	60	1,486
Disposals	(4,003)	(163)	(4,166)
Balance as at 31 December	3,108	83	3,191

2025	Office equipment £000	Fixtures and fittings £000	Total £000
Accumulated depreciation			
Balance as at 1 January	4,682	39	4,721
Depreciation charge for the year	633	61	694
Disposals	(3,824)	(76)	(3,900)
Balance as at 31 December	1,491	24	1,515
Net book value	1,617	59	1,676

2024	Office equipment £000	Fixtures and fittings £000	Total £000
Cost			
Balance as at 1 January	5,130	82	5,212
Asset acquisition	58	1	59
Additions	497	103	600
Balance as at 31 December	5,685	186	5,871
Accumulated depreciation			
Balance as at 1 January	3,905	—	3,905
Depreciation charge for the year	777	39	816
Balance as at 31 December	4,682	39	4,721
Net book value	1,003	147	1,150

The cost of property, plant and equipment which has been fully depreciated and is still in use is £600k (2024: £3,465k).



Notes to the financial statements

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For the year ended 31 December

22. Intangible assets

Accounting policy and commentary

Banking licence

The banking licence consists of both employee costs and also other costs that were incurred during the banking licence application process. The banking licence is considered to have an indefinite useful life due to the Company's business model requiring the banking licence to operate as a bank.

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

Other intangible assets

Other intangible assets include purchased and internally generated intangibles, purchased brand and customer relationships. Purchased intangibles includes technology assets. Purchased intangible assets, purchased brand and customer relationships are recognised at historical cost.

Purchased brand is not amortised but assessed for impairment. Impairment reviews are carried out at the end of each reporting period. Assets are stated at cost less accumulated amortisation and any recognised impairment.

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

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

Intangible assets are amortised on a straight-line basis over their useful lives and the amortisation recorded within operating expenses in the income statement once the asset is brought into economic benefit-generating use. The useful life of the purchased software and internally generated intangible assets is considered to be five years. The residual value of intangible assets is assumed to be zero.

During the year ended 31 December 2025, the Company reviewed the estimated useful lives of its internally generated intangible assets as part of its annual assessment. Following this review, management determined that the useful life of certain technology-related assets should be extended from three years to five years to reflect the assets' expected pattern of economic benefits, supported by continued enhancements and their longer operational use.

This change in estimate has been applied prospectively from 1 January 2025 in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. The impact of this change for the year ended 31 December 2025 was a reduction in amortisation expense of £3.8m, with a corresponding increase in profit before tax for the year.

Management will continue to review the estimated useful lives of intangible assets on an annual basis to ensure they remain appropriate.



Notes to the financial statements

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For the year ended 31 December

22. Intangible assets continued

Accounting policy and commentary continued

Impairment assessment

The Bank assesses, at each reporting period, whether there is an indication that an asset may be impaired. 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.

An assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Company estimates the asset's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

2025	Purchased brand £000	Purchased software £000	Internally generated £000	Banking licence £000	Customer relationships £000	Total £000
Cost						
Balance as at 1 January	3,458	4,805	44,469	1,973	1,588	56,293
Additions	—	323	20,871	—	—	21,194
Disposals/write-offs	—	—	(821)	—	—	(821)
Balance as at 31 December	3,458	5,128	64,519	1,973	1,588	76,666
Accumulated amortisation						
Balance as at 1 January	3,421	1,005	19,315	—	192	23,933
Amortisation charge for the year	37	1,138	7,520	—	329	9,024
Disposals/write-offs	—	—	(240)	—	—	(240)
Balance as at 31 December	3,458	2,143	26,595	—	521	32,717
Net book value	—	2,985	37,924	1,973	1,067	43,949



Notes to the financial statements

continued

For the year ended 31 December

22. Intangible assets continued

2024	Purchased brand £000	Purchased software £000	Internally generated £000	Banking licence £000	Customer relationships £000	Total £000
Cost						
Balance as at 1 January	3,331	1,023	26,417	1,973	—	32,744
Asset acquisition	127	3,082	2,014	—	1,588	6,811
Additions	—	700	16,264	—	—	16,964
Disposals/write-offs	—	—	(226)	—	—	(226)
Balance as at 31 December	3,458	4,805	44,469	1,973	1,588	56,293
Accumulated amortisation						
Balance as at 1 January	3,331	289	13,069	—	—	16,689
Amortisation charge for the year	90	716	6,260	—	192	7,258
Disposals/write-offs	—	—	(14)	—	—	(14)
Balance as at 31 December	3,421	1,005	19,315	—	192	23,933
Net book value	37	3,800	25,154	1,973	1,396	32,360



Notes to the financial statements

continued

For the year ended 31 December

23. Deferred tax

Accounting policy and commentary

The Company recognised a deferred tax asset because there is persuasive evidence that sufficient taxable profits will be generated in the future to utilise brought forward tax losses.

Under IFRS, a deferred tax asset is recognised for deductible temporary differences and unused tax losses carried forward, to the extent that it is probable that future taxable profits will be available.

The Company has performed an analysis of the recoverability of deferred tax assets. In doing so, the Company has considered the following:

- the availability of sufficient taxable temporary differences; and
- the probability that the Company will have sufficient taxable profits in the foreseeable future, in the same period as the reversal of the deductible temporary difference or in the periods into which a tax loss can be carried back or forward.

The recoverability of the deferred tax asset is contingent upon the level of supportable future taxable profits, which are derived from the Company's five-year financial plan. In assessing the probability of recovery, the directors have reviewed the Company's five-year forecast that has been used for both the going concern and viability assessment.

This plan reflects management's current expectations regarding competitiveness and profitability, and is based on Board-approved business plans. The accuracy of the forecast is inherently tied to the underlying assumptions, encompassing macroeconomic factors including interest rates, future tax rates, geopolitical risks and potential climate-related risks. Moreover, it is contingent on the Company's successful execution of its strategic plans. As a result, the utilisation of the deferred tax asset may demonstrate notable fluctuations.

According to existing regulations, brought forward tax losses remain indefinitely available for future use. Considering the projected profitability, there is a high likelihood of recovering the losses in the future.

In 2023, the Company recognised a deferred tax asset in relation to all the tax losses carried forward in the prior years. Under various scenarios applied using the five-year forecast, the Company would 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:

	Note	2025 £000	2024 £000
At 1 January		17,573	24,401
Acquired		—	(494)
(Charged)/credited			
– to profit or loss	10	(5,785)	(6,334)
At 31 December		11,788	17,573

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



Notes to the financial statements

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For the year ended 31 December

23. Deferred tax continued

The table below shows the breakdown of the deferred tax assets:

	2025 £000	2024 £000
Fixed-asset timing differences	307	632
Intangible assets timing differences	(2,320)	(1,467)
Tax losses carried forward	13,801	18,408
Total deferred tax assets	11,788	17,573

In 2025, the Company recognised a deferred tax asset in respect of the tax losses carried forward totalling £55,202k (2024: £73,633k) and timing differences on fixed assets amounting to £1,226k (2024: £2,528k). It was reduced by the deferred tax liability on temporary differences on intangible assets amounting to £9,280k (2024: £5,875k).

24. Amounts to banks

Deposits from central banks consists mainly of amounts drawn down under the ILTR facility. Amounts previously drawn under the Term Funding Scheme with additional incentives for SMEs (TFSME) matured and were repaid during the year.

	2025 £000	2024 £000
Amounts drawn down under TFSME	—	151,834
Amounts drawn down under ILTR	50,340	—
Amounts due to other banks	443	5,393
Total amounts due to banks	50,783	157,227

25. Deposits by customers

	2025 £000	2024 £000
Demand deposits (including current accounts)	4,787,668	3,710,399
Term deposits	1,605,930	1,745,341
Total deposits by customers	6,393,598	5,455,740



Notes to the financial statements

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For the year ended 31 December

26. Subordinated liabilities

	2025 £000	2024 £000
Fixed-rate reset subordinated Tier 2 Notes due 2033	75,000	75,000
Accrued interest	1,086	1,086
Total subordinated liabilities	76,086	76,086

The Company has £75m of fixed-rate reset subordinated Tier 2 notes in issuance, issued to Zopa Group PLC in 2023. The notes pay interest on the principal amount at an aggregate rate of 14.4% per annum, payable in equal instalments quarterly in arrears until 25 November 2028, at which time the interest rate will reset. The Bank has a call option to redeem (a) all of these notes during the period from 25 August 2028 to 25 November 2028; and (b) at any time after 25 November 2028, where the outstanding nominal amount of the Notes is 25% or less of the aggregate nominal amount of the notes originally issued. Exercise of any call option is subject to regulatory approval.

27. Provisions

Accounting policy and commentary

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

2025	Dilapidations £000	Levies £000	Off-balance sheet ECL £000	Customer refund £000	Merchant refund £000	Motor finance redress £000	Total £000
Balance as at 1 January	595	—	1,875	449	191	—	3,110
Additions	205	2,513	2,171	—	—	7,895	12,784
Utilised in the year	(586)	(2,513)	—	—	(130)	—	(3,229)
Released in the year	(9)	—	(1,875)	(199)	(61)	—	(2,144)
Balance as at 31 December	205	—	2,171	250	—	7,895	10,521



Notes to the financial statements

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For the year ended 31 December

27. Provisions continued

2024	Dilapidations £000	Levies £000	Off-balance sheet ECL £000	Customer refund £000	Merchant refund £000	Motor financing redress £000	Total £000
Balance as at 1 January	568	—	1,563	—	—	—	2,131
Acquired liabilities	—	—	—	310	130	—	440
Additions	27	1,812	1,875	205	412	—	4,331
Utilised in the year	—	(1,812)	—	(66)	(351)	—	(2,229)
Released in the year	—	—	(1,563)	—	—	—	(1,563)
Balance as at 31 December	595	—	1,875	449	191	—	3,110

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

Levies are fees due to regulators for banking service and are settled annually.

