



Annual Report

for the year ended 31 March 2025

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Company information

Company name

Zempler Bank Limited

Registered Office & Trading Address

Cottons Centre
Cottons Lane
London
SE1 2QG

Company Registration Number

04947027
England and Wales

Auditor

MHA Audit Services LLP
2 London Wall Place,
London
EC2Y 5AU

Company Secretary

Leo Nuttall

Directors

Mark Sismey-Durrant
Non-Executive Chair

Peter Elcock
Independent Non-Executive Director

Barbara Gottardi
Independent Non-Executive Director

Jim Jones
Non-Executive Director

Francesca Shaw
Independent Non-Executive Director

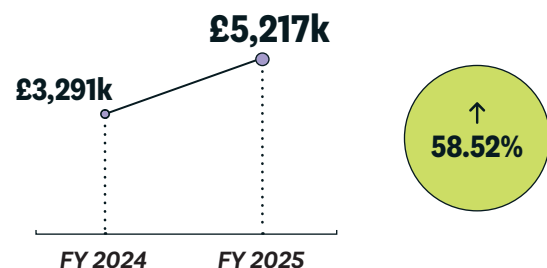
Dominic Wade
Chief Financial Officer

Richard Wagner
Chief Executive Officer

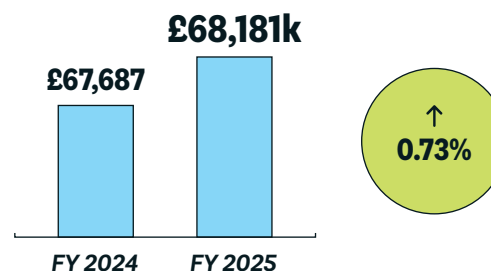
Julia Warrack
Independent Non-Executive Director

Key Performance Indicators

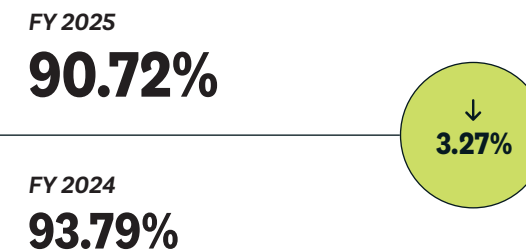
Profit before tax



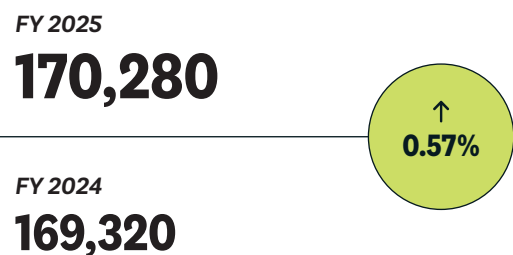
Total interest income, fee and commission income



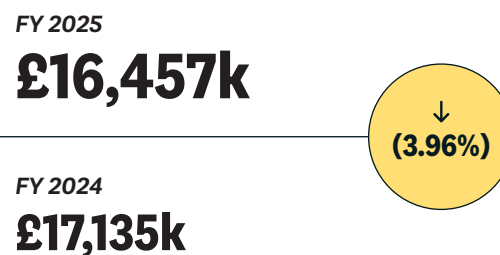
Cost to income ratio



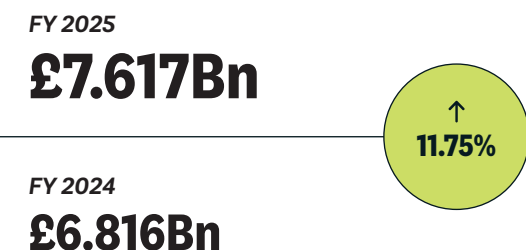
Microbusiness customers (total open accounts)



Card transaction revenue (intercharge)



Faster payment volume



Key Performance Indicators

Loans and advances to customers

FY 2025

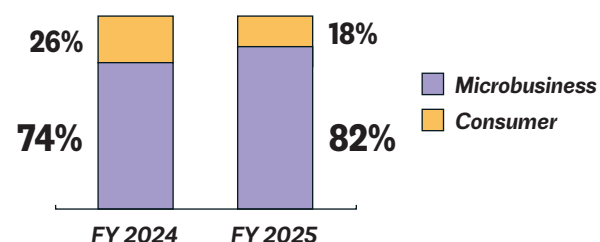
£25,452k

FY 2024

£28,225k

↓
(9.82%)

Microbusiness /consumer revenue



Good financial performance

with continued growth in profit before tax

Fee and commission revenue

FY 2025

£31,282k

FY 2024

£33,776k

↓
(7.38%)

Customer deposits

FY 2025

£624,600k

FY 2024

£542,169k

↑
15.20%

Focus on optimisation

reflected in moderate customer growth and improved cost to income ratio

Zempler Bank Annual Report 2025

Strategic Reports

Strategic Report

Advanced Payment Solutions Limited (trading as Cashplus Bank) changed its name to Zempler Bank Limited on 24 June 2024 and began trading under the name Zempler Bank on 9 July 2024. Throughout this report the company is referred to as Zempler, Zempler Bank, Zempler Bank Limited or Bank.



Chair's Review

Zempler delivered another strong performance in the last financial year, achieving profit growth alongside investment in major strategic initiatives and enhancement of the firm's range of simple and accessible digital banking products.

The bank's progress was achieved against a backdrop of political change in the UK, United States and elsewhere, continued weak growth in the domestic economy and more recently, a series of shocks to economic confidence around the world resulting from US tariff policy and subsequent retaliations.

Zempler's ability to navigate and adapt to these circumstances demonstrates the resilience and flexibility of the firm's business model, the experience and quality of the management team and the effectiveness of the bank's risk and governance framework.

The work carried out over the past 12 months establishes a strong platform for growth and includes the conclusion of a comprehensive upgrade of Zempler's capabilities in identifying and preventing fraud and economic crime, a migration to a new strategic financial platform to support future

scale, the launch of a new Pro tier business current account product to serve larger microbusinesses and improve long term customer retention and, of course, a full rebrand to Zempler Bank.

Regardless of events in the wider world, the Board and I remain enthusiastic about the plans for the year ahead and confident in the robust governance structures that will enable the business to grow with confidence.



Mark Sismey-Durrant

Chair

17 July 2025



Chair's Review

Alongside this, Zempler's executive team has worked closely with the Board to evolve and strengthen the firm's strategy. I was pleased to welcome the firm's new Chief Financial Officer, Dominic Wade, to the Zempler Board in June 2024 and his experience at major global financial institutions and at scaling fast-growing digital challenger banks has been highly valuable to the Board during this planning cycle.

The resulting plans are clear and already well underway. Following the earlier period of investment and delivery, Rich and the team are now focussed on optimising and fine tuning the business to fully embed the benefit of those investments. This optimisation phase will enable Zempler to scale efficiently by ensuring that costs are contained, that sales and marketing activity delivers high-quality growth and that profits continue to grow.

Higher profitability will in turn strengthen the bank's capital position and enable the management team to accelerate lending to small businesses and underserved consumers. This plan will further strengthen the business by diversifying income and accelerating profit growth.

There are undoubtedly potential challenges ahead, and while the effects of ongoing global instability are likely to be felt across all markets, I am hopeful that the UK is relatively well positioned and that positive regulatory trends and a more focused national industrial strategy will help to support the success of the financial service sector.

Regardless of events in the wider world, the Board and I remain enthusiastic about the plans for the year ahead and are committed to moving forward with confidence in the robust governance structures that will enable the business to grow with confidence.

Chief Executive's Review

As a founder CEO, I will always remember this as the year that we became Zempler Bank. Whilst for me and my Zempler colleagues this is a major milestone in its own right; it also represents a much longer and larger evolution of our business.

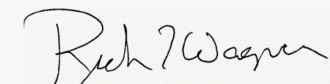
The Zempler brand, with its focus on simplicity and exemplary service, is a true reflection of who we are today, having evolved from our roots as a prepaid card provider offering accounts for underserved consumers to our current position as an innovative digital bank dedicated to making money simpler for UK businesses.

Our progress over the last 12 months demonstrates the growing strength of our business. We made significant investments to enhance our simple-to-use digital banking products. Our new Pro tier business current account product includes features that will allow us to better serve our customers as their businesses grow, including interest-bearing savings pots, outbound international payments and higher account limits. We also joined the Current Account Switching Service, an important enabler for our embedded finance offering for larger enterprise customers.

Zempler's growing profitability will be a key driver of our strategy over the next 12 months as we continue to optimise our business, strengthen our capital position and diversify our business through accelerated lending growth.



Richard Wagner
Chief Executive Officer
17 July 2025

A handwritten signature of Richard Wagner in black ink, written in a cursive style.

Chief Executive's Review

Alongside these enhancements, and the completion of several priority strategic programmes, we delivered a strong financial performance including a 59% increase in pre-tax profits to £5.2m and a 15% increase in deposits to £625m.

Zempler's growing profitability will be a key driver of our strategy over the next 12 months as we continue to optimise our business, strengthen our capital position and diversify our business through accelerated lending growth.

This is a key area of opportunity for Zempler which, despite our relatively small lending book today, has significant credit capability, expertise in these target markets and a strong product offering that is well tested and ready to grow, especially via our feature-rich business credit card proposition.

This plan creates a clear path to scaling our business and creating ever greater value for the businesses and consumers that we serve, for our fantastic colleagues and for our shareholders.

The year ahead is set to be a challenging one for the businesses we serve. We know that confidence in the UK economy and the spending power of

consumers is under pressure from macroeconomic conditions and that many small firms are facing an increasing tax burden. We will do everything we can to support those businesses with products that make their life simpler, exemplary service delivered by our in-house team and access to the lending that so many small businesses struggle to access.

As ever, I am very grateful to all the customers that choose to bank with Zempler and to the colleagues that work so hard to support them and look forward to an important year of growth for our business.

Our Strategy

Our purpose

Enabling a more open and successful financial future.

Zempler Bank was founded with the ambition to make banking services more inclusive, accessible and to break down the barriers for underserved businesses and individuals. We remain committed to fulfilling that purpose by providing customers with the simple, easy-to-access digital banking they deserve, from a partner they can trust.

Our mission

Provide the UK's underserved businesses with easy-to-access, simple-to-use banking that helps them succeed.

Our vision

Become the UK's best loved digital bank.

Our Strategy

Our strategic priorities

Create brilliant, commercially sustainable products

We aim to provide our customers with genuinely useful products that are simple to use, easy to access and designed around them. We have a strong track record of data-driven decision making which allows us to tailor and target our products to our customers' needs, giving them the tools they need to succeed and delivering strong product economics for the Bank.

Build a well-known brand with an outstanding reputation

As we grow, we recognise the need to raise positive awareness of our brand among the UK public and key stakeholders in our industry, the media and within the UK political arena. We want to be a trusted name for all stakeholders including our customers, colleagues, investors and society as a whole.

Deliver a simple and easy banking experience to our customers

We know how tough it is to start and run a small business and how stressful managing money can be, so we want to make doing business with Zempler Bank as easy as possible. We remain committed to excellent, knowledgeable, and friendly personal service which is based in the UK and easily available by telephone. We support this offer with advanced technologies to enhance the overall experience for customers and get them the answers and support they need quickly and easily.

Optimise, diversify and scale our business

We know that our business has enormous potential and we have identified a clear path to scale. We will focus on optimising our business to drive profitability and efficiency, strengthen our capital surpluses and accelerate lending growth to diversify our income and achieve greater scale.

Business Review

In FY2025, Zempler Bank remained focused on its mission to “provide the UK’s underserved businesses with easy-to-access and simple-to-use banking that helps them succeed” and on setting the foundations for an ambitious plan to accelerate growth over the next five years.

The Bank delivered a series of important product enhancements including the launch of a new “Business Pro” current account tier. This new product tier includes additional features to serve the needs of larger microbusinesses, such as higher payment limits and interest-bearing savings pots. This is helping Zempler to attract more mature, higher value customers as well as aiding retention as their businesses grow.

Zempler also joined the Current Account Switching Service, an important enabler for some key customers of the firm’s embedded finance offering, and launched outbound international payments in partnership with Wise, satisfying a key feature priority for existing customers.

Financial review

Zempler Bank made a record profit before tax of £5.2m in FY2025 (2024: £3.3m). Revenues

have been strong throughout the financial year with good performances seen in all areas of the business including a continued benefit from treasury income despite the Bank of England Base Rate falling from 5.25% to 4.5% during the year. Following its third successive profitable year as a bank, Zempler is well positioned to continue the upwards revenue trend and the path towards achieving its strategic objective to accelerate growth and scale the business.

Profit after tax for the year was £3.4m (2024: £4.7m). The Bank has not recognised any additional deferred tax assets during the year with total deferred tax assets on the balance sheet standing at £3.1m (2024: £4.7m).

The value of net loans and advances to customers decreased by £2.7m to £25.5m (2024: £28.2m). Impairment provision decreased to £4.8m (2024: £6.4m) due to improvements seen in underlying credit performance as well as the contraction of outstanding loans and advances. The provision at 31 March 2025 includes assumptions of macroeconomic factors such as interest rates, household income, and unemployment rates which have changed as the UK economy has shown mixed

signals with periods of stagnation and recent signs of recovery. Debt charge-offs have increased in the year to £5.9m (2024: £4.3m) due to higher delinquencies resulting from the cost of living crisis earlier in the year, early defaults emergence from prior year acquisitions following a prolonged period of muted lending, and proactive balance sheet management of accounts that have historically been on long term repayment plans.

Total interest income, fee and commission income (Gross revenue)

As a small and growing business, Zempler uses gross revenue as a key measure of performance, calculated as income before the deduction of expenses relating directly to income. Gross revenue was £68.2m (2024 restated: £67.7m). We will continue to monitor this metric as we believe it is important to management and our stakeholders to understand this figure prior to the expenses shown in the Statement of Comprehensive Income. Note 36 to the Financial Statements provides a breakdown of its construction.

Liquidity

Zempler Bank has a very strong liquidity position, with the majority of funds held at central banks and

Business Review

available to withdraw on a same-day basis. A smaller portfolio of short-dated UK government bonds is held for liquidity diversification purposes and to minimise the Bank's exposure to interest rate risk. These qualify and are held as part of Zempler Bank's liquidity buffer.

Zempler Bank had a Liquidity Coverage Ratio (LCR) of 865% (2024 restated: 887%) and a Net Stable Funding Ratio (NSFR) of 798% (2024 restated: 812%) as at the reporting date. Zempler is highly liquid due to the relatively small lending book versus deposit book.

Capital

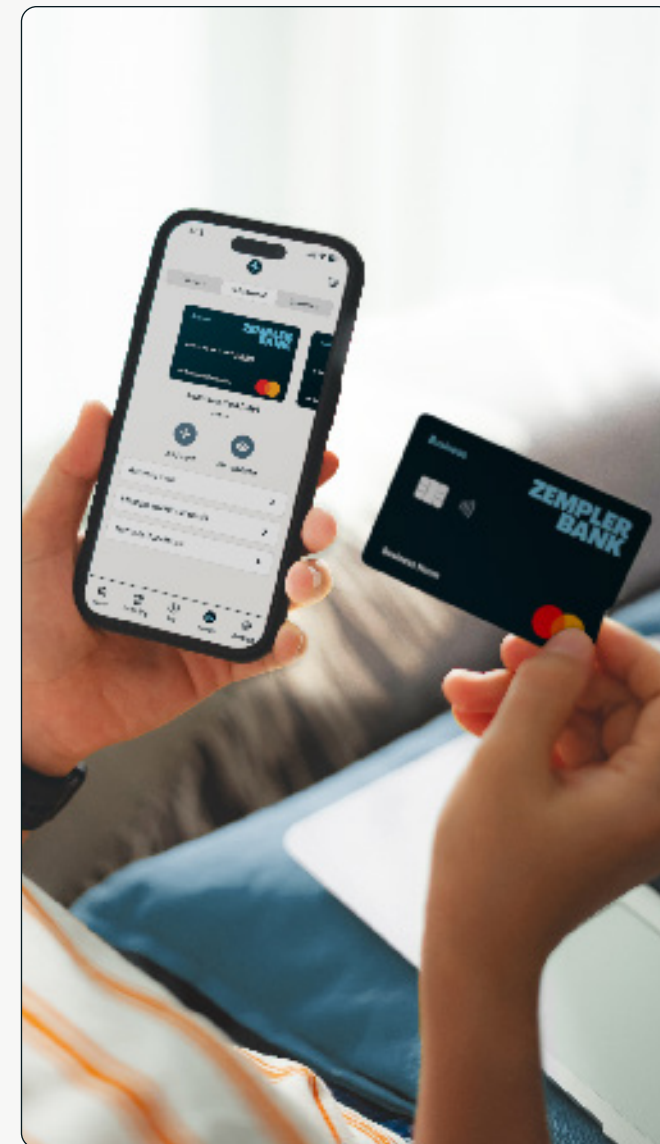
As at 31 March 2025 the Bank's CET1 ratio was 19.3% (2024 restated: 15.7%) and the Total Capital Ratio including Tier 2 debt was 20.6% (2024 restated: 17.5%). Zempler has set out a sustainable growth trajectory supported by the re-investment of generated profits into its capital base but also continues to explore external equity investment opportunities that may facilitate faster expansion of the bank's credit proposition.

Looking forward

Looking to the year ahead, Zempler Bank expects to build on the strong FY2025 performance to execute against its strategic priorities.

The management team will primarily focus on continued profitable growth to strengthen the Bank's capital position, supporting the objective of scaling the business and have also begun to explore options for raising additional capital within the next financial year.

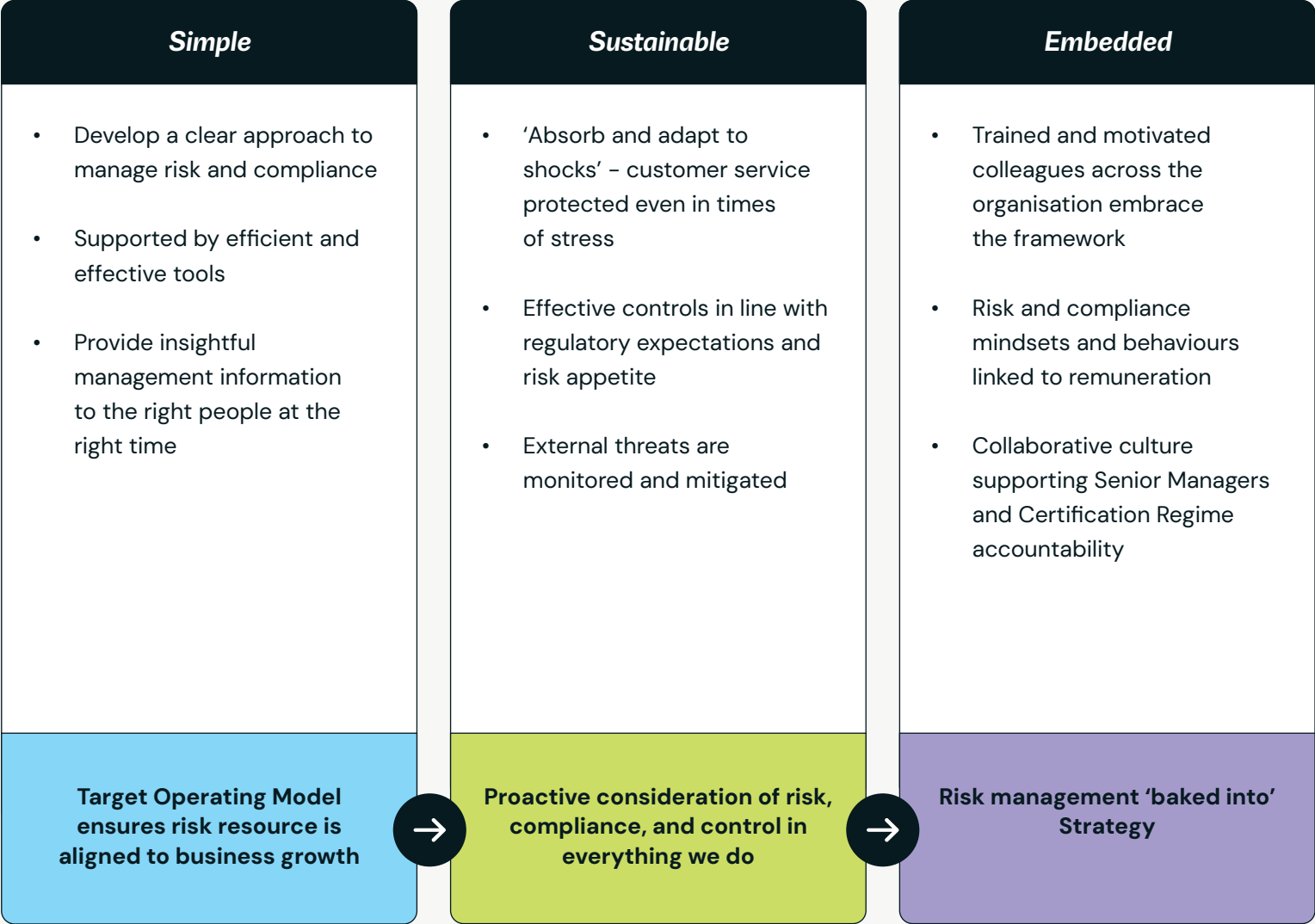
This growth will also enable the Bank to invest in brilliant, commercially sustainable products and to deliver simple and easy banking experiences for customers. These product and servicing enhancements will include the introduction of mobile payment capabilities and an integrated mobile point of sale solution.



Risk Management Strategy

The Board aims to deliver the Bank’s strategic and business objectives, together with operational and financial stability, whilst minimising and managing identified risks and ensuring good customer outcomes through appropriate mitigation.

Our risk strategy has three core elements: (i) Simplicity in approach with efficient and effective tools and processes delivering the right information to the right people at the right time; (ii) Sustainable controls enabling the Bank to absorb and adapt to shocks, and (iii) An embedded framework, utilised by trained and motivated colleagues to optimise risk versus reward.



Risk Management Strategy



Zempler faces a range of risks from both internal and external factors. To manage these effectively, it has developed and embedded a comprehensive Enterprise-wide Risk Management Framework (ERMF) with people and culture at its heart. This is subject to continuous improvement and is reflective of the increasing focus on strong risk management and governance. The framework provides the tools to manage risk, organised around risk categories aligned to our governance structure: Conduct, Credit, Financial (including capital and liquidity), Economic Crime, Operational, and Governance & Strategic.

These risks encapsulate all material financial and non-financial risks faced by Zempler Bank and are supported by sub-categories to support identification, assessment, mitigation and monitoring of specific risks. They provide a common language to be used across the business and enable us to embed our risk appetite and associated policies into day-to-day management activity. The framework is designed to allocate risk ownership and accountability throughout the business. Each component forms part of a larger continuum, providing a holistic view of our risk profile across all risk categories.

Risk Management Framework



The Enterprise Risk Management Framework (ERMF) sets out the Bank’s approach for managing risk and is designed and maintained by the Chief Risk Officer (CRO). It is reviewed and approved by the Risk Committee on at least an annual basis. The CRO is responsible for oversight and implementation of the framework and reports independently to the Board Risk Committee in relation to these matters, reporting directly to the CEO on a day-to-day basis.

Management of risk is everybody’s responsibility and ownership resides within each individual business area. The Risk function delivers the framework and standardised approach, tools and processes to manage risk effectively and performs oversight to ensure that standards are being met. The risk function also helps ‘reveal’ the risk landscape for the benefit of the Risk Committee and Board.

Risk Operating Model

Zempler Bank has adopted the industry-standard three lines of defence model to articulate the accountabilities for risk management. The roles of key personnel are set out below:

Personnel/Line	Responsibilities
Senior Management/ First Line	<ul style="list-style-type: none"> Responsible for the day-to-day management of risk within Zempler, as per the Management Responsibilities Map and Senior Managers and Certification Regime (SMCR). Ensures the implementation of appropriate and effective internal controls to manage the Bank's exposure to risks. Ensures key controls are evaluated and operating as intended to manage risk within risk appetite. Ensures appropriate resources are in place to achieve risk management objectives. Ensures that all policy documents become part of the corporate culture of Zempler Bank through established limits to manage quantitative risks; and through policies to manage qualitative risks.
Chief Risk Officer/ Second Line	<ul style="list-style-type: none"> Responsible for the Risk and Compliance function. Reports to the CEO for day-to-day activities, but independently to the Risk Committee to ensure oversight and adherence to the risk framework. Establish the framework within which risk controls can be achieved to ensure that the inherent risks associated with the Bank's undertakings can be quantified and mitigated. Provide oversight and challenge of risk management activities performed by the 1st line of defence.
Internal Audit Director/ Third Line	<ul style="list-style-type: none"> Providing independent third line assurance and assessment of risk processes and controls on the overall effectiveness of the ERMF. The Internal Audit Director reports directly to the Chair of the Audit Committee to ensure independence, and to the CEO for day-to-day activities. An external firm is also used to supplement internal resource.
All Colleagues	<ul style="list-style-type: none"> All colleagues are responsible for adhering to all rules and regulations including Conduct Rules as well as processes and procedures which are designed to manage the risks associated with the work they perform. They are also required to alert management to any risk incidents or potential risk incidents that they become aware of in the course of their work. Colleagues should also discuss with their management any potential gaps in, or improvements to, the control framework that they identify.

Risk Operating Model

Risk appetite

Risk appetite is set and owned by the Board and is key in setting the parameters within which the business can operate. Qualitative and, in some cases, quantitative risk appetite statements have been developed for each of the risk categories. These set the overall tone for risk taking and influence the metrics (Board Risk Measures and Key Risk Indicators) used to measure the performance of each risk and ensure appropriate intervention where required. Risk appetite is supported by a robust set of principles, policies and procedures and is set on an annual basis. Amendments to risk appetite may be proposed proactively outside of the annual refresh cycle to ensure it remains appropriate to the current risk environment.

Risk identification and assessment - the Risk Register

A Risk Register is used to standardise and enhance the monitoring of the risks by the Risk and Compliance Function. Risk and Compliance help the relevant Senior Management Functions (SMF) and Functional owners to operationalise their Risk Registers through meetings and relevant training. Further, Risk and Compliance monitor the various Risk Categories through attendance at

Sub Committees of the Executive Committee, the Executive Committee (ExCo), the Risk Committee, and relevant thematic risk assessments. In addition, Risk and Compliance perform a second line review of the ILAAP, ICAAP and Recovery and Solvent Exit Plan.

Emerging and future risks are also expected to be captured in the Risk Register commentary by the SMF and functional owners. In addition, working groups support the Executive level committees where required. This also brings together horizon scanning across legal, regulatory, macroeconomic and other such matters. The output helps inform the CRO's reporting to the Executive Risk Committee, the Executive Committee, the Risk Committee and Board.

Risk governance & reporting

The Board is responsible for ensuring that Zempler Bank operates in a principle-led manner and maintains an organisational structure to provide adequate support in discharging this duty. In addition, the Board ensures that the risk management processes are aligned with the corporate strategy, and that there is regular reporting of the risk profile and the results of the risk assessment process.

The Risk and Compliance function is under the remit of the CRO, who reports directly to the CEO on a day-to-day basis, with a dotted line to the Chair of the Risk Committee. The CRO provides independent reporting to the Risk Committee, Audit Committee and Board, and occasionally to the Remuneration Committee as appropriate. The Risk Committee is responsible for the oversight and assessment of the Zempler ERMF, providing advice and guidance to ensure alignment with approved company policies. Enhanced governance is provided via the Executive Risk Committee, which regularly reviews and discusses the risk profile to consolidate and ensure effective management and oversight of key outputs emanating from the various risk governance committees.

Principal Risks and Uncertainties

A description of Principal Risks and Uncertainties, and the controls in place to mitigate them, have been detailed in the table below:

Risk	Description	Sub-risks	Mitigating actions and committee oversight	Over-arching processes	
Conduct	The risk that any product, service, behaviour, system and/or control may cause detriment to a customer and negatively impact the integrity of the market.	<ul style="list-style-type: none">Customer CommunicationsCustomer ServicingProduct & Service DesignConduct Compliance & regulatory AffairsVulnerable Customers	Zempler Bank considers the Consumer Duty Principle to ‘act to deliver good outcomes for retail customers’ at every stage of the customer journey and has embedded the cross-cutting rules to ‘act in good faith’, ‘avoid causing foreseeable harm’ and ‘enable and support customers to pursue financial objectives’ into the culture of the organisation and into the Enterprise Risk Management Framework. Conduct Risk is managed and monitored by the Customer Committee which meets monthly and reports to the Executive Committee. This includes managing the assessment of new products and their features to ensure they are appropriate, including undertaking periodic product assessments. In addition, there is an annual report to the Board on how we are meeting Consumer Duty requirements.	Enterprise Risk Management Metrics and Monitoring to Risk Committee	Management Risk Committees Supporting Executive and Board Risk Committees

Principal Risks and Uncertainties

Risk	Description	Sub-risks	Mitigating actions and committee oversight	Over-arching processes	
Credit	The risk associated with material financial disruption as a result of borrowers failing to meet obligations in accordance with agreed terms; lending exposures being grouped in such a manner that a correlated performance of the individual loans can be anticipated; and not acting in a customer's best interests, such that lending is not affordable, terms and conditions are not transparent and borrowers are not supported if they experience repayment difficulties.	<ul style="list-style-type: none"> • Credit Portfolio Risk • Credit Concentration Risk • Responsible Lending 	<p>The Credit Framework focuses on ensuring appropriate and affordable lending is provided to customers. Credit is managed to a defined risk appetite and associated measures, monitored by the Credit Risk Committee, which meets monthly and reports to the Executive Committee. The framework includes the use of:</p> <ul style="list-style-type: none"> • Predictive underwriting models which are regularly reviewed; • Performance monitoring; and • Credit risk management policies and operational procedures across the full lifecycle. 	Enterprise Risk Management Metrics and Monitoring to Risk Committee	Management Risk Committees Supporting Executive and Board Risk Committees

Principal Risks and Uncertainties

Risk	Description	Sub-risks	Mitigating actions and committee oversight	Over-arching processes	
Economic Crime	Economic crime is the risk of loss associated with criminal activities of customer and non-customer entities.	<ul style="list-style-type: none"> • Money Laundering & Terrorist Financing • External Fraud • PEPs & Sanctions • Internal Fraud 	The Economic Crime Control Framework comprises the mandatory components as required by regulation. It focuses on the prevention, detection and reporting of the relevant economic crime risks. These risks are managed and monitored by through the three lines of defence model and through governance such as the Economic Crime Committee which meets monthly and reports to the Executive Committee.	Enterprise Risk Management Metrics and Monitoring to Risk Committee	Management Risk Committees Supporting Executive and Board Risk Committees
Financial	The risk associated with material financial disruption as a result of:		The Financial Risk Framework focuses on managing financial risks to within the Board's risk appetite and adhering to the rules of the banking regime set out by the Prudential Regulation Authority. The risks are monitored by the Asset and Liability Management Committee, which meets monthly and reports to the Executive Committee, with day-to-day responsibility for managing the risks delegated via the CFO with SMF accountability, to members of the Finance department. In addition, 2nd line oversight is provided by the Prudential Risk & Compliance team. A daily assessment of all the core financial risks and metrics is provided daily to key teams in Finance, Treasury and Risk, with month end summaries provided to ALCO, Risk Co and the Board. The MI covers internal and regulatory specified metrics.		

Principal Risks and Uncertainties

Risk	Description	Sub-risks	Mitigating actions and committee oversight	Over-arching processes	
Financial	<ul style="list-style-type: none"> The business does not hold adequate capital to survive a stress event potentially resulting in regulatory censure due to breaches of regulatory requirements and/or rendering the business unsustainable. 	Capital Adequacy	<p>Capital risk management is encapsulated within the annual Internal Capital Adequacy Process (ICAAP) which identifies the level of capital required to meet forward looking requirements plus an internally defined severe-but-plausible stress scenario.</p> <p>Zempler Bank's ability to manage capital is driven through operational optimisation and efficiencies, keeping costs low, plus earnings from Fees, Commissions and interest received from its lending and current account activities. A recovery plan is reviewed annually to determine appropriate management action to support short term capital stabilisation in the event of severe but plausible stress. A more recent regulatory requirement for firms is the inclusion of Solvent Exit Plan, which in extremis, is intended to aid the orderly exit for the a firm.</p>	Enterprise Risk Management Metrics and Monitoring to Risk Committee	Management Risk Committees Supporting Executive and Board Risk Committees
	<ul style="list-style-type: none"> Liquidity risk is the risk of Zempler having insufficient available resources to meet minimum regulatory requirements and its liabilities as they fall due, both in normal and stress conditions. 	Liquidity & Funding Risk	<p>As a predominantly current account business, Zempler maintains significant cash reserves at the Bank of England to limit the impacts from a severe run on funds. With the majority of cash received held at the Bank of England, for liquidity purposes, this naturally limits any funding concentration risk for the Bank.</p> <p>Liquidity risk management is articulated through the Internal Liquidity Adequacy Assessment Process (ILAAP), where a comparable severe-but-plausible stress is used to determine the potential impacts to Zempler Bank from any run on funds. The analysis is aided by a Liquidity Contingency Plan (LCP) which is an intended playbook for if a run on funds was to occur. It is also supported by the Recovery Plan (which identifies actions that may be used to increase the level of both capital and liquidity).</p>		

Principal Risks and Uncertainties

Risk	Description	Sub-risks	Mitigating actions and committee oversight	Over-arching processes	
Financial	<ul style="list-style-type: none">IRRBB arises from exposures to absolute and relative movements in interest rates where there is a mismatch between assets and liabilities (e.g. fixed rate deposits and floating rate loans).	Market Risk (Interest Rate Risk in the Banking Book)	<p>The (opportunity) losses that can arise from financial assets or liabilities being adversely affected by the movement in market prices, interest rates or exchange rates are reflected in near term earnings or in the longer-term capital because of changes in the economic value of future cash flows. With a sizeable part of its deposits held at the Bank of England, there is an inherent mismatch between the basis of Zempler Bank’s interest income and its interest expense which it needs to manage.</p> <p>Zempler Bank’s prudent view of the forward view of rates is supported by the holding of a Gilt and T-bill portfolio which immunises an element of the opportunity cost from a fall in interest rates.</p>	Enterprise Risk Management Metrics and Monitoring to Risk Committee	Management Risk Committees Supporting Executive and Board Risk Committees

Principal Risks and Uncertainties

Risk	Description	Sub-risks	Mitigating actions and committee oversight	Over-arching processes	
	<ul style="list-style-type: none"> Financial Controls: The risk of negative financial, reputational or regulatory impacts through a lack of, or poorly operated, controls supporting reconciliation of payment processing, financial reporting, accounting practices and PRA/BoE regulatory returns. <p>Large Exposures / Counterparty Limits: The risk of losses arising from an institutional borrower or counterparty failing to meet its obligations as they fall due</p> <p>Asset Encumbrance: The risk of an over-reliance on assets that the bank is restricted or prevented from liquidating, selling, transferring or assigning, due to regulatory, contractual or other limitations.</p>	Financial Controls & Counterparty limits	<p>Zempler bank has a low tolerance for weak financial controls supporting the management of its financial risks.</p> <p>Activities are supported and managed through Zempler's change management programme and Insurance, as well as 2nd line oversight which extends to all regulatory releases.</p> <p>Large Exposures are managed through regular monitoring against Board and regulatory limits, while Asset encumbrance is managed through monitoring against a target encumbrance level and a maximum exposure.</p>	Enterprise Risk Management Metrics and Monitoring to Risk Committee	Management Risk Committees Supporting Executive and Board Risk Committees

Principal Risks and Uncertainties

Risk	Description	Sub-risks	Mitigating actions and committee oversight	Over-arching processes	
Financial	<ul style="list-style-type: none"> The risk of not meeting PRA regulatory rules, responsibilities and expectations. 	PRA Compliance & Regulatory Affairs	<p>The bank aims to comply with both the letter and the spirit of the PRA's rules, responsibilities and expectations. It will not seek to 'game' the regulations by looking to use favourable interpretations of the rules where they could be considered to be out of line with the underlying objectives of the rules.</p> <p>To support it in this aim, the Bank uses the services of the Prudential Risk & Compliance team to ensure transparent and regular communication is maintained with the PRA.</p>	Enterprise Risk Management Metrics and Monitoring to Risk Committee	Management Risk Committees Supporting Executive and Board Risk Committees
Operational	Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or external events.	<ul style="list-style-type: none"> Project Management Third Party Risk Manual Payment Processing Cyber risk & Information Security Service Delivery, Payment Processing Operational Resilience Software Development & Testing Data Protection (GDPR) Legal Risk 	Operational risks are managed by the Operational and Security Risk Committee which meets monthly and reports to the Executive Committee. Key policies are the Business Continuity and Disaster Recovery plans that set out actions in the event of material IT systems disruption. Zempler Bank employs a suite of tools, software, and controls to minimise the potential impact of malicious cyber risk attacks. Dedicated functions are in place to monitor and manage information security risk. Regular penetration testing is also undertaken to assess perimeter and internal security.		