Off-balance sheet expected credit losses (ECLs) relate to provisions on undrawn credit card balances. The accounting policies on off-balance sheet expected credit losses are included in note 37. Movements in off-balance sheet ECL provisions are included within changes in expected credit losses and other credit impairment charges in the income statement.

Customer refund provision represents the Company's estimated liability for potential refunds to customers in point-of-sale (PoS) transactions if the merchant is unable or unwilling to process the refund (e.g., due to insolvency).

Merchant refund provision reflects the Company's obligation to repay commissions to merchants when a customer returns a product or disputes a transaction. Changes in this provision are considered integral to the loan origination process and are therefore presented within the Interest income line item (note 2).

Motor finance redress

The UK motor finance sector continues to face elevated complaints and legal and regulatory scrutiny relating to historic broker commission arrangements. In 2024, the FCA launched a review into discretionary commission arrangements (DCA) and introduced a sector-wide pause on complaint handling while it considered the need for an industry-wide redress approach.

During 2025, the position developed following the Supreme Court judgment in August 2025 (Johnson v FirstRand Bank Limited) on the possibility of unfair relationships arising under s.140A Consumer Credit Act. Subsequently, the FCA published a Consultation Paper CP25/27 in October 2025 setting out detailed proposals for a consumer redress scheme under FSMA s404. The consultation indicates that agreements within the relevant period may be presumed unfair and therefore eligible for redress, including DCA, high-commission rates and tied arrangements between lenders and brokers.

Zopa Bank is exposed to motor finance commission arrangements through its lending activity, including the costs of managing any redress on acquired loans originated by Zopa Limited (formerly a sister subsidiary of Zopa Bank Limited). As at 31 December 2024, the Bank concluded that no material provision was required given the degree of uncertainty at that time.



Notes to the financial statements

continued

For the year ended 31 December

27. Provisions continued

Motor finance redress continued

The developments in 2025 result in an increased likelihood of a higher number of agreements being in scope for the Bank based on the current proposed rules together with a sufficiently defined basis to estimate the expected redress. Accordingly, a provision of £7.9m has been recognised which represents the current best estimate of the potential impact of the motor finance redress scheme including operational costs using probability weighted scenarios.

In estimating the provision, the Bank has used the assumptions and methodology as outlined within the FCA's consultation paper, including the expected customer response rates, the scheme operating mechanics and associated costs, expected Financial Ombudsman Service referrals for rejected redress claims and the mechanism for rebuttal of claims where evidence supports no customer detriment.

Given the scheme is not yet finalised, the provision is subject to material estimation uncertainty.

28. Other liabilities

	2025 £000	2024 £000
Other taxation and social security	2,836	2,516
Trade creditors	4,555	9,082
Customer payables	6,729	6,815
Other creditors	1,193	1,603
Total other liabilities	15,313	20,016
Current portion	15,313	20,016



Notes to the financial statements

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For the year ended 31 December

29. Called-up share capital and other equity instruments

29.1 Called-up share capital

	2025 £000	2024 £000	2025 Number of shares	2024 Number of shares
Called-up ordinary share capital, issued and fully paid				
Ordinary shares of £0.122 each (2024: £1 each)	68,542	554,819	561,819,069	554,819,069
Total called-up share capital	68,542	554,819	561,819,069	554,819,069

During the year 7,000,000 shares of £0.122 each (2024: 68,500,000) were issued and paid for by Zopa Group PLC, the Company's parent.

29.2 Share premium

	Total £000
Balance as at 1 January 2025	—
Premium received on issued shares	6,146
Balance as at 31 December 2025	6,146
Balance as at 1 January 2024	—
Premium received on issued shares	—
Balance as at 31 December 2024	—

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 PRA 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 capital was reduced from £554,819k to £67,688k by reducing the nominal value of each issued fully paid-up ordinary share from £1.00 to £0.122;
- the amount reduced was transferred to retained earnings, increasing distributable reserves; and
- there was no impact on the total equity or the Company's ability to meet its obligations.

The purpose of this capital reduction was to enhance the Company's financial flexibility and align its capital structure with its operational and strategic objectives. The reduction had no effect on the rights of existing shareholders or the number of shares in issue.



Notes to the financial statements

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For the year ended 31 December

29. Called-up share capital and other equity instruments

continued

29.3 Other equity instruments

On 20 May 2025, Zopa Bank Limited issued £80m Fixed Rate Reset Perpetual Additional Tier 1 (AT1) Write Down Capital Securities to Zopa Group PLC as a mirror instrument of the Group's external AT1 issuance in order to align the capital structure across the Group. The principal terms of the AT1 securities are described below:

- the securities are perpetual and may be redeemed at the option of Zopa Bank Limited, subject to PRA approval, on 20 November 2030 and every five years thereafter, or earlier for certain regulatory or tax reasons, at their principal amount together with any accrued but unpaid interest up to (but excluding) the date of redemption;
- from the issue date to 20 November 2030, the securities bear interest at a fixed rate of 12.875% per annum, payable semi-annually in arrears on 20 May and 20 November each year. Thereafter, the interest rate will reset every five years in line with prevailing market rates;
- interest payments on these securities will be accounted for as a dividend and recognised as deductions from equity;
- interest on the securities is due and payable only at the sole and absolute discretion of the Company and may be cancelled at any time in whole or in part. Cancelled interest does not accumulate and is not payable at any future date;
- if the Company's Common Equity Tier 1 ratio falls below 7.0%, the principal amount will be automatically and irrevocably written down to zero and the securities shall be cancelled. The instruments do not include a pre-determined conversion into ordinary shares; and
- the securities constitute direct, unsecured and unguaranteed obligations of the Company, ranking junior to all senior creditors and ahead of ordinary shareholders in a winding-up.

These AT1 securities are classified as an equity instrument under IAS 32 'Financial Instruments: Presentation' with the proceeds recognised in equity, net of transaction costs of £1,702k.

30. Other reserves

The accounting policies on the share schemes and investment securities at FVOCI are included in notes 31 and 17, respectively.

	FVOCI reserve £000	Share schemes £000	Total £000
Balance as at 1 January 2025	(95)	9,523	9,428
Fair value movement	187	—	187
Share options movement	—	12,211	12,211
Balance as at 31 December 2025	92	21,734	21,826
Balance as at 1 January 2024	(49)	6,878	6,829
Fair value movement	(46)	—	(46)
Share options movement	—	2,645	2,645
Balance as at 31 December 2024	(95)	9,523	9,428



Notes to the financial statements

continued

For the year ended 31 December

31. Share schemes

Accounting policy

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

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

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

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

Awards typically vest over service periods of up to five years and options are generally exercisable up to 10 years from grant, after which unexercised awards lapse.

JSOP schemes

Under the JSOP scheme, the Group operates an EBT for the benefit of the Group employees. Under the scheme, certain employees purchased from EBT a beneficial interest in shares, including capital interest on vested shares above a hurdle. The employees become entitled to any dividends that are paid on the shares only following the transfer of legal title in those shares. The legal title of the shares (and the dividends and capital interest to sums below the hurdle in the case of shares) remains with the EBT throughout the lifetime of the schemes.

The JSOP schemes also include the Management Incentive Plan (MIP) issued to certain employees. The MIP's terms mirror that of the JSOP schemes, with the addition of acceleration event and restrictive covenants. In 2024, this was separately presented as a separate item.

Non-Tax Advantaged Share Option Plan (NTA options)

Options are granted at nil cost and typically vest based on continued service. Each vested option entitles the holder to acquire one ordinary share in Zopa Group Limited on exercise by paying the exercise price; unexercised options lapse at the end of the contractual term (up to 10 years from grant).



Notes to the financial statements

continued

For the year ended 31 December

31. Share schemes continued

Share Appreciation Rights (SAR)

In August 2025, the Group issued a new type of award which is Share Appreciation Rights (SARs). The rights are issued to the employees at nil cost. On exercise, employees receive a number of shares equivalent to the value above the hurdle.

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

2025	NTA options Number	JSOP Number	SAR Number	Total Number	Weighted average exercise price £
Balance at 1 January	1,596,202	13,859,194	—	15,455,396	4.58
Granted	157,436	7,072,396	3,613,172	10,843,004	6.20
Lapsed	(46,312)	(239,815)	(30,330)	(316,457)	6.03
Balance at 31 December	1,707,326	20,691,775	3,582,842	25,981,943	5.24
Range of exercise prices (£)	0.01 – 7.00	2.80 – 7.00	10.00	0.01 – 10.00	—
Weighted average remaining contractual life (years)	5.01	6.47	9.52	6.79	—
Exercisable awards at 31 December	1,136,153	11,668,074	222,371	13,026,598	4.57

2024	NTA options Number	JSOP Number	SAR Number	Total Number	Weighted average exercise price £
Balance at 1 January	1,598,577	11,514,058	—	13,112,635	3.96
Granted	171,354	5,688,001	—	5,859,355	5.45
Exercised	(10,000)	(3,083,001)	—	(3,093,001)	3.49
Lapsed	(163,729)	(259,864)	—	(423,593)	5.52
Balance at 31 December	1,596,202	13,859,194	—	15,455,396	4.58
Range of exercise prices (£)	0.01 – 7.00	2.80 – 7.00	—	0.01 – 7.00	—
Weighted average remaining contractual life (years)	5.36	5.94	—	5.88	—
Exercisable awards at 31 December	1,080,414	8,051,467	—	9,131,881	4.20

For options granted during the year, the weighted average fair value of the options at the measurement date was £2.38 (2024: £1.45).

No share options were exercised during the year. The weighted average share price at the date of exercise in 2024 was £5.05.



Notes to the financial statements

continued

For the year ended 31 December

31. Share schemes continued

The inputs into the Black-Scholes option pricing model for grants or modifications (JSOPs and NTA options) are as follows:

	2025 £000	2024 £000
Expected volatility	35%	35%
Expected life (years)	5	5
Weighted average share price	£5.26	£4.58
Exercise / hurdle price	£0.01 – £7.00	£5.00 – £6.00
Expected dividends	None	None
Risk-free rate	3.9%–4.2%	3.5%–4.1%

The inputs into the Monte Carlo Simulation model for grants issued under the SAR scheme are as follows:

	2025
Expected volatility	35%
Expected life (years)	5
Share price	£5.26
Exercise / hurdle price	£10.00
Expected dividends	None
Risk-free rate	4.0%

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 £12,211k (2024: £2,645k).