Principal Risks and Uncertainties


Risk	Description	Sub-risks	Mitigating actions and committee oversight	Over-arching processes	
Governance & Strategic	<p>The risk that Zempler Bank's Governance Framework, culture, resources, capability and relationships with key stakeholders do not support the delivery of its stated strategic goals.</p>	<ul style="list-style-type: none"> Financial Risk from Climate Change People & Resources Business Model Risk Governance & Culture Model Risk 	<p>The Board is primarily responsible for the management of strategy and governance. It delegates some of these responsibilities to the Executive Committee which meets twice a month. Processes to manage risk in this area include a strategic five-year plan, which is updated at least once a year, the execution of an annual budget and milestones. Monthly reporting of progress to these targets is provided by the Executive at Board meetings and in a Monthly Reporting Pack. Regulatory affairs are managed by the Risk and Compliance function with regular communication and meetings with regulators in place and reporting to the Board. Model risk is managed to defined standards aligned to regulatory principles, and subject to ongoing monitoring and review. Key policies include the Management Responsibility Map and the Corporate Governance Manual.</p>	<p>Enterprise Risk Management Metrics and Monitoring to Risk Committee</p>	<p>Management Risk Committees Supporting Executive and Board Risk Committees</p>

Principal Risks and Uncertainties


Emerging Risks

In addition to the principal risks and uncertainties, we consider medium and long-term emerging risks and evolving threats that could affect our ability to meet strategic goals and objectives.


External information, including emerging regulatory changes, upstream risks and macroeconomic factors are monitored to support a better understanding of threats and uncertainties.

**Consumer Duty**

Since implementing the FCA’s Consumer Duty in July 2023, Zempler has been embedding the Duty and making enhancements designed to deliver consistently good customer outcomes. In line with the FCA’s requirement, the Board received its first annual report in July 2024. This report evidenced how the bank’s strategy is aligned with the principles of the Duty. Zempler will continue to identify and address any gaps and opportunities, using a data-led approach.

**Macroeconomic Environment**

While inflation has reached the Bank of England’s target, prices remain high and some aspects of inflation such as services and wages are likely to lead to more of a steady reduction in interest rates rather than a sharp decline. And while some green shoots in UK GDP have been observed in H1, 2025 global GDP looks set to remain sluggish for some time. Higher prices, a relatively weak economy and geopolitical uncertainties are therefore likely to weigh down on retail and business spending over the next two to three years. Zempler has adopted a prudent strategy for its credit growth, taking account of the higher cost-of-living in its affordability assessment calculations, but also identified opportunities to support its customers through enhancements to its products.

**Future Regulatory Change**

Zempler continues to prepare for the introduction of Basel 3.1 regulation with its revised UK implementation date of 01 January 2027. Zempler also meets the PRA’s criteria as a Small Domestic Deposit Taker (SDDT) and is therefore eligible to transition to the associated strong and simple regime, but has made no commitment at this time, being comfortable with the proposed capital treatment under Basel 3.1. Zempler has also met the new Building Operational Resilience regulations (31 March 2025). On 7 October 2024 the PSR proposals requiring mandatory reimbursement of customer fraud went live which also require liability for reimbursement to be split 50:50 between sending and receiving bank. Zempler has successfully mitigated the associated risks through enhanced fraud controls and was well prepared operationally for the October deadline.

Principal Risks and Uncertainties



Economic Crime Risk

We note continued risks faced by our customers, generated by social engineering, which are consistent with trends across the wider industry, particularly in Authorised Push Payment (APP) Fraud. Further, there is growing sophistication in organised money laundering rings trying to operate below detection levels. This means that continued investment, both at company and industry level, is required to address emerging economic crime activity. As noted above, the bank executed a wide-ranging Economic Crime Transformation Plan to enhance controls, protect customers and mitigate liability ahead of the PSR mandatory reimbursement proposals. This has successfully reduced receipt of the proceeds of fraud by 81% since 2022.



Resourcing Capability and Capacity

The recruitment market for finance and specialist resource remains competitive, potentially creating resource attrition and talent attraction headwinds. Zempler Bank's profitability and flexible working approaches allow for talent retention and key hiring, augmented by specialist third party resource / consultancy support where required.



Climate Change Risk

Financial risks from climate change (FRCC) arise through two primary channels: physical risks (related to specific weather events and longer-term shifts in the climate) and transitional risk (arising from the process of adjustment towards a low or net-zero carbon economy). Climate change risk can impact on the valuation of financial assets as well as the assumptions underpinning these valuations.

Zempler routinely assesses both the physical and transitional risks through quantitative assessments which include on the indirect risks to its unsecured lending portfolios and concentrations risks in its deposit base. A summary rating based on these Key Risk Indicators, along with an assessment of our suppliers' green credentials, are provided to the Board each month. On an annual basis the detailed measures are discussed with the Board as part of a review of FRCC.

For Zempler, the materiality of financial risks from climate change is currently assessed to be 'low'. We are a small, microbusiness-focused bank with no secured lending portfolio and no significant concentration in high carbon-intensive industries (e.g. energy, transport, mining). Nevertheless, it is a key issue from both regulatory and reputational perspectives. We therefore keep FRCC under regular review, considering how we might respond and adapt to longer-term changes that may expose key sensitivities in existing business plans.

Further details on our approach to sustainability and the environment are set out in the Directors' Report.

Corporate Governance

Corporate Governance Statement

As a privately owned, non-listed company, the Bank is not required to comply with the provisions of the UK Corporate Governance Code (the Code). However, the Board supports the principles of good governance and having regard to the regulated status of the Bank, continues to give careful consideration to the principles of corporate governance as set out in the 2018 version of the Code and remains committed to ensuring that its governance processes continue to follow best practice.

The Board believes that the corporate governance arrangements currently in place are appropriate for the size and structure of the Bank.

Board of Directors

The Board has overall responsibility for management of the business of the Bank and the protection of depositors and must ensure that the business is managed in accordance with the regulatory threshold conditions applicable to an authorised bank.

The Board consists of the Non-Executive Chair, the Senior Independent Director, four Non-Executive

Directors and two Executive Directors.

Zempler Bank does not require its directors to retire and submit themselves for re-election. Any proposed changes to the structure or composition of the Board are reviewed by the Nomination & Corporate Governance Committee.

There is a schedule of formal matters specifically reserved for the Board's consideration. The Board programme is designed so that Directors have a regular opportunity to consider the Bank's strategy, operations, risks, policies, financial plans, customer outcomes, technology, financial results, liquidity, capital and regulatory requirements in order for the Board to arrive at a balanced assessment of the Bank's position and prospects. Strategic developments, operational performance, financial performance, risk management, customer outcomes and regulatory compliance are considered at each scheduled Board meeting.

During the year, the Board invited a number of internal subject matter experts to attend Board meetings to provide the Board with insight into their specialist areas and a series of education, deep-dive and workshop sessions were also held.



Corporate Governance

The Bank has a clear division of responsibility between the roles of the Chair of the Board and the Chief Executive Officer (CEO). The Non-Executive Chair, who does not have any executive responsibility for the day-to-day running of the Bank's business, is responsible for chairing and overseeing the performance of the Board and ensuring that it discharges its responsibilities.

The Board's role is to direct, supervise and oversee the business of the Bank. Implementation of the strategy set by the Board and management of the business of the Bank on a day-to-day basis within the financial, operational and risk limits and tolerances set by the Board is delegated to the CEO.

The CEO is supported by the Executive Committee whose role is to support the CEO in the management and day-to-day running of the business and delivery of the strategy and business plans approved by the Board.

Internal Control and Risk Management

The Directors formally acknowledge their responsibility for establishing a framework of prudent and effective internal controls within

the Bank. The Board has put in place a system of internal controls, set within the framework of a clearly defined organisational structure, with well understood lines of responsibility, delegation of authority, accountability, policies and procedures, which is supported by training, monitoring, reporting and review procedures.

A strategic plan (including a five-year financial plan) and an annual budget are prepared by management for review and approval by the Board. Monthly reporting against budget and forecasts are provided to the Board.

The Bank is structured so that the Internal Control Functions (being the Risk, Compliance and Internal Audit functions) are independent from the functions they oversee and have appropriate authority for the roles.

Details regarding the Bank's Risk Management Strategy, Enterprise Risk Management Framework, the Company's Risk Management Strategy, and Risk Operating Model are provided on pages 16 to 30.


Board Committees

The Board has established a number of standing committees of the Board and delegated certain duties and responsibilities to these committees.

Each standing committee of the Board has written Terms of Reference which define its authority, duties and membership. Where there is a perceived overlap of responsibilities between the duties of one committee of the Board and another committee of the Board, the Terms of Reference provide the chairs of the respective committees with the discretion to agree which is the most appropriate committee to fulfil the obligation so as to avoid duplication or omission.

Corporate Governance


Further details regarding each of the standing committees of the Board that existed during the year are provided below:

 **Audit Committee**

The membership of the Audit Committee consists of three independent Non-Executive Directors, each with relevant financial and commercial experience. The Chair of the Risk Committee is a member of the committee. The Chair of the Board, CEO, Chief Financial Officer (CFO), Chief Risk Officer (CRO) and Internal Audit Director (IAD) ordinarily attend committee meetings at the invitation of the Chair of the Committee.

The role of the Audit Committee is to monitor the overall integrity of the financial reporting by the Bank, to review the Bank’s internal control and risk management systems, to monitor the overall effectiveness of the Bank’s Internal Audit function and to oversee the relationship with the Bank’s external auditors.

The Audit Committee is responsible for assessing the independence and recommending the selection, appointment, reappointment and removal of the external auditors to the Board for approval. It is responsible for approving the audit fee on an annual basis and for pre-approving any fees in respect of non-audit services provided by the external auditors and ensuring that the provision of non-audit services does not impair the independence or objectivity of the external auditors. It is also responsible for reviewing the annual financial statements and any formal announcements relating to the Company’s financial performance for compliance with financial reporting requirements, accounting policies and judgemental audit issues before submission to the Board for approval.

 **Economic Crime Oversight Committee**

During the year, the Economic Crime Oversight Committee, which the Board had established to oversee management’s plans to enhance economic crime-related controls and oversight was disbanded and the ongoing oversight of economic crime-related matters was transferred back to the Risk Committee and Board.

The membership of the Economic Crime Oversight Committee had consisted of three independent Non-Executive Directors and the committee had been chaired by an independent Non-Executive Director.

Corporate Governance



Nomination & Corporate Governance Committee

All Non-Executive Directors are members of the Nomination & Corporate Governance Committee. The committee is chaired by the Chair of the Board. The CEO, Chief People Officer and Company Secretary ordinarily attend committee meetings at the invitation of the Chair of the Committee.

The role of the Nomination & Corporate Governance Committee is to assist the Board by:

- leading the process for Board appointments;
- ensuring plans are in place for orderly succession to both the Board and senior management positions;
- approving the recruitment of senior management roles, including the remuneration package to be offered on appointment;
- overseeing the development of a diverse pipeline for succession;
- overseeing the Bank's corporate governance arrangements; and
- reviewing and overseeing the Bank's approach to strategies, goals, policies, procedures, performance and disclosures related to sustainability, environmental, social and governance matters and Equality, Diversity and Inclusion.



Remuneration Committee

The membership of the Remuneration Committee consists of three independent Non-Executive Directors and the committee is chaired by an independent Non-Executive Director. The chairs of the Audit Committee and Risk Committee are members of the Remuneration Committee.

The Chair of the Board, CEO, Chief People Officer and certain Non-Executive Directors who are not members of the committee ordinarily attend committee meetings at the invitation of the Chair of the Committee.

The role of the Remuneration Committee is to assist the Board by ensuring that:

- the remuneration policy and practices of the Bank are designed to support its strategy and promote long-term sustainable success, reward fairly and responsibly, with a clear link to corporate and individual performance, having regard to statutory and regulatory requirements and expectations and applicable good practice on remuneration and corporate governance; and
- executive remuneration is aligned to the Bank's purpose and values and linked to delivery of the Bank's long-term strategy.

Corporate Governance



Risk Committee

All Non-Executive Directors are members of the Risk Committee and the committee is chaired by an independent Non-Executive Director. The CEO, CRO, CFO, IAD, Chief Commercial Officer, Chief Technology Officer, Head of Conduct Risk & Compliance and the Money Laundering Reporting Officer ordinarily attend committee meetings at the invitation of the Chair of the Committee.

The role of the Committee is to assist the Board in its oversight of risk-related matters, the risks impacting the Bank, future risk strategy and the effectiveness of the Bank's Enterprise Risk Management Framework (ERMF). The Committee receives relevant reports and management information, including ERMF risk indicators and independent risk opinions, to assess the risks detailed in the 'Principal Risks and Uncertainties' section. Those include Cyber Risk, Operational Resilience, Economic Crime, Conduct Risk and Financial Risk. The Committee is further responsible for the approval of key items such as new or material changes to credit risk policy and strategy; Business Continuity and Disaster Recovery plans; and Vulnerable Customers Policy.

Section 172 Companies Act 2006

The Directors act in good faith to promote the success of the Bank for the benefit of its members as a whole and, in doing so, have regard (amongst other matters) to:

- The likely consequences of any decisions in the longer term.
- 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 environment.
- The desirability of the Bank maintaining a reputation for high standards of business conduct.

- The need to act fairly as between shareholders of the Bank.

The table below shows the key stakeholder groups identified by the Directors and how the Bank adheres to the requirements of Section 172 of the Companies Act 2006.

Stakeholder Group	How the Bank adheres to the Section 172 requirements
Employees	<ul style="list-style-type: none">• The Bank actively monitors colleague engagement through regular anonymous surveys hosted by an external provider. Survey results are reviewed by the Executive Committee and the Board.• Details of the results of colleague engagement surveys and a summary of the proposed actions to be taken to respond to the feedback provided are shared with colleagues during the monthly ‘All Colleague’ meeting hosted by the CEO. These meetings are also used to provide colleagues with updates on business performance and key initiatives and, as part of this, colleagues have the opportunity to provide immediate and anonymous feedback to the CEO.• The Bank has a designated Non-Executive Director for Workforce Engagement whose role is to facilitate and develop communication between the workforce and the Board and provide an ‘employee voice’ to the Board by raising relevant matters, or issues of concern, highlighted by the workforce.• The Bank has also designated Non-Executive Director as a whistle blowing champion.• The Bank operates a Hybrid Working policy that is intended to help colleagues achieve a balance between their work and personal lives. This policy is also designed to promote diversity and inclusion by enabling people to work for Zempler no matter where they are based in the UK.• Regular social events including monthly drinks, summer and Christmas parties are held to provide colleagues with an opportunity to develop and strengthen their relationships with colleagues.

Section 172 Companies Act 2006

Stakeholder Group	How the Bank adheres to the Section 172 requirements
Customers	<ul style="list-style-type: none">The Bank regularly seeks customer feedback through the use of customer surveys, the results are reviewed by the Board together with details of any actions it is proposed should be taken to respond to the feedback.As part of our mission to provide customers with easy-to-access and simple-to-use banking that helps them succeed, customers are at the forefront of everything that Zempler does.
Investors	Zempler maintains a regular open dialogue with its major shareholders.
Suppliers	Zempler recognises the importance of its suppliers to the continuing success of the Bank. As part of the Supplier Management Outsourcing Framework and Policy, regular meetings are held with key suppliers to review service performance and strengthen relationships.
Environment	Zempler seeks to enhance its sustainability and minimise its environment footprint where it is possible and practical to do so. Further information regarding sustainability and environmental matters can be found in the Directors’ Report.

The Strategic Report was approved by the Board on 17 July 2025 and signed on its behalf by:



Leo Nuttall
Company Secretary
17 July 2025

Zempler Bank Annual Report 2025

Directors' Report

Directors' Report

The Directors present their annual report and the audited financial statements for the year ended 31 March 2025.

The directors are required under section 414 of the Companies Act 2006 to present a strategic report in the Annual Report. This can be found on pages 6 to 37. Zempler Bank has chosen, in accordance with section 414C(11) of the Companies Act 2006, to include certain matters in the strategic report that would otherwise be disclosed in this Directors' Report.

Directors' responsibilities statement

The Directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations. Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the Directors must not approve the financial statements unless they are

satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

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

- Select suitable accounting policies for the Company's financial statements and then apply them consistently.
- Make judgments and accounting estimates that are reasonable and prudent.
- State whether applicable UK Accounting Standards comprising FRS102 have been followed, subject to any material departures disclosed and explained in the financial statements.
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for 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 to enable them to ensure

that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Subsidiary undertakings

During the year, an application was made for the Bank's wholly owned subsidiary, ZBA Limited, to be struck off and dissolved.

Results and dividends

The profit for the year, after taxation, amounted to £5.2m (2024: profit of £4.7m).

The Directors do not recommend the payment of a dividend (2024: £nil).

Directors

The names of those individuals who served as Directors of the Company during the year are listed below.

Directors' Report

- Mark Sismey-Durrant
- Leigh Bartlett (resigned 5 July 2024)
- Peter Elcock
- Barbara Gottardi
- Jim Jones
- Francesca Shaw
- Dominic Wade (appointed 24 July 2024)
- Richard Wagner
- Julia Warrack

Post Balance Sheet Events

There have been no material events affecting the Bank between 31 March 2025 and the date of approval of the financial statements other than those disclosed in the financial statements.

Environmental, social and governance review

The Directors seek to drive positive environmental and social change through the actions they take. The Bank's approach to environmental, social and governance (ESG) is about understanding the impact each decision has on these areas. ESG priorities are overseen by the Board which is responsible for setting the strategy that has a major impact on ESG priorities and how they are managed by the Executive Committee.

The Bank has numerous ESG priorities with policies and procedures being continually reviewed and adapted to ensure consideration is given to these key attributes. These include:

Suppliers

Zempler Bank is committed to developing long term business relationships with key suppliers through its supplier management framework and policies. It is important to the Directors that the Bank works with suppliers who uphold its values, and this consideration starts at the procurement stage and is maintained throughout the entire life cycle of the business relationship. The Bank continually reviews the controls implemented by suppliers including those that prevent data security breaches, bribery, corruption, and modern slavery. The Bank also conducts regular meetings and supplier assurance reviews with its most critical suppliers to ensure the required standards are being upheld.

Customers

Zempler Bank takes the need to treat customers fairly and ensure good outcomes are delivered for our customers very seriously and considers the needs of its customers in all of its business decisions. The Bank also aims to ensure all of its

product offerings are clear and easy to understand and supports this with high quality customer service.

Employees

Employee well-being is paramount to the success of the Bank. The Bank operates a Hybrid Working Policy that is intended to help colleagues achieve a healthy balance between their work and personal lives, as well as promoting diversity and inclusion. The Bank is committed to transparency, ensuring colleagues have access to all the information that is relevant to them. This includes monthly company-wide meetings which encourage people to share opinions and ask questions to management. The Bank has reward schemes to enable all colleagues to share in its success and has taken action to advance its diversity and inclusion strategy, including the introduction of mandatory unconscious bias training and carrying out gender pay parity analysis.

The Bank is fully committed to fostering a diverse, equitable, and inclusive workplace that goes beyond providing equal opportunities. We recognise that diversity in our workforce drives innovation and enhances our ability to serve our diverse client base. As such, we actively strive to create an environment where all employees, regardless of sex, age, sexual orientation, gender identity or expression, marital

Directors' Report

or civil partnership status, religion or belief, race, ethnicity, or disability, feel valued and empowered to contribute to their full potential.

In line with this, the Bank is dedicated to inclusive recruitment practices that ensure fair access and equity for all candidates. We seek to remove barriers and biases within our recruitment processes, promoting transparency and accessibility at every stage. Special emphasis is placed on giving positive consideration to disabled persons in employment, training, career development, and promotion, ensuring that reasonable adjustments are made to accommodate individual needs and talents.

Our commitment extends beyond compliance; we are actively engaged in building a culture of belonging, where every employee can thrive and where diverse perspectives are not only welcomed but celebrated.

Other stakeholders

The Bank's commitment to the consideration given to stakeholders is disclosed within the Section 172 Statement of the Strategic Report.

Sustainability and the Environment

Zempler is committed to playing its part in supporting the UK's transition to a net-zero carbon economy, based on two key strands: (i) how it can identify and manage the inherent risks that climate change presents to its business model, and (ii) how it can make a positive impact through the decisions it makes and the products and services it provides to its customers.

(i) Climate Change Risk Management

Zempler takes a proportionate approach to climate change risk that recognises the importance of a long-term view of the risk while also taking account of the Bank's relatively low exposure and the nature of its operations. Zempler is a small, microbusiness-focused bank with no secured lending portfolio and no significant concentration in high carbon-intensive industries (e.g. energy, transport and mining). Nevertheless, it recognises that climate change is a key issue and monitors its exposure on an ongoing basis through monthly physical and transitional risk assessments.

Financial risks from climate change arise through two primary channels: physical risks (related to specific weather events and longer-term shifts

in the climate) and transitional risks (arising from the process of adjustment towards a low or net-zero carbon economy). In line with PRA regulation (SS3/19), Zempler has developed a framework for identifying, measuring and monitoring its exposure to the financial risks from climate change (FRCC) and ensures that this has visibility across its governance and planning activities. Current and potential exposures have been assessed across a range of risk types through which the physical and transitional risks could arise. At present, none of the risk types have a material financial impact for the Bank.

Zempler has taken proactive steps to embed financial risks from climate change within its governance and risk management processes. A specific risk register for climate change risks is included in the Bank's ERMF, with the Chief Risk Officer holding responsibility for the development and reporting of the register to ExCo and the Board. The register reports on the embedding of controls and includes quantitative assessments of both physical and transitional risks from climate change, with the latter used to determine the scale of climate related risks associated with SME focused deposit taking.

Directors' Report

<i>Risk component of climate change</i>	<i>Impact assessment</i>	<i>Outlook</i>
Credit Risk	Zempler has no collateral-based secured lending exposed to lower values from severe weather events and no significant geographic or sectoral concentration in its lending portfolios.	Quantitative metrics are used to assess exposures to physical risks including flooding and subsidence, within the Bank's customer base as its lending book grows.
Operational Risk	Zempler has no major exposure, but potential exposures are considered in its operational resilience planning, such as decisions on the location of its data centres.	Scenario testing of operational resilience tolerances, including climate-related impacts (e.g. failure of air-conditioning at our data centres).
Market Risk	Zempler has a strong liquidity position that can help to mitigate against potential market volatility. Its treasury assets are conservatively held in UK T-bills, Gilts and AAA-rated Supranational bonds.	Exposure through treasury assets is not projected to change materially over the medium term.
Other Risk (e.g. conduct, legal, reputational)	Zempler has no major exposures but also seeks to engage with customers and suppliers, both directly and through third parties, to support the transition to net zero.	Environmental factors form part of Supplier Management governance and due diligence considerations across our supplier base. We monitor the extent to which suppliers publish ESG assessments, and where these include net zero targets.

The financial risks from climate change form part of threat assessments to the Bank's resilience and the setting of tolerances. As the approach develops, it is likely to become a greater part of the business case and / risk assessment for strategic changes.

(ii) Environmental Impact

Zempler is a digital bank that seeks to enhance sustainability across its business offering and operations where it is practical and possible to do so and to minimise its environmental footprint. Although its small size and nature of its business model restrict the scale of the positive impact it can have through its activities and influence on its stakeholders, it has delivered several key initiatives that have a positive environmental impact. For example, the Bank has worked with its card supplier to issue recyclable cards whenever a new card is requested, with the entire card production journey independently verified as a sustainable process.

Directors' Report

The Bank also seeks to minimise the risk component of climate change across its key sites:

London HQ – Cottons Centre

The London HQ's electricity consumption was 72.2 MWh (2023/24: 53.3 MWh), with gas consumption of 3,066 (CuFt 2023/24: 3,824). This translates to 26,711kg (2023/24: 28,750kg) of carbon released based on Greenhouse gas reporting: conversion factors from the Department for Business, Energy and Industrial Strategy.

Liverpool – The Spine

By comparison, the Liverpool operation based at the Spine has a relatively low power requirement with no gas heating and an electricity consumption of 76.9MWh (2023/24: 77.3 MWh). This translates to 9,534 kg (2023/24: 9,580 kg) of carbon released based on Greenhouse gas reporting: conversion factors from the Department for Business, Energy and Industrial Strategy. The combined figure for both sites is given below:

The Company has only reported Scope 2 emissions as it does not consume fuel from transport use, natural gas, nor does it have any related emissions from business travel using company cars (Scope 1). The intensity metric chosen is the average number of employees as at the financial year ending 31 March 2025. Scope 2 emissions for the 12 months to 31 March 2025 are 5% lower than the previous year. When viewed as an intensity metric, our emissions have decreased by 29% per the average number of employees year-on-year.

	31 Mar 2025 kg CO ₂	31 Mar 2024 kg CO ₂	Movement Year on Year %
Scope 2 emissions	36,246	38,330*	(5.4%)
Intensity metric – Total emissions per FTE	107	152*	(29.4%)

*Mar 2024 figure restated to provide a comparable measure which includes the call centre incorporated into Zempler's Liverpool operations at the Spine.

Total electricity consumption across the two sites equalled 149.1 MWh (2023/24 130.6 MWh).

The owner of the Cottons Centre in which the London HQ is situated is a responsible energy provider utilising 100% renewably generated electricity. They are introducing initiatives to increase energy efficiency and improve water efficiency.

The Spine is one of the world's healthiest buildings. Its name is taken from the striking staircase that resembles human vertebrae. The Spine boasts internal biophilia including double-storey sky gardens, complete with high-oxygen producing plants, a large bicycle store, shower facilities, and a Café & Restaurant.

Directors' Report

The Spine achieved a WELL Certification at the Core Platinum level through the International WELL Building Institute. WELL is a roadmap for improving the quality of our air, water and light with inspired design decisions that help to keep people connected, facilitate a good night's sleep, support mental health and help employees do their best work every day.

The Spine's electricity consumption is entirely from renewable energy sources. The Spine has a smart building management system to regulate temperature and lighting, saving energy by automatically turning off lights when rooms are not being used. The Spine utilises LED lighting saving 50% of energy costs compared to traditional lighting and optimises the space layout to ensure maximum exposure to natural light.

Emissions have been assessed in accordance with the 'GHG Protocol Corporate Accounting and Reporting Standard' and in line with DEFRA's 'Environmental reporting guidelines: including Streamlined Energy and Carbon Reporting Requirements'. The DEFRA 2024 emission conversion factors were used to quantify the emissions associated with the entity's UK operations for

the specified reporting period. Where first hand energy consumption data was unavailable, data benchmarking has been used.

Future developments

Zempler seeks to execute its 5-year strategic plan to grow the business sustainably through both external investment and internally generated capital.

Branches

Zempler does not have any branches inside or outside of the UK.

Qualifying third party indemnity provisions

Qualifying third party indemnity arrangements (as defined in section 234 of the Companies Act 2006) were in force for the benefit of the Directors of the Company during the year and remain in place at the date of approval of this report.

Disclosure of information to auditor

So far as each of the Directors is aware, there is no relevant audit information (as defined in the Companies Act 2006) of which the Bank's auditor is unaware, and each of the Directors has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit

information (as defined) and to establish that the Bank's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418(2) of the Companies Act 2006.

Financial instruments

Zempler Bank finances its activities through a combination of equity, as disclosed in Notes 23 and 24, and through cash deposits held as disclosed in Note 12. The Bank holds customer deposits classified as a financial liability, and issues overdrafts and loans to customers which are classified as financial assets. The Bank holds treasury investments in UK Government Debt and Supranational securities. Other financial assets and liabilities including trade creditors that are derived from the Bank's operating activities. Notes 28, 29 and 30 contain information on managing risks related to financial assets and liabilities.

Risk management

Risk management including financial, credit and market (including price) risk is detailed in the Strategic Report as part of the Principal Risks and Uncertainties. Further information can also be found

Directors' Report

in the notes to the financial statements: Credit risk (Note 28), Liquidity risk (Note 29) and Market risk (Note 30).

Political Donations

The Bank has not made any donations or incurred any expense to any registered political party or other political organisation.

Research and development

Zempler Bank invests in the development of applications and products and therefore applies to claim Research & Development (R&D) relief from HMRC, which are recognised through the Statement of Comprehensive Income on receipt. During the year £176k (2024: £176k) Research & Development expenditures were expensed to the income statement.

Directors' statement

The Directors as at the date of this Directors' Report, confirm that, to the best of their knowledge:

- the financial statements, prepared in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard

102, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company;

- the Annual Report, including the Strategic Report, includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that they face; and
- the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for users (who have a reasonable knowledge of business and economic activities) to assess the Company's position, performance, business model and strategy.

Going concern

In preparing these financial statements the Directors are required to satisfy themselves that the Bank can continue operating as a going concern for a period of at least 12 months from the date of signing these financial statements, so that the going concern basis of accounting remains appropriate. In assessing this, the Directors have considered the appropriate risks, including macroeconomic conditions, the interest rate environment and mitigating actions.

The Directors have considered the recent volatility in financial markets and uncertainty in the economic outlook and the impact this has on the near-term economic outlook and interest rate yield curves. Zempler is also robust and resilient to external shocks through the diversity of its income streams and the stability of its deposit funding. This has been considered as part of the review of the Bank's long-term strategic financial plan including capital adequacy and liquidity projections along with macroeconomic stress scenarios, which include impacts on reductions in interest rates, increases in unemployment and inflationary pressures, along with strategic and tactical mitigating actions.

Zempler has set out a sustainable growth trajectory supported by the re-investment of generated profits into product and servicing capabilities and developing the brand. In addition, it continues to explore external equity investment opportunities that may facilitate the expansion of the bank's credit proposition. Zempler maintains sufficient capital to meet minimum regulatory requirements and absorb severe but plausible stress events. Zempler also has a strong liquidity position with a loan-to-deposit ratio of c.5% (i.e. a customer deposit base that is significantly higher than its lending portfolio) and

Directors' Report

a Liquidity Coverage Ratio and Net Stable Funding Ratio well above the regulatory minimum levels.

Based on the considerations above the going concern basis of accounting remains appropriate and has been adopted in the preparation of the financial statements.

Auditors

On 7 May 2025, the Board approved the appointment of MHA Audit Services LLP as auditors to the Bank following the transfer of audit engagements from MacIntyre Hudson LLP to MHA Audit Services LLP on 8 April 2025.

MHA Audit Services LLP have indicated their willingness to continue in office and will be deemed to have been re-appointed at the end of the period of 28 days following circulation of copies of these financial statements in accordance with section 487 of the Companies Act 2006.

The Directors' Report was approved by the Board on 17 July 2025 and signed on its behalf by:



Leo Nuttall

Company Secretary

17 July 2025

Registered Number: 04947027

Zempler Bank Annual Report 2025

Independent Auditor's Report

Independent Auditor's Report to the members of Zempler Bank Limited

For the purpose of this report, the terms “we” and “our” denote MHA in relation to UK legal, professional and regulatory responsibilities and reporting obligations to the members of Zempler Bank Limited. For the purposes of the table on pages 49 to 52 that sets out the key audit matters and how our audit addressed the key audit matters, the terms “we” and “our” refer to MHA. The “Bank” is defined as Zempler Bank Limited. The relevant legislation governing the Company is the United Kingdom Companies Act 2006 (“Companies Act 2006”).

Opinion

We have audited the financial statements of Zempler Bank Limited for the year ended 31 March 2025. The financial statements that we have audited comprise:

- the Statement of Comprehensive Income
- the Statement of Financial Position
- the Cash Flow Statement, and
- the Statement of Changes in Equity
- Notes 1 to 38 of the financial statements, including significant accounting policies.

The financial reporting framework that has been applied in the preparation of the Bank's financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102

The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Bank's affairs as at 31 March 2025 and of the Bank's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Our opinion is consistent with our reporting to the 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 those standards are further described in the Auditor Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's

Ethical Standard as applied to public interest entities, and we have fulfilled our ethical responsibilities in accordance with those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

- The consideration of inherent risks to the Bank's operations and specifically its business model.
- The evaluation of how those risks might impact on the Bank's available financial resources.
- Where additional resources may be required, the reasonableness and practicality of the assumptions made by the Directors when assessing the probability and likelihood of those resources becoming available.
- Reviewing internal liquidity adequacy assessment process (ILAAP) and internal capital adequacy assessment process (ICAAP) in line regulatory

Independent Auditor’s Report to the members of Zempler Bank Limited

- requirement.

 - Reviewing the financial forecasts for the Bank covering a minimum of 12 months from the date of signing the financial statements and consideration of the period beyond to ensure that assumptions were reasonable and correctly calculated.
 - Reviewing the going concern disclosures included in the financial statements to ensure they are
- sufficient and appropriate.

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 Bank’s ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.
- Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Overview of our audit approach			
Scope	Our audit was scoped by obtaining an understanding of the Bank and its environment, including the Bank’s system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the directors that may have represented a risk of material misstatement.		
Materiality	2025	2024	
Company	£709k	£699k	1% (2024: 1%) of revenue
Key audit matters			
Recurring	<ul style="list-style-type: none">• Valuation of the expected credit loss allowance		

Independent Auditor’s Report to the members of Zempler Bank Limited

Key Audit Matters

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

Measurement of the expected credit loss allowance	
Key audit matter description	<p>The Bank has a portfolio of overdrafts and credit card balances with an associated allowance for Expect Credit Losses ("ECL"). The calculation of the IFRS 9 ECL involves a number of complex, judgmental and highly sensitive assumptions that involve significant management estimation and judgement.</p> <p>For the year just ended, the bank recorded an ECL allowance for its lending portfolios, reflecting management's current best estimate of potential credit losses under IFRS 9 guidelines. The total impairment provision in the balance sheet is £5.31m (2024: £7.05m) against gross loan exposures of £30.2m (2024: £34.7m) and undrawn commitment of £28.1m (2024: £25.1m) as disclosed in Note 28 to the financial statements.</p> <p>The following areas have greater level of management judgement and estimations involved and therefore assessed as significant risk areas in the estimation of ECL:</p> <ul style="list-style-type: none">• Probability of Default (PD") models estimation – the PD model is considered to present a significant risk of material misstatement due to the sensitivity of the ECL calculation to changes in PD and the judgements involved in determining the probability of default using the internal scorecard, and external bureau ratings. These judgements consider quantitative and qualitative factors for credit ratings.• Significant increase in credit risk ("SICR") – the criteria selected to identify a significant increase in credit risk are a key judgement in the Bank's ECL model as the criteria determine whether 12 month or a lifetime provision is recorded.• Staging – the allocation of assets to stage 1, 2 or 3 on a timely basis in accordance with IFRS 9.• Macroeconomic scenarios ("MES") – MES is considered a significant risk area due to the level of subjectivity and estimation uncertainties involved in the forward-looking macroeconomic variables and weightages assigned to the scenarios.• Post Model Adjustments (PMA): PMAs are considered a significant risk due to the material PMAs that were held in the prior year, which were released during FY25. Due to the judgement over the release of these PMAs, there is high estimation uncertainty. Additionally, the absence of PMA at FY25 must be assessed to ensure there is no evidence to suggest one is required.

Independent Auditor's Report to the members of Zempler Bank Limited

Measurement of the expected credit loss allowance

How the scope of our audit responded to the key audit matter

Our procedures included but were not limited to:

Evaluation of design, implementation and testing on internal controls around ECL model

- We evaluated the design and implementation of key controls across the processes relevant to ECL, including the judgments and estimates noted. Where we planned to rely on them, we tested their operating effectiveness and concluded that we could place reliance on the controls for the purposes of our audit. These were mainly in relation to automated system feeds and IT application controls to ensure the completeness and accuracy of data.
- Tested the process in place to allocate loans to the respective risk categories ("staging") and the application of the SICR criteria.
- Reviewed the appropriateness of the Bank's impairment policy against the requirements of IFRS 9. We also assessed the appropriateness of SICR criteria determined by management in relation to loans and advances to customers.

Test of details – Expected Credit Losses

- Tested the data used by the ECL models by agreeing data points used in the ECL calculation to relevant source systems and supporting evidence.
- We tested the appropriateness of the staging of the exposure reperforming the staging calculation and assumptions. Our work included validating the quantitative and qualitative criteria assigned to exposures to ensure that the exposure had been correctly classified as either stage 1, 2 or 3.
- Tested the process of allocation of customer loan repayments and identification of missed payments including testing on a sample basis that receipts are allocated to the correct loan accounts and missed payments are identified on a timely basis and appropriately reported.
- We confirmed that the output of the ECL model, specifically any ECL charge, or reversal was correctly reflected in the general ledger and ultimately the financial statements.

Use of third-party modelling and credit experts – Expected Credit Losses

- We engaged with and instructed modelling and credit risk experts to test the assumptions, judgements, inputs and formulae used in relation to models used for computing ECL provisions. This included evaluation and challenge of economic scenarios considered by management and comparing these to other scenarios from a variety of external sources.
- Performed a sensitivity analysis in relation to key management assumptions and judgements to assess the impact of these on the ECL provisions as at year-end.