32. Related parties

Key management personnel

IAS 24 'Related Party Disclosures' requires additional information for key management compensation. Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company. The directors are considered to be the key management personnel for disclosure purposes. Directors' remuneration is disclosed within note 7. The share-based compensation expense recognised during the year attributable to directors amounted to £5,238k (2024: £719k). In total, the key management personnel compensation amounted to £2,266k in 2025 (2024: £2,981k).

No share sales were made by key management personnel in 2025. In 2024, members of Zopa's key management personnel sold a portion of their fully vested shares to the ZBL Employee Benefit Trust totalling £4,625k, of which £2,400k relates to Executive Directors. The Company extended a loan to the EBT to facilitate this transaction, as reflected in the table on the following page.

Following its consolidation within Zopa Group in 2025, balances relating to the Employee Benefit Trust are presented within note 16. In 2024, prior to consolidation, it was disclosed as a related party.

Transactions and outstanding balances relating to other Group companies have been disclosed within note 16.



Notes to the financial statements

continued

For the year ended 31 December

32. Related parties continued

Other transactions with related parties

2025	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	—

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	—
Loan servicing fee income – Plata Finance Limited	108	—	—	—
Payment processing and other operational expenses – Plata Finance Limited	118	—	—	—
Amount receivable from Plata Finance Limited	—	—	316	—
Loan receivable from ZGL Employee Benefit Trust	—	—	4,625	—

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

In addition to the related party transactions disclosed above, the Company has subordinated liabilities and AT1 instrument issued to Zopa Group PLC. Refer to note 26 and note 29.3, respectively, for further details.

Other transactions with related parties' included balances with Click Loans Limited due to its relationship with Zopa Group PLC; these balances were excluded in the current year as Click Loans Limited is no longer considered a related party.



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For the year ended 31 December

Zopa Group PLC (UK Company number 10624955) held 100% of the issued capital of Zopa Bank Limited as at 31 December 2025 and was therefore regarded as the immediate parent undertaking.

Zopa Group PLC prepares consolidated financial statements, including the results of the Company, which are available from the Companies House.

33. Ultimate controlling party

34. Contingent liabilities and commitments

Accounting policy

Customer credit commitments are granted as part of normal product facilities which are offered to customers. Customer commitments comprise undrawn facilities granted on credit cards, approved motor finance loans and PoS. Even though these obligations are not recognised on the balance sheet, they do contain credit risk and an allowance for ECL is calculated and recognised for them (see note 37). When these commitments are drawn down or called upon, and meet the recognition criteria as detailed in note 37, these are recognised within loans and advances to customers.

Purchase commitments represent the future minimum payments under non-cancellable contracts outside the scope of IFRS 16 'Leases'. Note 20 provides information on financial commitments where the Company is a lessee as per IFRS 16 'Leases'.

	2025 £000	2024 £000
Loans and advances to customers commitments		
– Undrawn credit card commitments	259,336	213,323
– Point-of-sale commitments	19,141	7,499
Finance lease commitments		
– Finance lease agreements to lend in the future	1,875	2,455
Purchase commitments		
Under one year	11,345	11,250
Between one and five years	5,998	16,245
Over five years	372	—
Total contingent liabilities and commitments	298,067	250,772



Notes to the financial statements

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For the year ended 31 December

35. Fair value of financial instruments

Accounting policy

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

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

- **Level 1:** Quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date;

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

2025	Carrying value £000	Level 1 £000	Level 2 £000	Level 3 £000	Total fair value £000
Cash and cash equivalents:					
– Central banks	2,225,694	2,225,694	—	—	2,225,694
– Other banks	82,231	82,231	—	—	82,231
– Debt securities	30,572	30,580	—	—	30,580
Amounts due from other Group undertakings	39,724	—	—	39,724	39,724
Derivative financial instruments	141	—	141	—	141
Loans and advances to customers	3,506,654	—	(714)	3,591,863	3,591,149
Investment securities	1,253,125	1,247,907	117	—	1,248,024
Other assets	8,564	—	—	8,564	8,564
Total financial assets	7,146,705	3,586,412	(456)	3,640,151	7,226,107
Derivative financial instruments	6,020	—	6,020	—	6,020
Amounts due to other banks	50,783	50,783	—	—	50,783
Deposits by customers	6,393,598	—	6,397,096	—	6,397,096
Amounts due to other Group undertakings	34,361	—	—	34,361	34,361
Subordinated liabilities	76,086	—	88,875	—	88,875
Other liabilities	12,768	—	—	12,768	12,768
Total financial liabilities	6,573,616	50,783	6,491,991	47,129	6,589,903



Notes to the financial statements

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For the year ended 31 December

35. Fair value of financial instruments continued

2024	Carrying value £000	Level 1 £000	Level 2 £000	Level 3 £000	Total fair value £000
Cash and cash equivalents:					
– Central banks	2,761,315	2,761,315	—	—	2,761,315
– Other banks	58,428	58,428	—	—	58,428
Amounts due from other Group undertakings	642	—	—	642	642
Derivative financial instruments	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	6,167,517	3,274,900	5,232	2,972,772	6,252,904
Derivative financial instruments	1,087	—	1,087	—	1,087
Amounts due to other banks	157,227	157,227	—	—	157,227
Deposits by customers	5,455,740	—	5,455,488	—	5,455,488
Amounts due to other Group undertakings	4	—	—	4	4
Subordinated liabilities	76,086	—	76,644	—	76,644
Other liabilities	17,501	—	—	17,501	17,501
Total financial liabilities	5,707,645	157,227	5,533,219	17,505	5,707,951

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

- **cash and balances with central banks** – These represent amounts with an initial maturity of less than three months and, as such, their carrying value is considered a reasonable approximation of their fair value;
- **cash and balances with other banks** – These represent either amounts with an initial maturity of less than three months or longer-term variable-rate deposits placed with banks, where adjustments to fair value in respect of the credit risk of the counterparty are not considered necessary. Accordingly, the carrying value of the assets is estimated to not be materially different from their fair value;
- **investment securities** – The fair value of investment securities is based on either observed market prices for those securities that have an active trading market (fair value Level 1 assets), or using observable inputs (in the case of fair value Level 2 assets). 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;
- **UPL and motor finance loans and advances to customers** – For fixed-rate lending products, the Company has forecast cash flows for the portfolios over the loans' lives. The fair value of the loans (Level 3) 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;



Notes to the financial statements

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For the year ended 31 December

35. Fair value of financial instruments continued

- **credit cards loans and advances to customers** have no contractual maturity and **intercompany balances** are repayable on demand. Therefore, their carrying value is not considered to be materially different from their fair value;
- **deposits by customers** – For fixed-rate deposit products, the Company has forecast cash flows for the portfolio until their contractual maturity. The fair value of the deposits has been completed by discounting those cash flows by the year-end rate offered to alike customers. For easy access products, interest rate is variable, moving in line with the market. As such, their carrying value is considered a reasonable approximation of their fair value;
- **subordinated liabilities** – The fair value is derived from observable market prices at the reporting date for the equivalent Zopa Group subordinated debt. As the instrument is not traded in a sufficiently active market, the fair value is disclosed within Level 2 of the hierarchy;
- **other assets and liabilities** – These represent short-term receivables and payables and, as such, their carrying value is not considered to be materially different from their fair value;
- **derivatives held for currency risk management** – These represent foreign currency forward contracts which are carried at fair value. An equivalent quoted forward rate with a similar term is used to calculate the fair value as at year end; and
- **derivatives held for interest risk management** – These represent interest rate swaps which are carried at fair value. The fair values of derivatives are obtained from discounted cash flow models.

36. Loan portfolio acquisition and sale

Loan portfolio sale

In 2024, the Company sold £151m of performing loans to a third party under a forward flow agreement resulting in a gain of £6,049k (note 4). Based on management's assessment, the sale is consistent with the hold to collect business model as the transaction is considered infrequent. This was a one-off transaction to help with the overall management of the Bank's capital runway. Furthermore, the loan sale met the derecognition requirements under IFRS 9. The Company transferred substantially all the risks and rewards of ownership to the third party. The gain is presented in the Net gain on derecognition of financial assets measured at amortised cost (note 4).



Notes to the financial statements

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For the year ended 31 December

37. Financial risk management

37.1 Credit risk

Credit risk arises 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 (ECLs) recognised.

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

37.1.1 Governance around ECL allowance

The IFRS 9 ECL models used by the Company have been developed in-house and validated by the second line of defence. As explained further in note 37.1.3 below, the determination of expected credit losses is inherently judgemental and requires management to make significant judgements and estimates. To ensure that these judgements and estimates remain appropriate, the Company has in place a robust governance framework around ECL allowance. The main components of that framework are as follows:

- **Board Audit Committee (BAC)** – reviews and challenges the appropriateness of significant judgements and critical estimates made by management, including the ECL allowance;
- **Board Risk Committee (BRC)** – approves and oversees the implementation of the Model Risk Management Policy under which the ECL models are governed;
- **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;

- **Credit Risk Provisioning Forum (CRPF)** – responsible for the monitoring of ECL models and assumptions and their impact on the measurement of ECL. It also reviews and challenges results of model performance monitoring and resulting actions proposed by model owners. It reviews and challenges the base case economic scenario and outer macroeconomic scenarios and scenario weightings; and
- **Asset and Liability Management 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.



Notes to the financial statements

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For the year ended 31 December

37. Financial risk management

continued

37.1 Credit risk continued

37.1.2 Measurement of ECL

The approach set out in this note applies to:

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

The determination of expected credit losses is complex and requires the use of models, as exposure varies with changes in market conditions, customer behaviour and macroeconomic environment over time. The Company measures ECL by assessing probability of default (PD), exposure at default (EAD) and loss given default (LGD). ECL is the product of these three components discounted to present value using an account-level effective interest rate as the discount rate.

Factor	Description
Probability of default (PD)	The Company developed PD models tailored to each product type to assess the likelihood of default within the next 12 months and over the lifetime of each loan or credit card account. The models estimate PD based on the latest payment behaviour of the customer on the Zopa product, information from the credit reference agencies (CRAs) and product-specific characteristics. The PD model also includes an estimate of the future macroeconomic effect, which is calculated via an independent model and is applied as a multiplicative scalar onto marginal PDs.
Exposure at default (EAD)	The Company developed an EAD model for the credit cards product to assess the likely exposure at default. The model estimates EAD incorporating the latest payment behaviour of the customer, the credit limit utilisation, information from the CRAs and product-specific characteristics. For unsecured personal loans (UPL) and motor finance loans, the EAD is estimated based on the outstanding balance of the account at observation and the contractual paydown schedule of the account, taking into account any missed payments before default.

Factor	Description
Loss given default (LGD)	The Company developed LGD models tailored to each product type to assess the likely financial loss given an account default. The models calculate estimates of LGD based on historical data on observed recoveries against defaulted accounts or benchmark information obtained from third parties. The estimates include the expected proceeds benefit of debt sales. Adjustments to these estimates are made depending on the macroeconomic scenario.
Discount rate	The Company uses account-level effective interest rate, which is calculated based on loan amount, interest and fees, expected repayments, including prepayments, and term.

Forecast period

The Company estimates PD, EAD and LGD for the duration of the lifetime of the loan or credit card account. For UPL and motor finance, the duration of the lifetime is determined by the length of the loan term. For credit cards, the duration of the lifetime is estimated to be eight years.

Climate risk

The Company conducted a credit risk assessment regarding the potential impact of climate change on physical risks. Refer to the strategic report (Climate-related financial disclosures) section for further information. The analysis did not lead to the identification of a separate impairment charge for the 2025 reporting period.

Forward-looking information

The Company uses forecasts on key macroeconomic indicators to estimate the macroeconomic effect on PD and LGD. The key indicators that are used are LFS unemployment rate, GDP growth and CPI inflation. The model used to estimate the macroeconomic effect has been developed on historical data spanning over 16 years obtained from credit reference agencies (CRAs).

The Company uses four different macroeconomic scenarios to estimate the future macroeconomic effect, named Scenarios 1 to 4. Scenario 1 is a Mild Upside scenario, Scenario 2 is the Baseline scenario and Scenarios 3 and 4 are both Downside scenarios. The macroeconomic scenarios are provided by an external third party used widely in the industry. Weightings are also provided which are used to create a Weighted Average (WA) of the scenarios which determines the final ECL. The scenarios are updated on a quarterly basis.



Notes to the financial statements

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For the year ended 31 December

37. Financial risk management

continued

37.1 Credit risk continued

37.1.3 Management judgements in measurement of ECL

As of 31 December 2025, 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 increases the ECL by £4.3m (1.59%) and is reflected in the results by scenario as shown in the sensitivity analysis table (note 37.1.8).

As at 31 December 2024, the Bank held an equivalent adjustment to ensure the impact of the macroeconomic environment was appropriately reflected in the stress scenarios applied to ECL over and above the impact resulting from the modelled output. This was incorporated as a post-model adjustment which reduced the modelled ECL by £1.0m.

The Company uses other post-model adjustments to address weaknesses in the ECL models due to either conceptual gaps or poor performance identified via monitoring. As of 31 December 2025, there is a post-model adjustment held against the motor finance LGD model.

At the end of 2025, the value of post-model adjustments accounted for 0.5% of the total ECL allowance (2024: 1.2%).

37.1.4 Significant increase in credit risk (SICR)

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

Quantitative criteria

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

Qualitative criteria

Across all products, any loan or credit card that is in forbearance is assigned to Stage 2. In UPL and motor finance, any loan that is one day past due is assigned to Stage 2.

Backstop criteria

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

Improvement in credit risk or cure

In 2025, conditions were implemented which enabled loans to cure from Stage 3 if they clear their arrears and remain Up To Date (0 DPD) for 90 consecutive days. They will then be held in probation in Stage 2 for a further 90 days, after which time the standard SICR rules above are applied. This has not been implemented for Cards as analysis suggested there would be no material impact on ECL.

37.1.5 Definition of default and credit impaired

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

37.1.6 Forbearance and exit from forbearance or cure

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



Notes to the financial statements

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For the year ended 31 December

37. Financial risk management

continued

37.1.7 Purchased or credit-impaired (POCI) loans

As part of the purchase of loans from retail investors in Zopa Limited's peer-to-peer platform in December 2021 and January 2022, the Company purchased a portfolio of credit-impaired (POCI) loans. 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 derecognised. Therefore, the ECL measurement approach remains consistent throughout the life of these loans. In 2025, the POCI element of the loans portfolio had reduced to an immaterial level due to paydown since acquisition and so was derecognised.

37.1.8 Multiple economic scenarios and scenario weightings

As mentioned above, the macroeconomic scenarios are provided by a third-party expert. Scenarios were received in September 2025 and updated via a post-model adjustment in November 2025 to reflect the latest information. The following scenario descriptions reflect the macroeconomic paths provided by the specialist third party including the subsequent updates made within the post-model adjustment.

Baseline scenario

The Baseline scenario (or Scenario 2) assumes UK GDP growth of 1.0% in 2026 and stable unemployment rate continuing at 5.1% in 2026. The Bank Rate is cut to 3.5% by the end of 2026 and then a gradual decline to 2.75% by 2028. Inflation is assumed to fall to 2.6% in 2026 reaching 2.2% in 2028. The probability weighting assigned to the Baseline scenario is 50%.

Outer scenarios

One Mild Upside scenario

The Mild 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 3.4% in 2026. The labour market tightens, and the unemployment rate falls to 3.7% by 2029. As a result of higher commodity prices and stronger demand, inflation resurfaces. In response, the BoE begins to tighten monetary policy again. The Bank Rate rises to a new peak of 5.0% and remains at that level throughout 2026 and 2027. The probability weighting assigned to the Upside scenario is 30%.

Two Downside scenarios

The Downside 1 scenario (or Scenario 3) reflects a pronounced global recession in the near term, reflecting heightened geopolitical uncertainty, escalating trade tensions and renewed inflationary pressure. The UK economy faces weak demand, resulting in GDP contraction of 2.8% in 2026. 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 7.1% in 2028. The BoE cut rates faster than expected in the base case to below 2% in 2027. The probability weighting assigned to the Downside scenario is 10%.

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 combines elements of both the global financial crisis alongside the 2022 cost of living crisis, resulting in unemployment reaching 7.7% in 2028 and inflation peaking at 12.6% in 2026 in the UK. Global policymakers increase interest rates to bring inflation back to target, and the BoE Bank Rate rises to 7.6% and remains at that level for a year. The probability weighting assigned to this scenario is 10%. After modelling the resulting stress expectations by scenario, management review concluded that stress was reducing too quickly across the forecast horizon. As a result, management decided to hold stress level at the Q4 2026 value. This is included in the overall PMA value of £4.3m registered at December 2025.



Notes to the financial statements

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For the year ended 31 December

37. Financial risk management

continued

37.1.8 Multiple economic scenarios and scenario weightings continued

Key changes to approach in 2025

There are two key changes to the approach, namely:

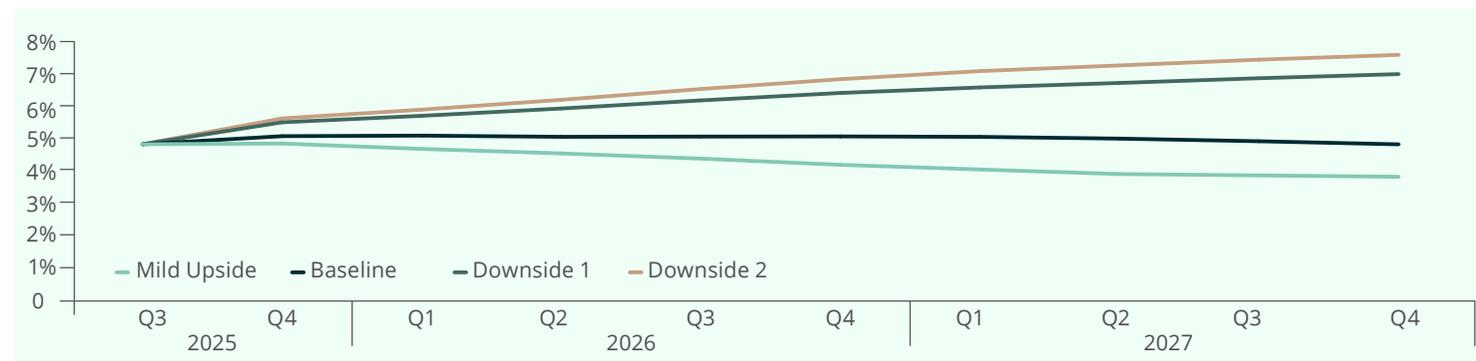
- a new macroeconomic stress model was developed in order to address feedback around the complexity of the model. The new model validates well on historical industry data and any remaining uncertainties in the environment will be addressed via an appropriate PMA.
- scenario weights were revisited to align to the weights suggested by the third-party supplier, as overlays to input variables were removed during 2025. This resulted in a change in the Mild Upside scenario from 25% to 30% and both Downside scenario weights were set to 10%.

Macroeconomic assumptions

The table below summarises the key macroeconomic indicators by scenario.