Independent Auditor's Report to the members of Zempler Bank Limited

Measurement of the expected credit loss allowance

How the scope of our audit responded to the key audit matter

- Tested the appropriateness of the staging of exposures including the determination of the PD, EAD and LGD considered by management in the calculation of ECL.
- Tested post model adjustments and overlays. This included assessing the completeness and appropriateness of these adjustments.

Disclosures

- We assessed the appropriateness of the disclosures in the financial statements for the year ended 31 March 2025.
- We confirmed that the output of the model, specifically any ECL charge, or reversal was correctly reflected in the general ledger and ultimately the financial statements.
- We tested the data flows used to populate the disclosures and assessed the adequacy of the disclosures compliance with the accounting standards.

Key observations communicated to the Bank's Audit Committee

We identified issues related to the allocation criteria and the application of ECLs. Although our testing determined that these did not lead to material misstatements, we reported the identified weaknesses to the audit committee.

Our application of materiality

Our definition of materiality considers the value of error or omission on the financial statements that, individually or in aggregate, would change or influence the economic decision of a reasonably knowledgeable user of those financial statements. Misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of

their occurrence, when evaluating their effect on the financial statements as a whole. Materiality is used in planning the scope of our work, executing that work and evaluating the results.

Independent Auditor's Report to the members of Zempler Bank Limited

Overall Materiality	£709,000 (2024: £699,200)
<ul style="list-style-type: none"> Basis of determining overall materiality 	<p>We determined materiality based on 1% (2024: 1%) of the bank's total revenue.</p> <p>Revenue, as presented in the financial statements, comprises income generated from interest income and commission income streams. Interest income is derived from lending activities and other financial assets. Commission income arises from customer card transaction fees, payment and related services fees.</p> <p>This was deemed to be the appropriate benchmark for the calculation of materiality as revenue serves as a key performance indicator closely monitored by users of the financial statements, as it reflects the Bank's performance and expansion progress. As the Bank continues to grow, revenue remains a primary measure of operational success and an indicator of future sustainability.</p>
Performance materiality	£425,400 (2024: £419,500)
<ul style="list-style-type: none"> Basis of determining overall performance materiality 	<p>We set performance materiality based on 60% (2024: 60%) of overall materiality.</p> <p>Performance materiality is the application of materiality at the individual account or balance level, set at an amount to reduce, to an appropriately low level, the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.</p> <p>The determination of performance materiality reflects our assessment of the risk of undetected errors existing, the nature of the systems and controls and the level of misstatements arising in previous audits.</p>
<ul style="list-style-type: none"> Error reporting threshold 	<p>We agreed to report any corrected or uncorrected adjustments exceeding £35,000 (2024: £34,900) to the Audit Committee as well as differences below this threshold that in our view warranted reporting on qualitative grounds.</p>

Independent Auditor's Report to the members of Zempler Bank Limited

The control environment

We evaluated the design and implementation of those internal controls of the Bank which are relevant to our audit, such as those relating to the financial reporting cycle, lending and customer deposits transactions. We also tested operating effectiveness and placed reliance on certain controls.

We deployed our internal IT audit specialists to get an understanding of the general IT environment and test the operating effectiveness of certain IT application controls.

Climate-related risks

In planning our audit and gaining an understanding of the Bank, we considered the potential impact of climate-related risks on the business and its financial statements. We obtained management's climate-related risk assessment, along with relevant documentation relating to management's assessment and held discussions with management to understand their process for identifying and assessing those risks. Our climate risk specialists have agreed with managements' assessment that climate-related risks are not material to the financial statements for the year ended 31 March 2025.

Reporting on other information

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

We have nothing to report in this regard.

Strategic report and directors report

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Bank and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration

Independent Auditor's Report to the members of Zempler Bank Limited

- specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

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

In preparing the financial statements, the directors are responsible for assessing the Bank'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 Bank or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole

are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

Identifying and assessing potential risks arising from irregularities, including fraud

The extent of the procedures undertaken to identify and assess the risks of material misstatement in respect of irregularities, including fraud, included the following:

- We considered the nature of the industry and sector, the control environment, business performance including remuneration policies and the Bank's own risk assessment that irregularities might occur as a result of fraud or error. From our sector experience and through discussion with

Independent Auditor's Report to the members of Zempler Bank Limited

the directors, we obtained an understanding of the legal and regulatory frameworks applicable to the Company focusing on laws and regulations that could reasonably be expected to have a direct material effect on the financial statements, such as provisions of the Companies Act 2006, UK tax legislation or those that had a fundamental effect on the operations of the Bank including the regulatory and supervisory requirements of the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA).

- We enquired of the directors and management concerning the Bank's policies and procedures relating to:
 - identifying, evaluating and complying with the laws and regulations and whether they were aware of any instances of non-compliance;
 - detecting and responding to the risks of fraud and whether they had any knowledge of actual or suspected fraud; and
 - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations.

We assessed the susceptibility of the Bank's financial statements to material misstatement, including

how fraud might occur by evaluating management's incentives and opportunities for manipulation of the financial statements. This included utilising the spectrum of inherent risk and an evaluation of the risk of management override of controls. We determined that the principal risks were related to posting inappropriate journal entries to increase revenue or reduce costs, creating fictitious transactions to hide losses or to improve financial performance, and management bias in accounting estimates particularly in determining expected credit losses.

Audit response to risks identified

In respect of the above procedures:

- we corroborated the results of our enquiries through our review of the minutes of the Bank's Board of Directors, Audit Committee and Board Credit Committee meetings, inspection of the complaints register, inspection of legal and regulatory correspondence and correspondences from the regulators PRA and the FCA;
- audit procedures performed by the engagement team in connection with the risks identified included:

- reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations expected to have a direct impact on the financial statements.
- testing the cut-off of commission income by selecting a sample of transactions recorded near the year-end and agreeing these to underlying documentation to confirm that income was recognised in the appropriate accounting period;
- testing journal entries, including those processed late for financial statements preparation, those posted by infrequent or unexpected users, those posted to unusual account combinations;
- evaluating the business rationale of significant transactions outside the normal course of business, and reviewing accounting estimates for bias;
- enquiry of management around actual and potential litigation and claims.
- challenging the assumptions and judgements made by management in its significant accounting estimates, in particular those relating to the determination of the expected credit losses as reported in the key audit matter section of our report; and

Independent Auditor's Report to the members of Zempler Bank Limited

- obtaining confirmations from third parties to confirm existence of a sample of transactions and balances.
- the Bank operates in a highly regulated banking industry. As such, the Senior Statutory Auditor considered the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities; and
- we communicated relevant laws and regulations and potential fraud risks to all engagement team members, including experts, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Other requirements

We were appointed by the Directors on 16 May 2024. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 2 years, initially under the legal entity MacIntyre Hudson LLP and subsequently under MHA Audit Services LLP.

We did not provide any non-audit services which are prohibited by the FRC's Ethical Standard to the Company, and we remain independent of the Bank in conducting our audit.

Use of our report

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



Ahmer Khan

(Senior Statutory Auditor)
for and on behalf of MHA, Statutory Auditor
London, United Kingdom
18 July 2025

MHA is the trading name of MHA Audit Services LLP, a limited liability partnership in England and Wales (registered number OC455542).

Financial Statements

Statement of Comprehensive Income

For the year ended 31 March 2025

Statement of Comprehensive Income

	Notes	31 Mar 2025 £'000	Restated 31 Mar 2024 £'000
Interest income	3	36,899	33,911
Interest expense	3	(2,178)	(2,020)
Net interest income	3	34,721	31,891
Fee and commission income	4	31,282	33,776
Fee and commission expense	4	(7,993)	(8,627)
Net fee and commission income	4	23,289	25,149
Total operating income		58,010	57,040
Other income	5	2,118	2,809
Loss on derivatives		(121)	(278)
Impairment charges and charge-offs		(3,771)	(6,559)
Net operating income		56,236	53,012
Administrative expenses	6	(51,019)	(49,721)
Profit before taxation		5,217	3,291
Taxation (charge) / credit	7	(1,791)	1,447
Profit after taxation		3,426	4,738
Total comprehensive income		3,426	4,738

The Bank had £nil (2024: £nil) other comprehensive income during the year.

Financial Statements

Statement of Financial Position

As at 31 March 2025

Statement of Financial Position

Assets	Notes	31 Mar 2025 £'000	Restated 31 Mar 2024 £'000
Cash and balances at banks	9	369,088	386,025
Investment securities	10	266,859	167,073
Derivative financial assets	11	–	137
Loans and advances to customers	12	25,452	28,225
Deferred tax	13	3,051	4,730
Intangible assets	15	5,827	5,986
Tangible fixed assets	16	2,177	3,112
Other assets	17	7,480	19,172
Prepayments and accrued income		1,989	2,292
Total assets		681,923	616,752

Statement of Financial Position

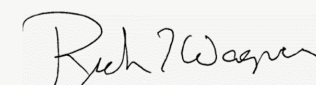
Liabilities	Notes	31 Mar 2025 £'000	Restated 31 Mar 2024 £'000
Customer deposits	18	(624,600)	(542,169)
Debt securities and borrowing	19	(3,000)	(3,000)
Other liabilities	20	(16,520)	(37,321)
Accruals and deferred income	21	(5,024)	(5,796)
Total liabilities		(649,144)	(588,286)
Net assets		32,779	28,466

Equity			
Share capital	23	9	9
Share premium account	24	43,335	43,335
Other reserve	25	4,880	3,993
Accumulated losses	25	(15,445)	(18,871)
Total equity		32,779	28,466

The notes on pages 69 to 130 form an integral part of the financial statements.
The financial statements on pages 58 to 68 were approved and authorised for issuance
by the Board on 17 July 2025 and were signed on its behalf by:

Richard Wagner

Chief Executive Officer



Financial Statements

Cash Flow Statement

As at 31 March 2025

Cash Flow Statement

Cash flow from operating activities	Notes	31 Mar 2025 £'000	Restated 31 Mar 2024 £'000
Profit for the financial year before taxation		5,217	3,291
Interest income from non-operating activities		(9,944)	(5,584)
Operating loss		(4,727)	(2,293)

Adjustment for non-cash items			
Amortisation and depreciation / write offs		2,987	2,326
Changes in fair value of derivatives	11	137	(137)
Share based payment charge	6	887	746
Amortisation of discount for investment securities		772	(2,185)

Cash Flow Statement

Working capital movements	Notes	31 Mar 2025 £'000	Restated 31 Mar 2024 £'000
Net decrease / (increase) in loans and advances to customers		2,773	(5,012)
Net decrease / (increase) in other assets		11,992	(10,054)
Net decrease in prepayments and accrued income		303	285
Net increase in customer deposits		82,431	32,660
Net (decrease) / increase in other liabilities		(20,913)	20,030
Net (decrease) / increase in deferred income		(772)	1,843
Net cash flow generated from operating activities		75,570	38,209
Cash flow from investing activities			
Purchase of intangible assets	15	(1,712)	(2,753)
Purchase of tangible fixed assets	16	(181)	(623)
Purchase of investment securities	10	(316,715)	(242,450)
Sale / maturity of investment securities	10	216,929	205,326
Interest received on investment securities		9,663	8,262
Net cash used in investing activities		(92,016)	(32,238)

Cash Flow Statement

Cash flow from financing activities	Notes	31 Mar 2025 £'000	Restated 31 Mar 2024 £'000
Proceeds from issue of ordinary shares	24	-	14
Interest paid		(491)	(493)
Net cash used in financing activities		(491)	(479)
Net (decrease) / increase in cash and cash equivalent		(16,937)	5,492
Cash and cash equivalents at beginning of period	9	386,025	380,533
Cash and cash equivalents at end of period	9	369,088	386,025

Financial Statements

Statement of Changes in Equity

As at 31 March 2025

Statement of Changes in Equity

	Share capital £'000	Share premium account £'000	Other reserves £'000	Retained earnings £'000	Total equity £'000
As at 31 March 2023	9	43,321	3,247	(23,609)	22,968
Issue of shares	-	14	-	-	14
Total comprehensive profit for the period	-	-	-	4,738	4,738
Employee share based payments	-	-	746	-	746
As at 31 March 2024	9	43,335	3,993	(18,871)	28,466
Issue of shares	-	-	-	-	-
Total comprehensive profit for the period	-	-	-	3,426	3,426
Employee share based payments	-	-	887	-	887
As at 31 March 2025	9	43,335	4,880	(15,445)	32,779

Zempler Bank Annual Report 2025

Notes to the Financial Statements

Notes to the Financial Statements

1. General information

Zempler Bank Limited is a private company limited by shares incorporated in England and Wales with registered number 04947027 and domiciled in the United Kingdom. Its registered office is located at the Cottons Centre, Cottons Lane, London, SE1 2QG. The principal activity of the Bank is to provide current accounts, revolving credit products, loans and credit cards to smaller businesses and consumers.

2. Accounting policies

i) Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention, unless otherwise specified within these accounting policies and in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including the Companies Act 2006 and the Financial Reporting Standard 102 (FRS 102) The Financial Reporting Standard applicable in the UK and Republic of Ireland. The Company has applied IFRS 9 in relation to the classification, measurement and impairment of financial instruments.

ii) Going concern

In preparing these financial statements the Directors are required to satisfy themselves that the Bank can

continue operating as a going concern for a period of at least 12 months from the date of signing these financial statements, so that the going concern basis remains appropriate. In assessing this, the Directors have considered the appropriate risks, including macroeconomic conditions and the interest rate environment and mitigating actions.

The Directors have considered the recent volatility in financial markets and uncertainty in the economic outlook but believe that the Bank is robust and resilient to external shocks through the diversity of its income streams and the stability of its deposit funding. This has been considered as part of the review of the Bank's long-term strategic financial plan including capital adequacy and liquidity projections along with macroeconomic stress scenarios, which include impacts on reductions in interest rates, increases in unemployment and inflationary pressures, along with strategic and tactical mitigating actions. Zempler Bank has set out these plans for continued sustainable growth that the Directors expect will drive the future profitability of the Bank.

On the basis of the considerations above the going concern basis of accounting remains appropriate and has been used as the basis of preparing the financial statements.

iii) Foreign Currency Translation

The financial statements are presented in pound sterling and rounded to thousands. The Bank's functional and presentation currency is the pound sterling.

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated to GBP using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income.

iv) Fee and commission income and expense

Fees and commission income is recognised to the extent that it is probable that economic benefits

Notes to the Financial Statements

will flow to the Bank and the revenue can be reliably measured. Income is reported as the fair value of the consideration received or receivable, excluding value added tax and other sales taxes.

Fee and commission income is recognised when the service is provided, or when transactions are processed on an accruals basis. Fees and commissions receivable are generated from the normal operation of the customer accounts in the period. Initial fees are recognised after the first customer deposit and monthly fees are recognised in the month raised where there is available credit on the customer's account.

Fees relating to a commitment to provide a service for a fixed period, such as initial account acquisition and any subsequent renewal are deferred and released over 12 months starting in the month of acquisition.

Fee and commission expenses incurred as a result of customer transactions and from the normal operation of customer accounts in the period, which are not an integral part of the EIR, are recognised in the Statement of Comprehensive Income in the month incurred.

Fee and commission expenses that are directly attributable upfront transaction costs relating to the

onboarding of a customer, such as affiliate fees, credit checks and verification costs, are considered integral to the acquisition, issue or disposal of a financial asset or liability. In accordance with the EIR method, these costs are deferred and recognised through interest income on an effective interest basis over 2 years, reflecting the expected average life of the underlying asset or interest expense for the underlying liability.

Costs relating to sales and marketing promotions such as the refund of initial card fees also form part of the EIR but are only deferred over 12 months.

v) Interest income and interest expense

Interest income is generated from a range of credit products:

- Loans and advances to customers consist of credit cards and overdraft facilities which charge interest at an effective interest rate on the outstanding balance recognised in the month to which it relates. In accordance with the EIR method, directly attributable upfront costs incurred that are considered integral to the acquisition, issue or disposal of a financial asset, are deferred and recognised through Interest Income or on an effective interest basis over the expected average life of the underlying asset.

- Cash and balances with other banks earn interest income that is recognised in the Statement of Comprehensive Income using the effective interest rate of the financial assets to which they relate. Cash left on demand at central banks earns the bank base rate.
- Debt securities recognise interest income using the effective yield to maturity method, which approximates the effective interest rate method. Costs associated with the custody of financial assets are recognised in the income statement as they are incurred.

Interest expense is incurred on the following:

- Interest expense on customer accounts relates to directly attributable upfront costs incurred that are considered integral to the acquisition, creation or disposal of a financial liability (customer deposits). These costs are deferred and recognised through Interest Expense on an effective interest basis over the expected average life of the underlying financial liability.
- Cost of borrowing relating to the Bank's Tier 2 debt and is recognised in the income statement using the effective interest rate method.

The effective interest rate is the rate that discounts estimated future cash receipts or payments through

Notes to the Financial Statements

the expected average life of the financial instrument to the gross carrying amount of the financial asset or liability. The effective interest rate method calculates the amortised cost of a financial asset or liability and allocates the interest income or expense over the relevant year. The Bank estimates cash flows considering all contractual terms of the financial instruments but does not consider future credit losses. In accordance with the EIR method, directly attributable upfront costs incurred and fees paid or received, that are considered integral to the EIR, are deferred and recognised through Interest Income or on an effective interest basis over the life of the underlying asset or liability.

vi) Government grants

Government grants are defined as assistance by government in the form of a transfer of resources to an entity in return for past or future compliance with specified conditions relating to the operating activities of the entity. Government refers to government, government agencies and similar bodies whether local, national or international.

Recognition and measurement

Recognition of the Capability and Innovation Fund "CIF" grant income in the Statement of Comprehensive

Income was dependent upon the Bank satisfying certain criteria. The grant was initially recognised as deferred income on the Statement of Financial Position. When the criteria for retention are satisfied, the deferred income balance is being released as follows:

- **Capital approach**

Expenditure incurred in the development of software to support the Bank's obligations under the CIF award is capitalised as an intangible asset, where it is considered that the asset created will generate future economic benefit for the Bank. The related CIF grant capital expenditure is maintained in deferred income, being released to Other Income in the Statement of Comprehensive Income in line with the amortisation of the eligible assets over their useful economic life.

- **Income approach**

CIF grant revenue is released from deferred income as the related costs are incurred and included as Other Income in the Statement of Comprehensive Income.

vii) Operating leases

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments

under operating leases are charged to the Statement of Comprehensive Income on a straight-line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight-line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

viii) Cash and balances at banks

Cash and balances at banks includes cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours, as well as deposits held with central banks, some of which are encumbered deposits as disclosed in Note 9.

Cash equivalents are unrestricted highly liquid investments that mature in no more than three months from the date of acquisition that are readily convertible to known amounts of cash flows with insignificant risk of change in value.