2025 year-end forecasts		Upside 1	Baseline	Downside 1	Downside 2
Unemployment rate	2026	4.2%	5.1%	6.4%	6.8%
	2027	3.8%	4.8%	7.0%	7.6%
Base rate	2026	5.0%	3.5%	2.4%	7.6%
	2027	4.6%	3.0%	1.8%	5.1%
GDP growth	2026	3.4%	1.0%	(1.3%)	(2.7%)
	2027	2.2%	1.5%	0.9%	0.5%
Inflation	2026	3.8%	2.6%	1.2%	12.6%
	2027	3.0%	2.4%	1.6%	4.7%

Unemployment rate by scenario





Notes to the financial statements

continued

For the year ended 31 December

37. Financial risk management

continued

37.1.8 Multiple economic scenarios and scenario weightings continued

Peak and trough of macro indicators		Upside 1	Base case	Downside 1	Downside 2
Unemployment rate	Peak	4.9%	5.1%	7.1%	7.7%
	Trough	3.7%	4.1%	5.5%	5.6%
Base rate	Peak	5.0%	4.0%	3.8%	7.6%
	Trough	3.0%	2.5%	1.8%	2.0%
GDP growth	Peak	4.2%	1.7%	1.8%	1.8%
	Trough	1.5%	0.8%	(3.5%)	(5.9%)
Inflation	Peak	4.1%	3.6%	3.1%	12.6%
	Trough	2.1%	2.0%	1.1%	2.0%

Scenario weightings

The table below shows the comparison of scenario weights.

	Upside 1	Base case	Downside 1	Downside 2
2025	30%	50%	10%	10%
2024	25%	50%	20%	5%

Sensitivity of ECL allowance

The table below shows the change in the ECL and proportion of assets in Stage 2 for each of the macroeconomic scenarios. ECL is most sensitive to the changes in the unemployment rate.

	Weighted £000	Upside 1 £000	Base case £000	Downside 1 £000	Downside 2 £000
2025					
Exposure			4,051,904		
ECL	271,105	247,968	262,609	296,820	354,881
Proportion of assets in Stage 2	6.3%	5.2%	5.9%	7.9%	11.9%
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%



Notes to the financial statements

continued

For the year ended 31 December

37. Financial risk management

continued

37.1.9 Maximum and net exposure to credit risk

The tables below set out the main differences between our maximum and net exposure to credit risk on financial assets, including the effects of collateral.

For on-balance sheet disclosures, the maximum exposure to credit risk is the carrying value after ECL allowance. For loans and advances to customers, the gross balance excludes the hedge accounting fair value adjustment (note 14). For off-balance sheet disclosures, the maximum exposure to credit risk is the total amount of the financial commitment after ECL allowance.

	On-balance sheet assets			Off-balance sheet assets			Non-cash collateral £000	Net exposure £000
	Gross balances £000	Loss allowance £000	Net balance £000	Gross balances £000	Loss allowance £000	Net balance £000		
2025								
Cash and cash equivalents:								
– Central banks	2,225,694	—	2,225,694	—	—	—	—	2,225,694
– Other banks	82,231	—	82,231	—	—	—	—	82,231
– Debt securities	30,572	—	30,572	—	—	—	—	30,572
Amounts due from other Group undertakings	39,724	—	39,724	—	—	—	—	39,724
Derivative financial instruments	141	—	141	—	—	—	—	141
Loans and advances to customers	3,771,552	(268,935)	3,502,617	280,352	(2,171)	278,181	616,118	3,164,680
Investment securities	1,253,125	—	1,253,125	—	—	—	—	1,253,125
Other assets	8,564	—	8,564	—	—	—	—	8,564
Total	7,411,603	(268,935)	7,142,668	280,352	(2,171)	278,181	616,118	6,804,731

	On-balance sheet assets			Off-balance sheet assets			Non-cash collateral £000	Net exposure £000
	Gross balances £000	Loss allowance £000	Net balance £000	Gross balances £000	Loss allowance £000	Net balance £000		
2024								
Cash and cash equivalents:								
– Central banks	2,761,315	—	2,761,315	—	—	—	—	2,761,315
– Other banks	58,428	—	58,428	—	—	—	—	58,428
Amounts due from other Group undertakings	642	—	642	—	—	—	—	642
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	6,369,689	(201,458)	6,168,231	223,277	(1,875)	221,402	519,663	5,869,970



Notes to the financial statements

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For the year ended 31 December

37. Financial risk management

continued

37.1.10 Rating distribution

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

Zopa risk ratings (tiers) presented in the below table are based on the following PD bands: Tier 1 (<0.25%), Tier 2 (0.25–2.5%), Tier 3 (2.5–10%), Tier 4 (10–<100%) and Tier 5 (Default). The PD reflects the probability to default in the next 12 months based on the IFRS 9 PD model. As a result of new ECL PD models released for UPL & Auto portfolios in 2025, there was a shift towards higher risk Tiers for accounts in Stage 1 as compared to the previous year. The impact of these changes are reflected within the 2025 ECL movements (37.1.13).

2025	Zopa risk ratings					Total £000
	Tier 1 £000	Tier 2 £000	Tier 3 £000	Tier 4 £000	Tier 5 £000	
On-balance sheet exposure						
Cash and cash equivalents:						
– Central bank	2,225,694	—	—	—	—	2,225,694
– Other banks	82,231	—	—	—	—	82,231
– Debt securities	30,572	—	—	—	—	30,572
Loans and advances to customers:						
Stage 1	348,016	1,485,901	1,208,448	295,230	—	3,337,595
Stage 2	134	2,978	22,440	226,749	—	252,301
Stage 3	—	—	—	—	181,656	181,656
Investment securities	1,253,125	—	—	—	—	1,253,125
Off-balance sheet exposure						
Stage 1	7,009	159,339	96,956	13,259	—	276,563
Stage 2	—	713	641	2,435	—	3,789
Stage 3	—	—	—	—	—	—
Total exposure	3,946,781	1,648,931	1,328,485	537,673	181,656	7,643,526



Notes to the financial statements

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For the year ended 31 December

37. Financial risk management

continued

37.1.10 Rating distribution continued

2025	Zopa risk ratings					Total £000
	Tier 1 £000	Tier 2 £000	Tier 3 £000	Tier 4 £000	Tier 5 £000	
On-balance sheet ECL						
Cash and cash equivalents:						
– Central bank	—	—	—	—	—	—
– Other banks	—	—	—	—	—	—
– Debt securities	—	—	—	—	—	—
Loans and advances to customers:						
Stage 1	456	10,015	39,384	25,981	—	75,836
Stage 2	5	83	1,799	69,757	—	71,644
Stage 3	—	—	—	—	121,455	121,455
Investment securities	—	—	—	—	—	—
Off-balance sheet ECL						
Stage 1	—	723	911	435	—	2,069
Stage 2	—	25	15	61	—	101
Stage 3	—	—	—	—	—	—
Total ECL	461	10,846	42,109	96,234	121,455	271,105



Notes to the financial statements

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For the year ended 31 December

37. Financial risk management

continued

37.1.10 Rating distribution continued

2024	Zopa risk ratings					Total £000
	Tier 1 £000	Tier 2 £000	Tier 3 £000	Tier 4 £000	Tier 5 £000	
On-balance sheet exposure						
Cash and cash equivalents:						
– Central bank	2,761,315	—	—	—	—	2,761,315
– Other banks	58,428	—	—	—	—	58,428
Loans and advances to customers:						
Stage 1	523,828	1,228,392	720,428	255,451	—	2,728,099
Stage 2	164	3,435	25,035	200,147	—	228,781
Stage 3	—	—	—	—	110,477	110,477
POCI	38	39	3	98	272	450
Investment securities	455,157	—	—	—	—	455,157
Off-balance sheet exposure						
Stage 1	6	123,937	78,222	13,409	—	215,574
Stage 2	—	2,924	1,885	2,894	—	7,703
Stage 3	—	—	—	—	—	—
Total exposure	3,798,936	1,358,727	825,573	471,999	110,749	6,565,984



Notes to the financial statements

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For the year ended 31 December

37. Financial risk management

continued

37.1.10 Rating distribution continued

2024	Zopa risk ratings					Total £000
	Tier 1 £000	Tier 2 £000	Tier 3 £000	Tier 4 £000	Tier 5 £000	
On-balance sheet ECL						
Cash and cash equivalents:						
– Central bank	—	—	—	—	—	—
– Other banks	—	—	—	—	—	—
Loans and advances to customers:						
Stage 1	608	7,659	25,087	25,060	—	58,414
Stage 2	9	118	1,753	65,330	—	67,210
Stage 3	—	—	—	—	75,822	75,822
POCI	—	—	—	3	9	12
Investment securities	—	—	—	—	—	—
Off-balance sheet ECL						
Stage 1	—	569	794	296	—	1,659
Stage 2	—	110	51	55	—	216
Stage 3	—	—	—	—	—	—
Total ECL	617	8,456	27,685	90,744	75,831	203,333



Notes to the financial statements

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For the year ended 31 December

37. Financial risk management

continued

37.1.11 Credit performance

The tables below show credit performance of loans and advances to customers, by segmenting the gross exposure by IFRS 9 Stage and POCI loans.

2025	Stage 1 £000	Stage 2 £000	Stage 3 £000	POCI £000	Total £000	Loss allowance £000
Loans and advances to customers	3,337,595	252,301	181,656	—	3,771,552	268,935

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

37.1.12 Credit quality

The tables below show credit quality of on-balance sheet and off-balance sheet exposures and the corresponding ECL allowance. The ECL on POCI loans (2024 only) is lower compared to non-POCI loans due to the ECL measurement requirements for POCI loans under IFRS 9.

2025	Stage 1 £000	Stage 2 £000	Stage 3 £000	POCI £000	Total £000
On-balance sheet exposure:	3,337,595	252,301	181,656	—	3,771,552
Off-balance sheet exposure:	276,563	3,789	—	—	280,352
On-balance sheet ECL:	75,836	71,644	121,455	—	268,935
Off-balance sheet ECL:	2,069	102	—	—	2,171

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



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37. Financial risk management

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37.1.13 Movement in total exposures and the corresponding ECL

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

	Stage 1		Stage 2		Stage 3		POCI		Total	
	Exposure £000	ECL £000								
2025										
As at 1 January 2025	2,728,099	58,414	228,781	67,210	110,477	75,822	450	12	3,067,807	201,458
Transfers from Stage 1 to Stage 2	(129,371)	(5,367)	129,371	5,367	—	—	—	—	—	—
Transfers from Stage 2 to Stage 1	80,936	15,561	(80,936)	(15,561)	—	—	—	—	—	—
Transfers to Stage 3	(110,885)	(5,647)	(79,562)	(35,163)	190,447	40,810	—	—	—	—
Curing from Stage 3	2,391	1,297	1,195	634	(3,586)	(1,931)	—	—	—	—
Net ECL remeasurement	—	(11,537)	—	29,030	—	101,700	—	(67)	—	119,126
Change in economic scenarios	—	472	—	4,246	—	—	—	—	—	4,718
Change in ECL methodology	—	3,346	—	1,463	—	(2,475)	—	—	—	2,334
New lending and purchased assets	2,027,138	53,644	114,370	30,955	27,263	18,175	—	—	2,168,771	102,774
Redemptions and repayments	(1,260,713)	(34,347)	(60,918)	(16,537)	(17,853)	(7,320)	(470)	—	(1,339,954)	(58,204)
Disposal of assets outside of credit risk appetite	—	—	—	—	(107,342)	(85,576)	(11)	24	(107,353)	(85,552)
Written-off assets	—	—	—	—	(17,750)	(17,750)	31	31	(17,719)	(17,719)
As at 31 December 2025	3,337,595	75,836	252,301	71,644	181,656	121,455	—	—	3,771,552	268,935
Net movement in the period	609,496	17,422	23,520	4,434	71,179	45,633	(450)	(12)	703,745	67,477
ECL charge to the income statement	—	17,422	—	4,434	—	45,633	—	(12)	—	67,477
Write-off charge	—	—	—	—	—	17,750	—	(31)	—	17,719
Add back of ECL on disposal of assets outside of credit risk appetite	—	—	—	—	—	85,576	—	(24)	—	85,552
Add back of ECL on disposal of performing loans	—	—	—	—	—	—	—	—	—	—
Positive provision on POCI loans	—	—	—	—	—	—	—	—	—	—
Total ECL charge to the income statement	—	17,422	—	4,434	—	148,959	—	(67)	—	170,748



Notes to the financial statements

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37. Financial risk management

continued

37.1.13 Movement in total exposures and the corresponding ECL continued

	Stage 1		Stage 2		Stage 3		POCI		Total	
	Exposure £000	ECL £000								
2024										
As at 1 January 2024	2,336,414	44,313	214,897	60,155	97,665	69,847	1,305	49	2,650,281	174,364
Transfers from Stage 1 to Stage 2	(113,081)	(3,963)	113,081	3,963	—	—	—	—	—	—
Transfers from Stage 2 to Stage 1	72,984	12,415	(72,984)	(12,415)	—	—	—	—	—	—
Transfers to Stage 3	(88,591)	(5,404)	(70,182)	(38,154)	158,773	43,558	—	—	—	—
Net ECL remeasurement	—	(9,720)	—	23,704	—	81,810	—	(347)	—	95,447
Change in economic scenarios	—	(369)	—	(31)	—	—	—	—	—	(400)
Change in ECL methodology	—	1,745	—	208	—	951	—	—	—	2,904
New lending and purchased assets	1,662,074	42,312	106,793	38,709	23,286	15,832	—	—	1,792,153	96,853
Redemptions and repayments	(990,530)	(18,098)	(62,824)	(8,929)	(15,021)	(8,730)	(673)	492	(1,069,048)	(35,265)
Disposal of assets outside of credit risk appetite	—	—	—	—	(122,361)	(95,581)	—	—	(122,361)	(95,581)
Disposal of performing loans	(151,171)	(4,817)	—	—	—	—	—	—	(151,171)	(4,817)
Written-off assets	—	—	—	—	(31,865)	(31,865)	(182)	(182)	(32,047)	(32,047)
As at 31 December 2024	2,728,099	58,414	228,781	67,210	110,477	75,822	450	12	3,067,807	201,458
Net movement in the period	391,685	14,101	13,884	7,055	12,812	5,975	(855)	(37)	417,526	27,094
ECL charge to the income statement	—	14,101	—	7,055	—	5,975	—	(37)	—	27,094
Write-off charge	—	—	—	—	—	31,865	—	182	—	32,047
Add back of ECL on disposal of assets outside of credit risk appetite	—	—	—	—	—	95,581	—	—	—	95,581
Add back of ECL on disposal of performing loans	—	4,817	—	—	—	—	—	—	—	4,817
Positive provision on POCI loans	—	—	—	—	—	—	—	(413)	—	(413)
Total ECL charge to the income statement	—	18,918	—	7,055	—	133,421	—	(268)	—	159,126



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37. Financial risk management

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37.1.14 Collateral analysis

The Company holds collateral against motor finance loans in the form of motor vehicles. The tables below set out our exposure and ECL allowance (note 15) against a range of loan-to-value (LTV) segments. The value of collateral used in determining the LTV ratios has been calculated based upon the collateral valuation as at year end.

	Stage 1		Stage 2		Stage 3		POCI		Total	
	Exposure £000	ECL £000	Exposure £000	ECL £000	Exposure £000	ECL £000	Exposure £000	ECL £000	Exposure £000	ECL £000
2025										
Less than 50%	34,889	108	1,214	79	2,707	1,446	—	—	38,810	1,633
50% to 70%	71,691	379	3,223	274	3,328	1,793	—	—	78,242	2,446
70% to 80%	74,991	606	4,357	419	2,751	1,479	—	—	82,099	2,504
80% to 90%	117,386	1,237	9,351	900	4,292	2,298	—	—	131,029	4,435
90% to 100%	141,862	1,958	14,908	1,631	5,954	3,171	—	—	162,724	6,760
Greater than 100%	148,845	2,239	16,401	2,022	21,127	12,768	—	—	186,373	17,029
Total	589,664	6,527	49,454	5,325	40,159	22,955	—	—	679,277	34,807

	Stage 1		Stage 2		Stage 3		POCI		Total	
	Exposure £000	ECL £000	Exposure £000	ECL £000	Exposure £000	ECL £000	Exposure £000	ECL £000	Exposure £000	ECL £000
2024										
Less than 50%	79,381	410	5,117	421	6,923	4,464	9	4	91,430	5,299
50% to 70%	72,594	310	6,776	499	2,384	1,308	92	1	81,846	2,118
70% to 80%	72,508	424	5,758	537	2,598	1,417	—	—	80,864	2,378
80% to 90%	108,350	782	7,862	682	3,037	1,658	—	—	119,249	3,122
90% to 100%	114,098	1,052	8,294	943	3,413	1,859	—	—	125,805	3,854
Greater than 100%	44,413	492	4,990	756	5,493	2,993	—	—	54,896	4,241
Total	491,344	3,470	38,797	3,838	23,848	13,699	101	5	554,090	21,012



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37. Financial risk management

continued

37.1.15 Credit risk for other financial assets

Credit risk exists where we have acquired securities or placed cash deposits with other financial institutions as part of our treasury portfolio of assets. The Company considers the credit risk of treasury assets to be relatively low. No assets are held for speculative purposes or actively traded. Certain liquid assets are held as part of our liquid asset buffer. At 31 December 2025 and 2024, 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	
	2025 £000	2024 £000	2025 £000	2024 £000	2025 £000	2024 £000	2025 £000	2024 £000
Cash and cash equivalents:								
– Central bank	—	—	2,225,694	2,761,315	—	—	2,225,694	2,761,315
– Other banks	—	—	—	—	82,231	58,428	82,231	58,428
– Debt securities	—	—	30,572	—	—	—	30,572	—
Investment securities	—	—	289,824	—	963,301	455,157	1,253,125	455,157
Total	—	—	2,546,090	2,761,315	1,045,532	513,585	3,591,622	3,274,900

37.2 Market risk

Market risk is the risk of an adverse change in the Company's income or net value arising from movements in market prices or rates, specifically interest rates or currency rates. The market risks faced by the Company include interest rate risk, currency risk, basis risk and implied option risk, resulting from the Bank's product offerings. The Company's principal market risk is interest rate risk, which is the risk of loss from adverse movements in the overall level of interest rates. It arises from mismatches in the timing of repricing of assets and liabilities, both on and off-balance sheet. The Company has the following financial assets and liabilities which are exposed to the movement of interest rates: deposits from customers, loans and advances to customers, collateralised interest rate swaps, and liquid assets including Bank of England reserves and other HQLA instruments (UK Regulated Covered Bonds, UK Treasury Bills and MDBs). The Company does not run a trading book or take speculative interest rate positions and therefore all interest rate risk resides in the banking book (interest rate risk in the banking book (IRRBB)).