In the Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Bank's cash management.

Notes to the Financial Statements

ix) Financial assets and financial liabilities

As permitted by Section 11 of FRS 102, the Bank has elected to apply IFRS 9 to recognise, classify, measure and de-recognise financial assets and financial liabilities and to record any impairment on those financial assets.

Financial assets assessment

The financial assets of the Bank have been assessed as required by IFRS 9 and classified into one of three categories (Amortised Cost, Fair Value through Other Comprehensive Income (FVOCI) or Fair Value through Profit and Loss (FVTPL)).

To classify each of the various financial assets, the Bank assesses:

- The objective of the business model in which the financial asset is held; and
- Whether the contractual cash flows of the financial asset are 'solely payments of principal and interest' (SPPI).

Business model assessment

The Bank's business model assessment is made at a category level in line with the information provided to management and represents the way the instrument is managed. The information considered includes:

- The stated policies and objectives of the asset and the operation of those policies day to day. This considers whether the strategy is to earn contractual interest income or the matching of the life of the financial assets to the period of related liabilities;
- How the performance of the asset category is evaluated and reported to management; and
- The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed.

SPPI assessment

When making a judgment of the financial assets or liabilities in the solely payments of principal and interest (SPPI) assessment, the principal is defined as the fair value of the financial asset or liability on initial recognition. Interest is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during the observation period. Further consideration is given to other credit risks and costs such as capital risk, liquidity risk, admin costs and required margin.

When conducting the assessment of whether the contractual cash flows are solely payments of principal

and interest, the Bank considers the contractual terms of the instrument. This includes assessing whether the financial assets contain contractual terms that would alter the timing or amount of contractual cash flows, thereby not meeting this condition. In making this assessment, the Bank considers:

- Terms that may adjust the contractual interest rate;
- Contingent events that would change the amount or timing of cash flows;
- Prepayment and extension features; and
- Terms that limit the Bank's claim to cash flows.

Recognition

The Bank's policy is to hold all financial assets to collect or pay contractual cash flows, rather than to sell the instrument before maturity. The contractual terms of all financial assets held by the Bank give rise to cash flow that are solely payments of principal and interest. Therefore, all financial assets and liabilities are held at amortised cost using the effective interest rate method. Categories of financial assets that pass the SPPI test are:

- Cash and balances with banks;
- Debt and investment securities;
- Loans and advances to customers; and
- Trade receivables and other financial assets included within other assets

Notes to the Financial Statements

The Bank's financial assets measured at amortised cost are initially recognised at fair value less any directly attributable transaction costs. The assets are subsequently measured at amortised cost using the effective interest method, less impairment. For financial assets that are not credit-impaired, interest revenue is calculated by applying the effective interest rate to the gross carrying amount of the asset. However, for financial assets that have become credit-impaired after initial recognition, interest revenue ceases to be recognised, except for a limited portfolio of loans in which interest revenue is calculated by applying the effective interest rate to the amortised cost of the asset less the impairment charge.

Financial assets held at amortised cost are subject to expected credit loss (ECL) provisions, in accordance with IFRS 9.

Derecognition

The Bank derecognises a financial asset, or a part of it, from the balance sheet when the contractual rights to cash flows from the asset have either expired, transferred or have been sold, along with substantially all the risks and rewards of the asset. Financial liabilities are derecognised when they are settled, have expired or have been extinguished.

Impairment

The Bank assesses impairment for Expected Credit Losses (ECL), on the following financial assets:

- Cash and balances with banks;
- Debt and investment securities;
- Loans and advances to customers; and
- Trade receivables and other financial assets included within other assets

For loans and advances to customers the Bank applies impairment based on ECL. The measurement of ECL and key inputs into the calculation including Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD) are defined separately in the Credit Provisioning Policy.

The Bank's investment securities are all deemed to meet the regulatory definition of zero risk weighted investment grade assets and are therefore recorded without any impairment applied.

Cash and balances at banks are all short term in nature and placed with institutions with credit ratings of A or above. Management have assessed the risk on these balances to be zero, so no impairment is recognised.

Trade receivables and other financial assets are largely short term in nature or held with institutions with credit ratings of A or above. Management have assessed the risk on these balances to be immaterial, so no impairment is recognised.

Loans and advances to customers

Amounts receivable from customers are assessed for impairment with reference to IFRS 9 stages. Under IFRS 9, "Stage 1" applies to accounts that are not credit impaired at initial recognition on origination. An account will move to "Stage 2" when there has been a significant increase in credit risk since origination either through a missed payment or an adverse change in behavioural risk score. The measure of significant increase has been set using statistical analysis based on standard deviations from the mean of the original risk score. An account will move into "Stage 3" and considered credit impaired if it is over 90 days in arrears (default) or when one or more events that negatively affect the estimated future flows have occurred e.g. special status (bankrupt, individual voluntary arrangement, deceased or insolvent) or on a forbearance treatment such as repayment plans. Accounts that also have been credit impaired in the last 12 months, but are now up to date, are also classified as Stage 3.

Notes to the Financial Statements

Impairment provisions are recognised by establishing an ECL based on assessing the PD, EAD and the typical LGD with the following applying to accounts at each stage:

- **Stage 1** – Based on a 12-month ECL
- **Stage 2** – Based on a lifetime ECL
- **Stage 3** – Based on a lifetime ECL

IFRS 9 requires the incorporation of adjustments to the ECL parameters of forward-looking macroeconomic information that is reasonable, supportable and independently sourced. To capture the effect of changes to the economic environment, the ECL models incorporate forward-looking information and assumptions linked to economic variables that impact losses in each product group over the 5-year lifetime horizon. Zempler bank developed and implemented a multivariate macroeconomic model in this financial year that incorporates a variety of macroeconomic factors such as unemployment rate, Bank of England base rate, house price inflation, and real household disposable income to forecast a range of scenarios.

Charge-offs

Loans and advances are charged-off when the Bank

judges there to be no reasonable expectation that the amount can be recovered in full. Charge-offs typically occur once accounts are 210 days past due, defined as being seven instalments behind the agreed monthly minimum payment, unless forbearance has been applied. Accounts are also charged-off in special circumstances relating to bankruptcy, individual voluntary arrangements (IVAs) and deceased customers.

Derivative financial instruments

The Bank has previously entered into a variety of derivative financial instruments to manage its exposure to interest rate risks, including interest rate options and interest rate swaps. Notional amounts of the contracts are not recorded on the balance sheet.

Derivatives are recognised initially at fair value at the date at which a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in net operating income. The Bank has not applied hedge accounting for any of its economic hedges.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. Derivatives are not offset in the financial statements unless the

Bank has both a legally enforceable right and intention to offset. Currently the Bank has no master netting agreement. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not due to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

x) Intangible assets

Intangible assets include software development costs and purchased software. Intangible assets are individually assessed to determine the duration of their useful economic life and amortised over that period. Software development costs are capitalised in accordance with the criteria set out in FRS 102, with all research phase expenditure being recognised as an expense and any expenditure incurred in the development phase (or from the development phase of an internal project) being recognised only if it can be demonstrated that all the of the following criteria have been met:

- (a) The technical feasibility of completing the intangible asset so that it will be available for use or sale.
- (b) The intention to complete the intangible asset for use or sale.

Notes to the Financial Statements

(c) The ability to use or sell the intangible asset.

(d) The intangible asset will generate probable future economic benefits.

(e) The availability of adequate technical, financial, and other resources to complete the development and to use or sell the intangible asset.

(f) The ability to measure reliably the expenditure attributable to the intangible asset during its development.

Other development expenditure that does not meet the criteria above is recognised as an expense as incurred. Costs associated with maintaining computer software are recognised as expenses as incurred.

Acquired intangible assets are initially recognised at cost. Acquired software licences are expensed with the exception of perpetual licences, which are capitalised.

After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses. The carrying values of intangible assets are reviewed whenever there are indicators of impairment and both internal and external factors are considered. If any such indication exists, the Bank estimates the recoverable amount of the intangible asset and recognises an

impairment loss for any shortfall below the carrying amount.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed 10 years and is amortised using the straight-line method from the month when the asset is available for use. The estimated useful life for other intangible assets is 5 years.

Intangible asset arising from recognition of the CIF Grant

Where expenditure on software assets to support the Bank's obligations under the CIF award is considered to generate future economic benefit for the Bank, the expenditure is capitalised as an intangible asset. Grants related to intangible assets are released from Deferred Income to Other Income on a systematic basis over the expected economic useful life of the asset (5 years for internally developed software).

Costs incurred to establish technological feasibility or to maintain existing levels of performance are recognised as an Administrative Expense in the Statement of Comprehensive Income.

xi) Tangible fixed assets

Tangible fixed assets are stated at historical cost less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price, costs directly attributable to bringing the item to its working condition for its intended use, major alterations and refurbishments for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method:

- **Leasehold improvements** – 5 years
- **Fixtures and fittings** – 5 years
- **Office equipment** – 3 years
- **Computer equipment** – 3 years
- **Data centre equipment** – 5 years

The assets' residual values, useful lives and depreciation methods are reviewed and adjusted if appropriate. The effect of any change is accounted for prospectively.

Tangible assets are derecognised on disposal or when no future economic benefits are expected. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Income.

Notes to the Financial Statements

At each reporting date tangible fixed assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset is estimated and compared with its carrying amount. If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount and an impairment loss is recognised immediately in the Statement of Comprehensive Income.

xii) Other assets

Deferred tax and corporation tax are treated as per xiv. Stocks are stated at cost and consist of plastic card stock, strong customer authentication tokens and paper stock which are provided to customers as part of our account offering. Prepayments are payments made for goods or services that will be received in the future and they are amortised over time as the benefit of the expense is realised. Accrued income corresponds to the revenue earned during the period but not yet billed to the customer. All other assets including trade debtors are initially recognised at fair value and subsequently measured at amortised cost.

xiii) Fair value of financial assets and liabilities recognised at amortised cost

The fair value of financial assets and liabilities is the amount for which an asset could be exchanged, a liability settled, or an equity instrument granted could be exchanged, between knowledgeable, willing parties in an arm's length transaction.

Fair value hierarchy

To ensure consistency for the measurements at fair value is consistent and comparable, financial assets and liabilities are categorised according to the hierarchy of the inputs used to measure them. These categories from Level 1 to Level 3 are based on the degree to which the fair value is observable.

- **Level 1** – Quoted prices in active markets for identical assets or liabilities which the Bank can access at the date of measurement.
- **Level 2** – Inputs other than quoted market prices included in Level 1 that are observable either directly or indirectly.
- **Level 3** – Inputs that are not based on observable market data.

The Bank's accounting policy is to value its financial assets and liabilities at amortised cost except derivatives which are mark to market.

xiv) Taxation

Taxation expense for the period comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. Current or deferred taxation assets and liabilities are not discounted.

Current tax

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

Corporation tax recoverable from losses accumulated in prior years is determined using tax rate and legislation in force in the UK at the reporting date and is carried forward for future recovery when not fully utilised in the current period.

Deferred tax

Deferred tax arises from timing differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements.

Notes to the Financial Statements

Deferred tax assets are recognised to the extent that there is reasonable certainty that taxable losses can be offset in the foreseeable future and to the extent it is probable that future taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax liabilities are generally recognised for all taxable temporary differences.

Deferred tax is determined using tax rates and legislation in force at the reporting date and those expected to apply when the deferred tax asset is realised, or the deferred tax liability is settled.

xv) Customer deposits

Customer deposits are measured at amortised cost using the effective interest rate method in line with the requirements of IFRS 9. Deposits are initially measured at fair value and subsequently measured at amortised cost.

xvi) Contingent liabilities

Contingent liabilities arise as a result of past events when:

- it is not probable that there will be an outflow of resources or that the amount cannot be reliably measured at the reporting date; or
- when the existence will be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the Bank's control.

Contingent liabilities occur during the normal course of business and are reviewed regularly with external advisors to determine the likelihood of incurring a liability. Any potential liability that has been assessed as remote is not reported in the financial statements.

xvii) Employee benefits

The Bank provides a range of benefits to employees including paid holiday and defined contribution pension plans.

i. Short-term employee benefits

Short term employee benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the related service is provided. A liability is recognised for the amount expected to be paid if the Bank has a present legal or constructive obligation to pay the amount as a result of past service provided by the employee and the obligation can be estimated reliably.

ii. Defined contribution pension plan

The Bank operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Bank pays fixed contributions into a separate entity. Once the contributions have been paid the Bank has no further payment obligations. The contributions are recognised as an expense in the Statement of Comprehensive Income when they fall due.

Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the Bank in independently administered funds.

iii. Share based payments

The Bank makes discretionary awards of share options to employees which are valued at fair value at the date of the grant. The fair value is expensed on a straight-line basis over the vesting period. The Bank does not have access to an observable market price for its shares and therefore measurement is undertaken using a Black Scholes methodology when calculating the options value at the point of issue. The share price at the issue of the option uses an estimation of the value of the business which has been based on a combination of an external valuation exercise and the value used for issues of shares in the period. The determined share value is then discounted to take into account the non-tradability of the instrument. The amount recognised as an expense is adjusted to reflect the actual number of shares/options that will vest.

xviii) Related party transactions

Transactions with related parties have been disclosed in the financial statements in accordance with FRS 102 Section 33. Related parties comprise any person or entity that is related to the Bank, but not wholly owned

Notes to the Financial Statements

within the same group, who has significant control, influence or is a member of the key management personnel. Where appropriate, transactions of a similar nature are aggregated unless, in the opinion of the Directors, separate disclosure is necessary to understand the effect of the transactions on the financial statements.

xix) Abandoned funds

Abandoned funds arise when customers holding a positive balance with Zempler Bank fail to provide satisfactory proof of identity or address in response to the Bank's anti-money laundering (AML) and know your customer (KYC) requests or, they closed their accounts without removing the funds. At this point in time the customer relationship is treated as terminated unless the requested documentation is provided. From the third to the twelfth month following the initial AML request, if no adequate response is received, the Bank establishes an abandoned fund provision based on historical customer behaviour and recognises a proportion of the balance relating to the AML non-compliance related customer deposits in the Statement of Comprehensive Income each month. If, after twelve months, no satisfactory documentation has been provided, the Bank considers the customer deposits balance no longer attributable to the customer and the

relationship is confirmed to be terminated. At this point, any abandoned funds provision previously recognised between months three and twelve is reversed, the balance is removed from customer deposit liabilities on the Statement of Financial Position and a provision is created. The provision represents the Bank's obligation to repay customer deposits to the customer upon satisfactory resolution of the AML non-compliance issues. The provision is determined with reference to the size of the balance, the time elapsed since the AML request, and historical claim patterns. The Bank remains committed to honouring legitimate claims for a period of up to six years, provided the required documentation is subsequently submitted.

xx) Other liabilities and accruals

Costs and liabilities from an obligation that are the result of business transactions are recognised in the financial statements using the accruals methodology, which ensures transactions are recorded when they are incurred. These are initially measured at fair value and subsequently valued at cost.

xxi) Deferred income

The residual amount received from the Capability and Innovation Fund ("CIF"), that has not been recognised in the Statement of Comprehensive Income, or eligible spend on intangible software assets that have yet to

be amortised at the reporting date. The CIF grant can only be recognised as income once certain qualifying expenditure has occurred.

CIF income is recognised in the Statement of Comprehensive Income in the period in which the related costs have been incurred by the Bank. The Bank presents its financial information in relation to the CIF grant on a gross basis.

xxii) Debt instruments and borrowings

Debt instruments and borrowings, are measured initially at fair value, net of transaction costs and are measured subsequently at amortised cost using the effective interest method.

Borrowing costs are charged to the Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount.

xxiii) Share capital

Ordinary shares are classed as equity. Incremental costs associated to the issue of new ordinary shares are shown in equity as a deduction of the share premium.

xxiv) Reserves

The Bank's reserves are made up of the following:

Notes to the Financial Statements

- **Share capital** – The nominal value of the called up and issued share capital.
- **Share premium account** – The premium on shares issued, net of any related costs.
- **Other reserves** – The fair value of options granted to employees.
- **Retained earnings** – The cumulative profit or losses of the Bank.

xxv) Judgments and estimates

The preparation of these financial statements, in compliance with the requirements of FRS102, requires the Bank's management to exercise judgment in applying the Bank's accounting policies and to use accounting estimates and assumptions that affect the reported amounts of:

- assets and liabilities at the date of the financial statements; and
- revenues and expenses during the year.

These judgments and estimates are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable at the time.

The following are the areas in which judgments have been made in the process of applying accounting

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policies that have the most material effect on the amounts recognised in the financial statements:

Treatment of transaction costs

The Bank defers a percentage of the transaction costs from the successful creation of a financial asset or liability. The percentage deferral is based on a behavioural analysis of the customer's economic contribution over time. This is amortised over the expected economic life of the related financial instrument, prudently capped at two years due to forward-looking macroeconomic uncertainty given actual economic life is longer in some cases. Due to the short-dated nature management considers this as an appropriate approximation of the IFRS9 EIR methodology and that the difference in methodology between EIR and amortisation is deemed to be immaterial.

Recognition of deferred tax asset

Deferred tax is recognised on the temporary difference between taxable profits and income/expenses in the Statement of Comprehensive Income. Deferred tax assets are recognised to the extent it is probable that future taxable profits will be available against which the asset can be utilised and to the extent that there is reasonable certainty that taxable losses can be offset within a reasonable forecast period. The Directors use judgments based on future forecasts to assess this probability and the level of deferred tax assets that can

be recognised in its financial statements. See Notes 7 and 13.

Impairment of assets

The Bank assesses assets for impairment using several methods that can be used to calculate the fair value less cost to sell and value in use of the assets, the higher amount being the recoverable amount. All methods use elements of judgment to calculate expected values which can be subjective, based on information available at the time. These calculations regularly include cash flow projections, assumptions on future economic conditions, discount rates and estimates on the sale value of assets.

Capitalisation of intangible assets

The Bank assesses spend on intangible assets to determine whether it should be expensed or capitalised in accordance with the requirements of FRS102.

Impairment of loans and advances to customers

The Bank recognises impairment loss allowances on Loans and Advances to Customers using the recognition and measurement criteria detailed in IFRS 9. Loans and Advances to Customers consists of overdrafts and credit cards. This requires the use of an ECL model to calculate an unbiased probability-weighted estimate of the present value of credit losses. The ECL model

Notes to the Financial Statements

takes into account forward-looking information over a range of possible economic outcomes, estimating the amount and timing of expected future cash flows. The ECL is calculated at an individual account level by multiplying the probability of each customer defaulting by the expected exposure at the time of default and the loss that is expected to arise at default, discounting expected cash flows using the current effective interest rate. The key inputs into the measurement of ECL are:

Probability of default ("PD")

The PD is the likelihood of an account defaulting over the next 12 months for accounts that are in stage 1 and over the lifetime for accounts in stage 2 and 3, where significant increases in credit risk have been identified. Credit scores, using internal historical loss data and external bureau information, are used to make estimations of the probability of default.