Notes to the financial statements

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37. Financial risk management

continued

37.2.1 Repricing analysis

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

2025	Non-interest bearing £000	Up to 3 months £000	3-6 months £000	6-12 months £000	1-5 years £000	Over 5 years £000	Total £000
Cash and cash equivalents:							
– Central bank	—	2,225,694	—	—	—	—	2,225,694
– Other banks	—	82,231	—	—	—	—	82,231
– Debt securities	30,572	—	—	—	—	—	30,572
Amounts due from other Group undertakings	—	39,724	—	—	—	—	39,724
Derivative financial instruments							
– Derivatives in accounting hedge relationships	—	25	99	17	—	—	141
– Derivatives in economic and not accounting hedge	—	—	—	—	—	—	—
Loans and advances to customers	—	11,278	25,828	107,016	2,806,320	556,212	3,506,654
Investment securities	202,966	894,493	—	68,691	86,975	—	1,253,125
Other assets ¹	4,528	622	—	—	—	3,414	8,564
Total assets	238,066	3,254,067	25,927	175,724	2,893,295	559,626	7,146,705
Derivative financial instruments							
– Derivatives in accounting hedge relationships	—	1,040	1,523	3,407	—	—	5,970
– Derivatives in economic and not accounting hedge	—	48	—	2	—	—	50
Deposits by customers	—	5,241,598	469,193	394,553	288,254	—	6,393,598
Subordinated liabilities	—	—	—	—	76,086	—	76,086
Amounts due to banks	—	443	50,340	—	—	—	50,783
Amounts due to other Group undertakings	—	—	—	—	—	34,361	34,361
Other liabilities ²	12,768	—	—	—	—	—	12,768
Total liabilities	12,768	5,243,129	521,056	397,962	364,340	34,361	6,573,616
Interest rate sensitivity gap	225,298	(1,989,062)	(495,129)	(222,238)	2,528,955	525,265	573,089
Cumulative gap	225,298	(1,763,764)	(2,258,893)	(2,481,131)	47,824	573,089	573,089

1. Other assets includes unallocated customer transactions in transit.

2. Other liabilities includes customer transactions in transit and supplier balances.



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37. Financial risk management

continued

37.2.1 Repricing analysis continued

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 cash equivalents:							
– Central bank	—	2,761,315	—	—	—	—	2,761,315
– Other banks	—	58,428	—	—	—	—	58,428
Amounts due from other Group undertakings	642	—	—	—	—	—	642
Derivative financial instruments							
– Derivatives in accounting hedge relationships	—	1,626	1,051	3,269	—	—	5,946
– Derivatives in economic and not accounting hedge	—	—	—	—	—	—	—
Loans and advances to customers	—	299,656	20,295	89,984	2,391,934	63,766	2,865,635
Investment securities	—	19,799	—	—	406,298	29,060	455,157
Other assets ¹	20,394	—	—	—	—	—	20,394
Total assets	21,036	3,140,824	21,346	93,253	2,798,232	92,826	6,167,517
Derivative financial instruments							
– Derivatives in accounting hedge relationships	—	—	614	458	—	—	1,072
– Derivatives in economic and not accounting hedge	—	5	—	10	—	—	15
Deposits by customers	—	4,208,092	470,504	380,332	396,751	61	5,455,740
Subordinated liabilities	—	—	—	—	76,086	—	76,086
Amounts due to banks	127	157,100	—	—	—	—	157,227
Amounts due to other Group undertakings	4	—	—	—	—	—	4
Other liabilities ²	17,501	—	—	—	—	—	17,501
Total liabilities	17,632	4,365,197	471,118	380,800	472,837	61	5,707,645
Interest rate sensitivity gap	3,404	(1,224,373)	(449,772)	(287,547)	2,325,395	92,765	459,872
Cumulative gap	3,404	(1,220,969)	(1,670,741)	(1,958,288)	367,107	459,872	459,872

1. Other assets includes unallocated customer transactions in transit.
2. Other liabilities includes customer transactions in transit and supplier balances.



Notes to the financial statements

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37. Financial risk management

continued

37.2.2 Sensitivity to interest yield curve

The following sensitivity analysis shows the impact of a 100 basis points shift in the interest yield curve on the expected net interest income over a one-year forecasting horizon for financial instruments held at the end of the year.

	2025 £000	2024 £000
1% shift up of the yield curve	3,482	7,520
1% shift down of the yield curve	(1,103)	(6,243)

37.3 Liquidity risk

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

37.3.1 Analysis of encumbered and unencumbered assets

The following table analyses the Company's encumbered and unencumbered assets. The disclosure is designed to illustrate the availability of the Company's assets to support future funding and is not intended to identify assets that would be available in the event of a resolution or bankruptcy.

A proportion of the Company's assets have the potential to be used as collateral to support central bank or other funding activity. Assets that have been committed for such purposes are classified as encumbered assets and cannot be used for other purposes. All other assets are defined as unencumbered assets. These comprise assets that are potentially available to be used as collateral ('available as collateral') and assets that, due to their nature, are not suitable to be used as collateral ('other').

	Encumbered assets		Unencumbered assets		Total £000
	Pledged as collateral £000	Other £000	Available as collateral £000	Other £000	
2025					
Cash and cash equivalents:					
– Central bank	—	—	2,225,694	—	2,225,694
– Other banks	25,448	—	56,783	—	82,231
– Debt securities	—	—	30,572	—	30,572
Derivative financial assets	—	—	—	141	141
Loans and advances to customers	206,367	—	3,296,250	4,037	3,506,654
Investment securities	60,000	—	1,193,125	—	1,253,125
Non-financial assets	—	4,204	—	141,090	145,294
Total assets	291,815	4,204	6,802,424	145,268	7,243,711



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37. Financial risk management

continued

37.3.1 Analysis of encumbered and unencumbered assets continued

	Encumbered assets		Unencumbered assets		Total £000
	Pledged as collateral £000	Other £000	Available as collateral £000	Other £000	
2024					
Cash and cash equivalents:					
– Central bank	—	—	2,761,315	—	2,761,315
– Other banks	19,627	—	38,801	—	58,428
Derivative financial assets	—	—	—	5,946	5,946
Loans and advances to customers	357,321	—	2,509,028	(714)	2,865,635
Investment securities	—	—	455,157	—	455,157
Non-financial assets	—	889	—	81,677	82,566
Total assets	376,948	889	5,764,301	86,909	6,229,047

Encumbered assets 'pledged as collateral' comprise: cash at other banks totalling £25,448k (2024: £19,627k), which is pledged as collateral against the Company's derivatives; and loans and advances to customers totalling £206,367k (2024: £357,321k), which is pledged as collateral against ILTR facility. These loans may be called upon in the event of default under the facility. In 2024, the pledged loans related to TFSME drawdowns.



Notes to the financial statements

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37. Financial risk management

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37.3.2 Contractual maturity

The table below shows an analysis of assets and liabilities analysed according to their contractual terms or when they are expected to be recovered or settled. This information is not used by the Company in managing the liquidity risk, because in practice, these assets and liabilities may mature earlier or later than implied by their contractual tenor, for example if repaid earlier.

2025	Carrying value £000	Repayable on demand £000	Up to 3 months £000	3-6 months £000	6-12 months £000	1-5 years £000	Over 5 years £000	No contractual maturity £000
Cash and cash equivalents:								
– Central bank	2,225,694	2,225,694	—	—	—	—	—	—
– Other banks	82,231	82,231	—	—	—	—	—	—
– Debt securities	30,572	—	30,572	—	—	—	—	—
Amounts due from other Group undertakings	39,724	39,724	—	—	—	—	—	—
Derivative financial instruments								
– Derivatives in accounting hedge relationships	141	—	25	—	—	116	—	—
Loans and advances to customers	3,506,654	—	380,298	364,307	679,073	2,541,230	54,997	443,780
Investment securities	1,253,125	—	187,562	66,092	81,803	901,678	15,990	—
Other assets ¹	8,564	4,528	622	—	—	—	3,414	—
Total assets	7,146,705	2,352,177	599,079	430,399	760,876	3,443,024	74,401	443,780
Derivative financial instruments								
– Derivatives in accounting hedge relationships	5,970	—	48	639	387	4,896	—	—
– Derivatives in economic and not accounting hedge	50	—	48	—	—	2	—	—
Deposits by customers	6,393,598	4,787,668	453,930	469,193	394,553	288,254	—	—
Subordinated liabilities	76,086	—	2,663	2,693	5,444	92,842	—	—
Amounts due to banks	50,783	443	—	50,340	—	—	—	—
Amounts due to other Group undertakings	34,361	—	—	—	—	—	34,361	—
Other liabilities ²	12,768	12,768	—	—	—	—	—	—
Total liabilities	6,573,616	4,800,879	456,689	522,865	400,384	385,994	34,361	—
Liquidity gap	573,089	(2,448,702)	142,390	(92,466)	360,492	3,057,030	40,040	443,780
Cumulative liquidity gap	573,089	(2,448,702)	(2,306,312)	(2,398,778)	(2,038,286)	1,018,744	1,058,784	1,502,563

1. Other assets includes unallocated customer transactions in transit.

2. Other liabilities includes customer transactions in transit and supplier balances.



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37. Financial risk management

continued

37.3.2 Contractual maturity continued

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 cash equivalents:								
– Central bank	2,761,315	2,761,315	—	—	—	—	—	—
– Other banks	58,428	58,428	—	—	—	—	—	—
Amounts due from other Group undertakings	642	642	—	—	—	—	—	—
Derivative financial instruments								
– Derivatives in accounting hedge relationships	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	6,167,517	2,820,385	357,385	304,688	556,914	2,475,600	61,057	349,219
Derivative financial instruments								
– Derivatives in accounting hedge relationships	1,072	—	242	—	164	666	—	—
– Derivatives in economic and not accounting hedge	15	—	—	—	—	15	—	—
Deposits by customers	5,455,740	3,710,399	497,693	470,504	380,332	396,751	61	—
Subordinated liabilities	76,086	—	2,663	2,693	5,444	103,642	—	—
Amounts due to banks	157,227	5,393	1,923	1,795	7,207	146,182	—	—
Amounts due to other Group undertakings	4	4	—	—	—	—	—	—
Other liabilities ²	17,501	—	17,501	—	—	—	—	—
Total liabilities	5,707,645	3,715,796	520,022	474,992	393,147	647,256	61	—
Liquidity gap	459,872	(895,411)	(162,637)	(170,304)	163,767	1,828,344	60,996	349,219
Cumulative liquidity gap	459,872	(895,411)	(1,058,048)	(1,228,352)	(1,064,585)	763,759	824,755	1,173,974

1. Other assets includes unallocated customer transactions in transit.

2. Other liabilities includes customer transactions in transit and supplier balances.



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37. Financial risk management

continued

37.4 Residual value risk

The principal risk arising from the Company's motor finance personal contract purchase (PCP) agreements relates to the non-realisation of the full amount of the residual values (RV), set by the Company at the inception of its agreements. Under PCP, the customers can exercise their right to return the vehicle at the end of the contract. In cases where the car value has a negative equity (i.e. lower than the outstanding balance at end of contract term), Zopa would sustain a financial loss, because the sale proceeds of the car would not be sufficient to cover the outstanding balance. The RV provision is raised in order to cover this type of financial loss.