Exposure at default ("EAD")

EAD is the amount expected to be owed at the time of default, estimated using historical data. This includes changes in balance and relevant revenue that may be applied between the balance sheet measurement point and the time of default.

Loss given default ("LGD")

LGD is the net value of loss that would be incurred in the event of default. LGD is expressed as a percentage of EAD, representing the loss adjusted for recoveries including cash recoveries made following credit collection activities. This percentage is also estimated using historic customer behaviour and the Bank's historic loss data.

The ECL for both loan amounts and undrawn loan commitments is calculated using the same methodology. This approach ensures consistency in the assessment of credit risk and the estimation of potential losses across all loan-related exposures.

Estimated fair value inputs for the share options reserve valuation

The Bank periodically grants share options to colleagues. Several estimates and assumptions are made to calculate the options price for each issue. The most material estimate relates to the Bank's current share price input to the Black-Scholes model at the point of issue of the option. This uses an estimation of the value of the business which has been based on a combination of an external valuation exercise and the value used in the issue of shares in the period. The determined share value is then discounted to take into account the non-tradability of the instrument.

The impact of climate risk on the accounting judgments and estimates

The Bank makes use of reasonable and supportable information to make accounting judgments and estimates in relation to the impact of climate risk. This includes information about the observable effects of the physical and transition risks of climate change on the current creditworthiness of borrowers, asset values and market indicators, where relevant.

Many of the effects arising from climate change will be longer term in nature, with an inherent level of uncertainty and have limited effect on accounting judgments and estimates for the current period. Some physical and transition risks can manifest in the shorter term.

Notes to the Financial Statements

3. Net interest income

Interest income	31 Mar 2025 £'000	31 Mar 2024 £'000
Cash and balances at banks	18,076	19,839
Investment securities	10,435	6,077
Loans and advances to customers	8,388	7,995
Total interest income	36,899	33,911

Interest expense		
Interest expense on customer accounts	(1,677)	(1,520)
Interest expense on Tier 2 debt instrument	(491)	(493)
Other interest expense ¹	(10)	(7)
Total interest expense	(2,178)	(2,020)
Net interest income	34,721	31,891

¹Other interest expense relates to variation margin held during the year with Investec of £3.6k (2024: £6.8k) and interest unwind of £6.6k (2024: £nil) on the dilapidation provision.

Notes to the Financial Statements

4. Net fee and comission income

Fee and commission income	31 Mar 2025 £'000	Restated 31 Mar 2024 £'000
Customer card transaction revenue ¹	25,530	26,616
Payment and related services	5,252	6,645
Other	500	515
Total	31,282	33,776

Fee and commission expense		
Customer card transaction costs	(5,654)	(6,238)
Payment services and related costs	(2,339)	(2,389)
Total	(7,993)	(8,627)
Net fee and commission income	23,289	25,149

¹In the prior year, the Bank reclassified income from abandoned funds from "Net fee and commission income" to "Other income" (see Notes 5 and 38), in line with the accounting policy set out in Note 2(xix).

Notes to the Financial Statements

5. Other income

	31 Mar 2025 £'000	Restated 31 Mar 2024 £'000
CIF eligible spend on staff costs	-	-
CIF eligible spend on other administrative expenses	176	176
CIF grant release to income ¹	176	176
Abandoned funds provision ²	1,942	2,633
Total	2,118	2,809

¹The CIF grant is released to income as the eligible spend on staff and administrative expenses is incurred. Included within the CIF grant release to income for the year is £176k relating to software amortisation (2024: £176k). Software is amortised over the expected economic useful life of the software assets whereby each month an equivalent amount is released from deferred income to offset the amortisation charge.

²The abandoned funds provision represents the income recognised in respect of customers who have failed to provide satisfactory proof of identity or address in response to the Bank's anti-money laundering (AML) and know your customer (KYC) requests, in accordance with the policy outlined in Note 2(xix). In the prior year, the Bank reclassified £2,520k from "Net fee and commission income" and £113k from "Other administrative expenses" to "Other income" (see Note 5) to better reflect the nature of the balance, in line with the accounting policy set out in Note 2(xix). The comparative figures have been restated accordingly (see Note 38).

Notes to the Financial Statements

6. Administrative expenses

	31 Mar 2025 £'000	Restated 31 Mar 2024 £'000
Staff costs	29,137	23,939
Technology costs	5,303	5,144
Facilities and utilities	1,893	1,509
Depreciation of tangible assets	1,060	1,038
Amortisation of intangible assets	1,855	1,286
Marketing expenses	4,857	5,584
Call centre and telephony expenses	284	2,131
Other administrative expenses ¹	6,630	9,090
Total administrative expenses	51,019	49,721

¹In the prior year, the Bank reclassified £113k from "Other administrative expenses" to "Other income" (see Note 5) which represents the change in the abandoned funds provision to better reflect the nature of the balance, in line with the accounting policy set out in Note 2(xix). The comparative figures have been restated accordingly, (see Note 38).

Included within staff costs are the following:

Salaries and similar costs	24,649	20,614
Social security costs	2,765	2,210
Employee share-based payments	887	746
Pension contributions	711	443
Other staff costs and benefits	125	(74)
Total	29,137	23,939

The average number of people employed by the Bank (including Directors) during the year was 338 (2024: 253). The split of the total average number of people employed by the Bank is shown below.

Notes to the Financial Statements

6. Administrative expenses (continued)

	31 Mar 2025	31 Mar 2024
Operations and front office	181	84
Back office functions	138	156
Management	19	13
Total number of employees	338	253

Directors' costs	31 Mar 2025 £'000	31 Mar 2024 £'000
Salaries	1,335	1,147
Pension contributions	22	14
Total	1,357	1,161

Highest paid director		
Salaries	397	417
Pension contributions	11	6
Total	408	423

During the year retirement benefits accrued to directors in respect of defined contribution pension schemes was £nil (2024: £nil) and in respect of defined benefit pension schemes was £nil (2024: £nil). During the year, no directors exercised share options (2024: nil).

Notes to the Financial Statements

7. Taxation charge / (credit)

Current tax	31 Mar 2025 £'000	31 Mar 2024 £'000
UK corporation tax	112	-
Adjustments in respect of prior periods	-	(63)
Total current tax charge / (credit)	112	(63)

Deferred tax		
Origination and reversal of timing differences & losses	1,216	(1,484)
Adjustment in respect of prior years	463	100
Effect of tax rate changes on opening balances	-	-
Total deferred tax charge / (credit)	1,679	(1,384)
Tax charge / (credit) recognised in the income statement	1,791	(1,447)

Notes to the Financial Statements

7. Taxation charge / (credit) (continued)

Reconciliation of tax charge:

The tax assessed for the year differs from the standard UK rate of corporation tax of 25% (2024: 25%). The differences are explained below:

	31 Mar 2025 £'000	31 Mar 2024 £'000
Profit on ordinary activities before tax	5,217	3,291
Tax on profit on ordinary activities at the standard rate	1,304	823
Effects of:		
Fixed asset differences	(7)	-
Expenses not deductible for tax purposes	71	330
Income not taxable for tax purposes	(40)	-
Deferred tax adjustment relating to timing differences	-	(170)
Recognition of previously unrecognised deferred tax balances	-	(2,466)
Adjustments in respect of prior period – current tax	-	(63)
Adjustments in respect of prior period – deferred tax	463	99
Remeasurement of deferred tax for changes in tax rates	-	-
Tax charge / (credit) for the period	1,791	(1,447)

Notes to the Financial Statements

8. Auditors' remuneration

	31 Mar 2025 £'000	31 Mar 2024 £'000
Fees payable to the Bank's auditor for the audit of the financial statements	435	400
Fees payable to the Bank's auditor for audit-related assurance services ¹	-	36
Total	435	436

¹This represents the audit-related assurance services fee for the fiscal year, which was paid to the previous auditors.

9. Cash and balances at banks

	31 Mar 2025 £'000	31 Mar 2024 £'000
Cash at central banks	366,157	374,773
Cash and balances at other banks	2,931	11,252
Total	369,088	386,025

Cash and balances at banks are held at amortised cost and comprise balances placed with central banks and regulated financial institutions for operational purposes.

Of the amounts held with the central bank, £17m at 31 March 25 (2024: £30m) is encumbered (see Note 14), this relates to real-time gross settlement (RTGS) collateral. The unencumbered balance of £352m (2024: £356m) held with central banks is included within the Bank's high quality liquid assets (HQLA).

Notes to the Financial Statements

10. Investment securities

	31 Mar 2025 £'000	31 Mar 2024 £'000
Investment securities	266,859	167,073

All investment securities are held at amortised cost and are UK Government and Supranational securities, qualifying as HQLA items held for liquidity management purposes.

Investment securities include £10.5m (2024: £nil) of collateral placed in a custodian account at Citi Bank which comprises security deposits placed at the request of the Bank's card scheme provider to support customer transaction volumes.

	Opening balance 2025 £'000	Additions 2025 £'000	Disposals 2025 £'000	Closing balance 2025 £'000
Investment securities	167,073	316,715	(216,929)	266,859

Of the £217m of disposals in 2025, £217m matured and £nil were sold prior to maturity for risk management purposes.

	Opening balance 2024 £'000	Additions 2024 £'000	Disposals 2024 £'000	Closing balance 2024 £'000
Investment securities	129,949	242,450	(205,326)	167,073

Of the £205m of disposals, £200m matured and £5m were sold prior to maturity for risk management purposes.

Notes to the Financial Statements

10. Investment securities (continued)

Investment securities	31 Mar 2025 £'000	31 Mar 2024 £'000
Treasury bills	69,368	75,354
UK government issued gilts	125,000	95,000
SSA Bonds	75,000	-
Unamortised interest and discount	(2,509)	(3,281)
Total	266,859	167,073

Notes to the Financial Statements

11. Derivative financial assets

The Bank may enter into derivatives for risk management purposes, as explained in Note 2(ix) in the summary of accounting policies. Derivatives held for risk management purposes are economic hedges, hence hedge accounting is not applied. The table below shows the fair values of derivative financial assets and liabilities held for risk management purposes against interest rate risk, together with their notional amounts. The notional amount indicates the volume of transactions outstanding at the year end and are not indicative of either the market or credit risk.

	31 March 2025			31 March 2024		
	Fair value assets £'000	Fair value liabilities £'000	Notional £'000	Fair value assets £'000	Fair value liabilities £'000	Notional £'000
Interest rate options	-	-	-	137	-	100,000
Total	-	-	-	137	-	100,000

Interest rate options contracts are over the counter derivative financial instruments and not traded in active market. These have been fair valued using observable interest rates and interest rates volatility corresponding to the maturity of the contract.

Notes to the Financial Statements

12. Loans and advances to customers

	31 Mar 2025 £'000	31 Mar 2024 £'000
Customer overdrafts consumer	2,605	2,756
Customer overdrafts microbusiness	2,362	2,383
Credit cards	24,731	28,524
Other lending ¹	456	569
Gross loans and advances to customers	30,154	34,232
Effective interest rate adjustment	74	418
Total gross carrying amount including valuation adjustments	30,228	34,650
Less Impairment for overdrafts – consumer	(432)	(351)
Less Impairment for overdrafts – microbusiness	(548)	(851)
Less Impairment for credit cards	(3,572)	(4,944)
Less Impairment for other lending ¹	(224)	(279)
Total impairment ²	(4,776)	(6,425)
Net loans and advances to customers	25,452	28,225

¹Other lending consists of customers with an unarranged negative balance position

²See Note 28 for impairment details

Notes to the Financial Statements

13. Deferred tax

	31 Mar 2025 £'000	31 Mar 2024 £'000
Balance brought forward	4,730	3,347
Current year deferred tax	(1,679)	1,383
Deferred tax recognised	3,051	4,730
Deferred tax asset made up of:		
Fixed asset timing differences	(853)	(1,007)
Short term timing differences ¹	249	1,045
Losses and other deductions	3,655	4,692
Total deferred tax asset	3,051	4,730

¹This represents the IFRS 9 transitional adjustment

The Bank has recognised a deferred tax asset of £3.1m as at 31 March 2025 (2024: £4.7m) relating to carried forward tax losses of £3.6m (based on gross losses of £14.6m), other short term timing differences of £0.2m (gross £1.0m) and fixed asset timing differences of £(0.9)m (gross £3.4m). The deferred tax asset has been calculated at a corporation tax rate of 25% and has been recognised on the basis that there is sufficient evidence from profit forecasts that it is probable that future taxable profit would be available against which the asset could be utilised.

Deferred tax assets expected to reverse over the coming years and primarily relates to reversal of timing differences of fixed assets and carry forward losses.

Notes to the Financial Statements

14. Assets pledged as collateral / encumbered assets

	Encumbered		Unencumbered		Total	
	31 Mar 2025 £'000	Restated 31 Mar 2024 £'000	31 Mar 2025 £'000	Restated 31 Mar 2024 £'000	31 Mar 2025 £'000	Restated 31 Mar 2024 £'000
Cash and balances at banks	17,377	30,000	351,711	356,025	369,088	386,025
Gilts and Government Bonds	10,542	-	256,317	167,073	266,859	167,073
Other assets	-	10,644	45,976	53,010	45,976	63,654
Assets pledged / unpledged	27,919	40,644	654,004	576,108	681,923	616,752

Cash and balances at banks include balances with the Bank of England of £17.4m (2024: £30.0m) which are held as collateral for RTGS (Real-Time Gross Settlement) payment schemes and are encumbered.

In the previous financial year, the Bank placed £2.5m as collateral for an interest rate option and £8.1m in security deposits to support customer transaction volumes, which were included in other assets. Both arrangements have now concluded. Currently, £10.5m of Gilts and Government bonds are held as collateral in a custodian account to support customer transactions at the request of the card scheme provider.

Notes to the Financial Statements

15. Intangible assets

2025	Software Development £'000	Other Intangible Fixed Assets ² £'000	Total £'000
Cost			
As at 1 April 2024	17,274	2,465	19,739
Additions	1,712	-	1,712
Disposals	(8,530)	(2,357)	(10,887)
CIF intangible additions	-	-	-
Adjustment	-	-	-
As at 31 March 2025	10,456	108	10,564
Depreciation and amortisation			
As at 1 April 2024	(11,388)	(2,365)	(13,753)
Charge for the year	(1,845)	(11)	(1,856)
Disposals	8,530	2,357	10,887
Adjustment ¹	(15)	-	(15)
As at 31 March 2025	(4,718)	(19)	(4,737)
Net book value	5,738	89	5,827

¹During the year, the company undertook a comprehensive fixed assets clean-up exercise. This review identified that certain assets had accumulated depreciation amounts recorded despite having zero opening balance. To rectify this, the accumulated depreciation was released to the operational write-off account.

²Other Intangible assets relate to perpetual software licences acquired which includes software. During the year £nil (2024: £ nil) Research and Development expenditures were recognised in the Statement of Comprehensive Income.

Notes to the Financial Statements

15. Intangible assets (continued)

2024	Software Development £'000	Other Intangible Fixed Assets ² £'000	Total £'000
Cost			
As at 1 April 2023	14,621	2,365	16,986
Additions	2,653	100	2,753
Disposals	-	-	-
CIF intangible additions	-	-	-
As at 31 March 2024	17,274	2,465	19,739
Depreciation and amortisation			
As at 1 April 2023	(10,105)	(2,361)	(12,466)
Charge for the year	(1,283)	(4)	(1,287)
Disposals	-	-	-
As at 31 March 2025	(11,388)	(2,365)	(13,753)
Net book value	5,886	100	5,986

Notes to the Financial Statements

15. Intangible assets (continued)

The Bank has individually material intangibles as follows:

	Carrying amount		Weighted average remaining amortisation period	
	31 Mar 2025 £'000	31 Mar 2024 £'000	31 Mar 2025 #	31 Mar 2024 #
Payment system ¹	1,147	1,229	3	3
Mobile app ³	745	739	3	4
API system ²	541	643	3	4
Digital system ³	574	618	3	4
BCR software ⁴	414	580	3	4
Decision engine ⁵	656	542	3	4
Credit system ⁶	419	447	3	4

¹The Payment system allows the management of Mastercard, Faster Payments, BACS, International payments and other payment methods that might be adopted in the future.

²The API system oversees the open banking system and related APIs, including Zempler's commercial API offerings.

³Digital system and the Mobile app are related to the development of the native mobile app, web browser version and mobile banking platform.

⁴BCR is related to software for which the Bank has received a grant under the Capability and Innovation Fund.

⁵Decision engine is a development of AI technology giving the ability to make accurate customer lifecycle decisions. Streamlined end-to-end processes to create a world-class user experience.

⁶The Credit system is the development of scorecard and algorithms used to underwrite and monitor the credit offering of Zempler in relation to the provision of credit cards and current account overdrafts.

Development to the above intangibles continue each year. Where new features are added to enhance the technology or the customer's experience of the different platforms or systems, the associated costs are capitalised.

Notes to the Financial Statements

16. Tangible fixed assets

2025	Leasehold improvements £'000	Computer equipment £'000	Other tangible fixed assets £'000	Total £'000
Cost				
As at 1 April 2024	648	4,686	495	5,829
Additions	138	43	-	181
Disposals	(172)	(215)	(69)	(456)
As at 31 March 2025	614	4,514	426	5,554
Depreciation and amortisation				
As at 1 April 2024	(630)	(1,877)	(210)	(2,717)
Charge for the year	(32)	(957)	(71)	(1,060)
Disposals	172	215	69	456
Adjustments ¹	(2)	(54)	-	(56)
As at 31 March 2025	(492)	(2,673)	(212)	(3,377)
Net book value	122	1,841	214	2,177

¹During the year, the company undertook a comprehensive fixed assets clean-up exercise. This review identified that certain assets had accumulated depreciation amounts recorded despite having zero opening balance. To rectify this, the accumulated depreciation was released to the operational write-off account.