On inception of the PCP contract, the Company uses latest industry data and determines the future expected car value to calculate RV provision at origination.

The future expected value of the cars can change over time due to multiple factors such as demand-supply dynamics and industry trends etc. The Company manages this risk by periodically monitoring the RV estimates of the portfolio, using industry data provided by a third party. Changes in future expected car value at revaluation are used to derive the updated RV provision and the impairment charge is estimated based on the difference in the original and revised RV provision. Any required impairment is charged to the statement of comprehensive income.

As a result of the risk management guidelines detailed above, the Company has estimated its future RV exposure on PCP agreements as follows:

	2025 £000	2024 £000
Not later than one year	8,181	636
Later than one year and not later than five years	126,122	80,860
Total exposure	134,303	81,496

37.5 Capital risk and management

The Company is required to hold adequate capital resources to meet its TCR. The TCR consists of a Pillar 1 requirement, which is set at 8% of risk-weighted assets, and a Pillar 2A requirement to cover additional risks not covered by Pillar 1.

The Pillar 2A requirement is set by the PRA, taking into account the Company's calculations within its ICAAP, which is an annual assessment of the risks to the Company, mitigants to those risks and the capital required to withstand them. Additionally, the Company is required to hold capital in respect of regulatory buffers. The Company's capital requirements have been met throughout the year.

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



Notes to the financial statements

continued

For the year ended 31 December

37. Financial risk management

continued

37.5 Capital risk and management continued

Capital resources as at the reporting date were as follows:

	2025 £000	2024 £000
Common Equity Tier 1 (CET1)		
Called-up share capital	68,542	554,819
Share premium	6,146	—
Other reserves	21,826	9,428
Retained earnings	448,405	(66,956)
CET1 capital before regulatory adjustments	544,919	497,291
Regulatory deductions:		
– Intangible assets	(41,629)	(30,893)
– Deferred tax assets	(13,801)	(18,408)
– Other deductions	(306)	(307)
Total CET1 capital	489,183	447,683
Additional Tier 1 capital	78,298	—
Total Tier 1 capital	567,481	447,683
Subordinated debt (Tier 2 Notes)	75,000	75,000
Total capital resources	642,481	522,683

The useable Tier 2 capital relating to the subordinated debt as at 31 December 2025 is £73,458k (2024: £75,000k). The Company is subject to external capital requirements which have been met throughout the year.

38. Post balance sheet events

There are no post balance sheet events that require disclosure in these financial statements.



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Additional information





Alternative performance measures (unaudited)

Alternative performance measures and key ratios (unaudited)

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

Cost of funds

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

	Note	2025 £m	2024 £m	2023 £m
Interest on deposits by customers	2	221.9	205.4	125.6
Average deposits by customers		5,593.0	4,475.3	3,408.1
Cost of funds		4.0%	4.6%	3.7%

Cost of risk

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

	Note	2025 £m	2024 £m	2023 £m
Expected credit loss allowance and similar charges	9	167.5	156.2	122.8
Average gross loans and advances to customers		3,437.1	2,952.2	2,393.5
Cost of risk		4.9%	5.3%	5.1%

Cost-to-income ratio

Operating expenses as reported in the statement of comprehensive income, divided by net interest income plus net fee and commission as reported in the statement of comprehensive income.

	Notes	2025 £m	2024 £m	2023 £m
Operating expenses	5	137.0	108.0	83.3
Less: share-based payments	6	(12.2)	(2.6)	(1.0)
Operating expenses, excluding share-based payments		124.8	105.4	82.3
Net interest and fee and commission	2, 3	358.2	279.7	215.3
Cost-to-income ratio		34.8%	37.7%	38.2%

Loan-to-deposit ratio

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

	Notes	2025 £m	2024 £m	2023 £m
Loans and advances to customers	15	3,506.7	2,865.6	2,478.2
Deposits by customers	25	6,393.6	5,455.7	3,357.7
Loan-to-deposit ratio		54.8%	52.5%	73.8%



Alternative performance measures (unaudited) continued

Net interest margin

Net interest income as a percentage of average gross interest-bearing assets. The average is calculated using monthly average balances.

	Note	2025 £m	2024 £m	2023 £m
Net interest income	2	359.6	279.3	213.0
Average gross interest-bearing assets		6,561.1	5,305.5	4,018.9
Net interest margin		5.5%	5.3%	5.3%

Total revenue

Total net interest income, fee and commission income, net interest income/(expense) on swaps and other operating income.

	Notes	2025 £m	2024 £m	2023 £m
Net interest income	2	359.6	279.3	213.0
Fee and commission income	3	15.2	14.3	13.0
Net interest income on swaps		2.0	7.3	5.7
Other operating income		0.3	2.5	1.3
Total revenue		377.1	303.4	233.0
Total revenue growth year-on-year		24.3%	30.2%	33.8%

Lending net interest margin

Net interest income as a percentage of the Company's lending activities, excluding net Tier 2 expense and internal Fund Transfer Pricing (FTP) charges, divided by average gross loans and advances to customers. FTP represents the internal allocation of funding costs to lending products to reflect the economic cost of funds. The average is calculated using monthly average balances.

	Note	2025 £m	2024 £m	2023 £m
Interest income on loans and advances to customers	2	463.3	383.6	269.8
Funds transfer pricing		(115.4)	(92.4)	(55.4)
Net interest expense on Tier 2 Notes		(7.6)	(7.3)	(2.3)
Average gross loans and advances to customers		3,437.1	2,952.2	2,393.5
Lending net interest margin		9.9%	9.6%	8.9%



Glossary of terms (unaudited)

Term	Definition
Common Equity Tier 1 ratio (CET1)	Common Equity Tier 1 capital divided by risk-weighted assets.
Cost of funds	Interest expense on deposits from customers divided by average deposits from customers. The average is calculated using monthly average balances.
Cost of risk	Expected credit losses charge divided by average gross loans and advances to customers. The average is calculated using monthly average balances.
Cost-to-income ratio, excluding share-based payments	Operating expenses as reported in the statement of comprehensive income, excluding share-based payments, divided by net interest income plus net fee and commission income as reported in the statement of comprehensive income.
Coverage ratio	Total expected credit losses allowance divided by total gross loans and advances to customers.
Expected credit losses allowance	Expected credit losses allowance deducted from loans and advances to customers.
Expected credit losses charge	Expected credit losses and other credit impairment charges (which includes write-offs and recoveries, net of collection costs but excluding debt sales) as reported in the statement of comprehensive income.
Gross new lending (UPL, motor finance loans and point-of-sale)	Total new lending of unsecured personal loans, motor finance loans and point-of-sale during the financial year, excluding loans acquired in 2022, 2023 and 2024.
High-quality liquid assets (HQLA)	HQLA include Zopa's reserves at the Bank of England and investment securities, such as covered bonds and multilateral development bank (MDB) bonds.
Lending net interest margin	Net interest income as a percentage of the Company's lending activities, excluding net Tier 2 expense and internal Fund Transfer Pricing (FTP) charges, divided by average gross loans and advances to customers. FTP represents the internal allocation of funding costs to lending products to reflect the economic cost of funds. The average is calculated using monthly average balances.
Leverage ratio	The amount of institution's capital divided by total exposure, in accordance with the PRA's CRR rules (Leverage Instrument 2021). The leverage ratio is expressed as a percentage.
Liquidity coverage ratio	The amount of unencumbered high-quality liquid assets (HQLA), divided by total net stressed liquidity outflows over a period of 30 days.

Term	Definition
Loan-to-deposit ratio	Net loans and advances to customers expressed as a percentage of total deposits by customers.
Net fee and commission income	Net fee and commission income as reported in the statement of comprehensive income.
Net interest income	Net interest income as reported in the statement of comprehensive income.
Net interest margin (NIM)	Net interest income as a percentage of average gross interest-bearing assets. The average is calculated using monthly average balances.
Net promoter score	NPS at Origination and Ongoing, across all our products, based on unique customer responses to the satisfaction survey and weighted by product.
Net stable funding ratio (NSFR)	The amount of available stable funding divided by the amount of required stable funding, in accordance with the PRA's CRR rules. The NSFR is expressed as a percentage.
Operating expenses	Operating expenses as reported in the statement of comprehensive income.
Profit after tax	Profit after tax as reported in the statement of comprehensive income.
Profit before tax	Profit before tax as reported in the statement of comprehensive income.
Profit before tax, excluding share-based payments	Profit before tax as reported in the statement of comprehensive income, excluding the equity-settled share-based payments (note 31).
Profit before tax, excluding share-based payments and motor finance redress	Profit before tax as reported in the statement of comprehensive income, excluding the equity-settled share-based payments (note 31) and motor finance redress (note 27).
Risk-weighted assets	On and off-balance sheet assets and exposures weighted according to the PRA's CRR and Capital Requirements Directive (CRD) rules.
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 and advances to customers	Total loans and advances to customers as reported in the statement of financial position.



Glossary of terms (unaudited) continued

Term	Definition
Total number of customers	Total customer numbers are defined as follows: <ul style="list-style-type: none">• Lending: customers with an open non-defaulted account.• Savings & Current Accounts: customers with an open account.• App/Web: customers who have logged in or used / received a Zopa service within the last three months.
Total regulatory capital	The amount and quality of capital Zopa Bank maintains to comply with the minimum capital requirements under the CRR. We also disclose a number of capital and liquidity metrics which are required by the PRA and FCA. The basis of calculation of those metrics is defined within the relevant legislation.
Total revenue	Total net interest income, fee and commission income, net interest income/(expense) on swaps and other operating income.
Total revenue growth	Year-on-year change in total revenue.



Forward-looking statements (unaudited)

The information in this document may include forward-looking statements, which are based on assumptions, expectations, valuations, targets, estimates, forecasts and projections about future events. These can be identified by the use of words such as 'expects', 'aims', 'targets', 'seeks', 'anticipates', 'plans', 'intends', 'prospects', 'outlooks', 'projects', 'forecasts', 'believes', 'estimates', 'potential', 'possible' and similar words or phrases.

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