Notes to the Financial Statements

16. Tangible fixed assets (continued)

2024	Leasehold improvements £'000	Computer equipment £'000	Other tangible fixed assets £'000	Total £'000
Cost				
As at 1 April 2023	647	4,336	223	5,206
Additions	1	350	272	623
Disposals	-	-	-	-
As at 31 March 2024	648	4,686	495	5,829
Depreciation and amortisation				
As at 1 April 2023	(627)	(900)	(151)	(1,678)
Charge for the year	(3)	(977)	(59)	(1,039)
Disposals	-	-	-	-
As at 31 March 2024	(630)	(1,877)	(210)	(2,717)
Net book value	18	2,809	285	3,112

Notes to the Financial Statements

17. Other assets

	31 Mar 2025 £'000	Restated 31 Mar 2024 £'000
Trade debtors	112	32
Stock	297	336
Cash collateral	–	10,644
Payments awaiting settlement from schemes	4,454	5,297
Corporation tax	63	63
Sundry debtors ¹	2,554	2,800
Total	7,480	19,172

¹An amount of £1,842k previously classified under “sundry debtors”, relating to a prior year change in abandoned funds provision, has been reclassified to “customer deposits”, (see Notes 18 and 38) to better reflect its nature. This balance represents customer deposits that are subject to failed KYC checks.

Notes to the Financial Statements

18. Customer deposits

	31 Mar 2025 £'000	Restated 31 Mar 2024 £'000
Customer deposits	626,155	544,010
Abandoned funds provision (see Note 38)	(1,555)	(1,841)
Total	624,600	542,169

Zempler Bank is a member of the Financial Services Compensation Scheme (FSCS), the UK Deposit Guarantee Scheme. Eligible customer deposits are guaranteed up to £85,000 per customer.

19. Debt securities and borrowing

	31 Mar 2025 £'000	31 Mar 2024 £'000
Tier 2 debt	3,000	3,000
Total debt instruments	3,000	3,000

In November 2022 the maturity of the existing tier 2 debt was extended by 2 years from December 2025 to December 2027 with a fixed coupon of 16% per annum.

Notes to the Financial Statements

20. Other liabilities

	31 Mar 2025 £'000	Restated 31 Mar 2024 £'000
Trade creditors	70	2,122
Corporation tax	112	-
Other taxation and social security	757	1,018
Payment awaiting settlement with the schemes	3,548	23,921
Customer transactions awaiting allocation	4,719	3,031
Sundry creditors ¹	7,314	7,229
Total	16,520	37,321

¹Sundry creditors comprise of £1,776k (2024: £2,493k) relating to dissolved companies awaiting repayments, and £4,856k (2024: £3,717k) in account closure administrative provisions. The balance also includes an impairment provision of £537k (2024: £620k) under IFRS 9 for undrawn overdraft and credit card facilities, refer Note 28.

²To comply with the presentation requirements of Schedule VI of the Companies Act 2006, an amount of £3,136k previously included under "Other liabilities" has been reclassified and presented separately on the face of the balance sheet as "Accruals and deferred income," to more accurately reflect its nature."

Notes to the Financial Statements

21. Accruals and deferred income

	31 Mar 202 £'000	Restated 31 Mar 2024 £'000
CIF grant spend on software intangibles	399	574
Deferral of annual fee charges	1,594	2,086
Accruals and other deferred income	3,031	3,136
Total	5,024	5,796

Deferred income – CIF grant – represents the £5m grant received from the Capability and Innovation Fund, that was recognised in the Statement of Comprehensive Income as certain qualifying expenditure occurred. Income was recognised in the Statement of Comprehensive Income in the period in which the Bank recognised the CIF related costs for which the grant was intended to compensate. The terms of the grant were that all expenditure had to be incurred by 31 December 2022, so all monies were utilised by this date.

CIF grant spend on software intangibles – the CIF grant that was spent on the development of capitalised software intangibles, less amortisation to date. The balance is amortised through the Statement of Comprehensive Income over the expected useful life of the asset.

Deferral of annual fee charges – annual fees on bank accounts and credit products that are recognised over the life of the product to which the fee relates. These costs are net of any refund of fees offered under promotional schemes in which the first year cost of the bank account or credit product is refunded to the customer.

Notes to the Financial Statements

22. Operating leases

	31 Mar 2025 £'000	31 Mar 2024 £'000
Less than one year	703	693
Between one and five years	2,055	2,725
Greater than 5 years	–	–
Total	2,758	3,418

This represents the Bank's future minimum lease payment commitments under non-cancellable operating leases on its premises.

	31 Mar 2025 £'000	31 Mar 2024 £'000
Lease expense on premises	703	695
Total	703	695

Notes to the Financial Statements

23. Share capital

	Share numbers #	Value £
As at 31 March 2023	9,039,190	9,039
Ordinary shares issued of £0.001	187,519	188
As at 31 March 2024	9,226,709	9,227
Ordinary shares issued of £0.001	-	-
As at 31 March 2025	9,226,709	9,227

There is a single class of ordinary shares. There are no restrictions on dividends or the repayment of capital. During the year, no new ordinary shares (2024: 187,519) were issued as a result of warrants exercised.

24. Share premium account

	Value £'000
As at 31 March 2023	43,321
Issue of new shares	14
As at 31 March 2024	43,335
Issue of new shares	-
As at 31 March 2025	43,335

Notes to the Financial Statements

25. Other reserves

	Other reserves £'000	Retained earnings £'000	Total reserves £'000
As at 31 March 2023	3,247	(23,609)	(20,362)
Employee share-based payments	746	-	746
Total comprehensive income for the period	-	4,738	4,738
As at 31 March 2024	3,993	(18,871)	(14,878)
Employee share-based payments	887	-	887
Total comprehensive income for the period	-	3,426	3,426
As at 31 March 2025	4,880	(15,445)	(10,565)

26. Share based payment - Share options

Zempler Bank has created two schemes for the benefit of employees:

- **An Executive Share Option Scheme established in 2005.** The options are exercisable at a price determined at issue. The usual vesting period is 4 years. There are no specific performance criteria attached to the exercise of the options. The options are settled in ordinary shares once exercised.
- **An All-Colleague Share Option Scheme established in 2021** as part of a long-term incentive plan for all employees. The options are exercisable at a price determined at issue, with a 4-year vesting period for all awards. Options are only exercisable on a liquidity event. Options are automatically cancelled for employees that leave prior to an exercisable event, with exceptions for retirement, compulsory redundancy or death in service. There are no other performance criteria attached to the exercise of the options.

Notes to the Financial Statements

26. Share based payment - Share options (continued)

Options in both schemes expire if they remain unexercised after a period of 20 years from the date of grant.

Details of the number of share options and the weighted average exercise price outstanding during the year are as follows:

Executive share option scheme				
	Weighted average exercise price 2025 £	Options 2025 #	Weighted average exercise price 2024 £	Options 2024 #
Outstanding options – opening balance	0.93	1,174,505	0.93	1,079,909
Granted during the year	0.95	70,000	0.95	185,750
Forfeited during the year	0.95	–	0.95	(91,154)
Exercised during the year	0.95	–	0.95	–
Outstanding options – closing balance	0.93	1,244,505	0.93	1,174,505

70,000 options were issued during the year ended 31 Mar 2025 (2024: 185,750).

A total of 881,225 options have vested but remain unexercised (2024: 713,033).

Notes to the Financial Statements

26. Share based payment - Share options (continued)

All-colleague share option scheme				
	Weighted average exercise price 2025 £	Options 2025 #	Weighted average exercise price 2024 £	Options 2024 #
Outstanding options – opening balance	0.95	106,055	0.95	97,002
Granted during the year	0.95	–	0.95	19,380
Forfeited during the year	0.95	(8,635)	0.95	(10,327)
Exercised during the year	0.95	–	0.95	–
Outstanding options – closing balance	0.95	97,420	0.95	106,055

No options were issued during the year ended 31 Mar 2025 (2024: 19,380).

A total of 38,793 options have vested but currently remain unexercised (2024: nil).

The fair values for both schemes were calculated using the Black–Scholes pricing model. The inputs into the model were as follows:

Risk free interest rate of	4.04%
Volatility estimated at	40%
Expected maturity of	4 Years

The bank calculates the risk-free interest rate based on overnight index swap curve at the expected term of the option granted. The yields are obtained from Bank of England and they are based on market traded OIS Swap level.

Expected volatility has been set based on the volatility of similar comparable banks, which have been selected based on their similarity in size, industry and financial characteristics. The volatility of these comparable institutions is obtainable from publicly available sources.

The total charge to the income statement for the year was £887k (2024: £746k).

Notes to the Financial Statements

27. Analysis of net debt

	Brought forward 2024 £'000	Cash flow 2025 £'000	New debt issued 2025 £'000	Non cash movement 2025 £'000	Balance 2025 £'000
Cash and balances at banks	386,025	(16,937)	-	-	369,088
Tier 2 debt	(3,000)	491	-	(491)	(3,000)
Total net debt	383,025	(16,446)	-	(491)	366,088

28. Credit Risk Management

Credit risk

Credit risk is the risk associated with losses arising from current or potential inability or failure of a borrower of Zempler Bank to meet its contractual obligations.

Zempler Bank's credit risk primarily arises from the lending facilities i.e. credit cards and overdrafts, that the bank offers to its retail and SME customers. While credit cards are acquired both directly through Zempler's own acquisition channels and indirectly through our partners, overdrafts are offered by invite only to our existing current account customers. There is no fixed term for repayment of balances other than a general

requirement for credit card customers to make a monthly minimum repayment towards their outstanding balance.

Zempler recognises that it is geographically concentrated in the UK but seeks to limit its exposure to a single counterparty and to maintain a broad geographical, industrial sector and counterparty diversification to reduce concentration risk.

Established governance and risk management committees oversee the Bank's credit strategies and programmes. The initial assessment of credit risk is managed through lending decisions that utilise developed underwriting standards in combination with application, current account and credit bureau

information. Subsequent to the initial decision, risk is managed through reviewing and monitoring of the portfolio through management information and bespoke credit assessment algorithms.

Zempler Bank aims to lend responsibly to microbusinesses and consumers, recognising that their credit risk to the business is influenced by the customers' ability to pay, macroeconomic factors, concentration risk, model risk (or underwriting risk) and portfolio management risk.

The Credit Policies and procedures sets out the risk management processes and controls that Zempler Bank utilises to ensure it is making reasonable and proportionate risk assessments that meet FCA

Notes to the Financial Statements

28. Credit Risk Management (continued)

creditworthiness and affordability rules, as well as ensuring the lending is within the risk appetite that has been approved by the Bank's Governance structure. The mitigating controls implemented by the Bank are created, operated and monitored to reduce the risk to maintain within the Bank's risk appetite, to which there is zero tolerance for a breach. Zempler Bank will continuously review this policy to ensure that it is creating good lending and customer outcomes.

Zempler Bank acknowledges that customer risk must include not only a point in time assessment but also the probability that the credit risk for the customer increases in the immediate future.

Loans and Advances to Customers	31 Mar 2025 £'000	31 Mar 2024 £'000
Overdrafts	4,967	5,139
Credit cards	24,731	28,524
Other lending ¹	456	569
Gross loans and advances to customers	30,154	34,232
Effective interest rate adjustment	74	418
Total gross carrying amount including valuation adjustments	30,228	34,650
Provisions for expected credit loss	(4,552)	(6,146)
Provisions for other lending ¹	(224)	(279)
Net loans and advances to customers	25,452	28,225

¹Other lending consists of customers with an unarranged negative balance position.

Notes to the Financial Statements

28. Credit Risk Management (continued)

Measurement of Credit Risk

Zempler Bank reduces the value of the assets on the balance sheet using a provision for ECL under the IFRS 9 accounting standard. To measure credit risk under IFRS 9, the Bank uses statistical models that incorporate economic input variables, alongside internal and external behavioural data, to derive the ECL.

In line with industry practices the Bank's IFRS 9 methodology considers three estimates in order to calculate the ECL:

- **Probability of Default (PD):** which estimates the likelihood of an asset moving to default in the next 12 months, or over the remainder of its life, depending on the stage;
- **Exposure at Default (EAD):** which estimates the exposure of the asset at the point it is expected to default; and
- **Loss Given Default (LGD):** which estimates the financial amount that the Bank expects to lose in the event of default of the asset.

IFRS 9 requires a higher level of ECL to be recognised for underperforming loans, this is based on a three-stage model:

Stage 1: Applies to accounts that are not credit impaired at initial recognition on origination and have not experienced a Significant Increase in Credit Risk (SICR) since it was originated. Interest income is calculated on gross balance.

Stage 2: Occurs when there has been a significant increase in credit risk either through a missed payment or an adverse change in behavioural risk score. The measure of significance increase has been set using statistical analysis based on standard deviations from the mean of the original risk score which is different across products. Stage 2 also includes assets where the credit risk has improved and has been moved back from Stage 3. For assets in Stage 2, a lifetime ECL is recognised.

Stage 3: An account moves into Stage 3 and considered credit impaired when it is over 90 days in arrears (default) or when one or more events that negatively affect the estimated future cash flows have occurred e.g. special status (bankrupt, individual voluntary arrangement, deceased or insolvent), or on a forbearance treatment such as repayment plans.

Accounts that also have been credit impaired in the last 12 months, but are now up to date, are also classified as Stage 3. Interest income is calculated on net balance.

Definition of Arrears

Loans and Advances to Customers are classified as in arrears if:

- Either a scheduled payment for a credit card or overdraft has failed or has not been paid when due by a customer; or
- Exceeded their authorised overdraft limit due to either a payment or due to bank interest or any other fee being applied.

Significant Increase in Credit Risk

Under the IFRS 9 standard, we must determine if there has been a significant increase in credit risk since initial recognition for assets that don't meet the defaulted (Stage 3) criteria. The impairment model uses relative criteria to identify increases in credit based on how many standard deviations has the monthly risk score changed as compared to the risk score at origination. The standard deviation threshold is established at a product level and any changes to these criteria are considered model changes and are approved and governed under the model governance framework.

Notes to the Financial Statements

28. Credit Risk Management (continued)

Definition of Default

Loans and Advances to Customers are classified as in default if any of the following criteria has been met:

- The account is overdue for more than 90 days; or
- If the customer is bankrupt or has proposed an Individual Voluntary Arrangement or a Debt Relief Order
- If the customer has deceased

Forbearance

Forbearance is considered to have been applied when Zempler offers a temporary relief to a customer who is experiencing financial difficulties by adjusting their monthly payment and/or applying reduced interest rates. The approach taken to forbearance is defined within Zempler's policies and procedures.

IFRS 9 requires the incorporation of adjustments to the ECL parameters of forward-looking macroeconomic information that is reasonable, supportable and independently sourced. To capture the effect of changes to the economic environment, the ECL models incorporate forward-looking information and assumptions linked to economic

variables that impact losses in each product group over the 5-year lifetime horizon. During the financial year, Zempler developed and implemented a new macroeconomic forecast model that considers a broader range of macroeconomic factors such as Unemployment Rate, Real Household Disposable Income, House Price Index and Bank of England Base Rate thereby adopting a more comprehensive forward-looking approach. To achieve this, the economic forecast uses three economic scenarios.

- **Base Case Forecast** with 50% weighting
- **Upside Scenario** with 20% weighting
- **Downside Scenario** with 30% weighting

All of the scenarios were sourced from His Majesty's Treasury Forecasts of the UK Economy. The scenario weightings are based on a combination of management judgment of likelihood of macroeconomic outturns and industry benchmarking of weightings used across such scenarios.

Statistical techniques are used to combine these elements and estimate the relative change in default expectations across different scenarios. These relative changes are then applied to adjust the ECL parameters for each scenario accordingly. The goal of

using multiple scenarios is to capture the non-linear effects of macroeconomic assumptions on ECL. The following table shows the sensitivity of modelled ECL for different scenarios.

The ECL is assessed regularly to incorporate changes arising from movement between stages, as well as reassessment of credit quality due to change in behaviour, usage of the product, risk score and changes in the macroeconomic environment.

The ECL calculations are performed at individual product level ensuring that product specific value proposition and performance history at leveraged to determine the exact parameters for each of the product's IFRS9 model constituents. The model is reviewed on an annual basis and the parameters are adjusted as necessary to align the predicted ECL with observed losses. Any changes to the IFRS9 model are discussed and approved through appropriate governance before these are implemented. Where deficiencies or weaknesses in models are known to exist, or historic data trends do not reflect current circumstances or the future direction of economic input parameters is unclear, Post Model Adjustments are applied to ensure that the resultant ECL remains appropriate. However, currently Zempler does

Notes to the Financial Statements

28. Credit Risk Management (continued)

	Economic Scenarios			Multiple Economic Scenario
	Base	Upside	Downside	
Scenario Probability Weights	50%	20%	30%	
Unemployment Rate ¹ (%)	4.4%	3.9%	5.0%	
House Price Index ¹ (%)	2.4%	4.0%	(0.8)%	
Real Household Disposable Income ¹ (%)	1.5%	2.2%	0.7%	
Bank of England Base Rate ¹ (%)	3.8%	3.0%	4.5%	
Total impairment allowance (£)	4,943,179	4,424,078	5,767,941	5,086,788

¹As at 31 March 2025 (1 year average)

not have any Post Model Adjustments. As part of enhancing and strengthening the IFRS9 methodology Zempler conducted a comprehensive review of its IFRS9 model and introduced the following changes to the model framework:

- Implemented a macroeconomic multivariate model that considers a range of macroeconomic variables to forecast various macroeconomic scenarios
- Enhancements to the model methodology for Stage 3 exposures resulting in more accurate assessment of ECL
- Refinements to the cure rate and recovery rate assumptions during the period between default and write off

- Reviewed and rationalised all historic assumptions and parameters with the objective of validating each of these assumptions empirically
- Reversed increase in provision to counter climate change risk as impact of climate change on Zempler portfolio is likely to be negligible

Zempler Bank regularly conducts sensitivity analysis to understand the differences in ECL that are caused by changes to the individual constituents of the IFRS9 model i.e. PD, EAD and LGD. The results of the latest sensitivity analysis are as follows:

- Increase in probability of default by 5% increased the ECL by £143K and a decrease in probability of default by 5% decreased the ECL by £173K
- Increase/decrease in undrawn parameter for EAD calculation by 5% increased/decreased the ECL by £59K.
- Increase in loss given default by 5% decreased the ECL by £169K and a decrease in loss given default by 5% increased the ECL by £212K.

The gross receivable and provision for expected credit losses which form the net amounts from customers is as follows:

Notes to the Financial Statements

28. Credit Risk Management (continued)	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
Provisions as at 31 March 2024	1,780	1,206	4,059	7,045
Provisions on new loans and advances ¹	62	43	58	163
Decreases due to derecognition ²	(78)	(44)	(50)	(172)
Transfers between stages ³ :				
Stage 1	(230)	109	121	-
Stage 2	255	(432)	177	-
Stage 3	95	20	(115)	-
Change due to movement between stages ⁴	(296)	575	1,562	1,841
Change due to reassessment ⁵	(5)	(9)	(191)	(205)
Change due to model methodology ⁶	(54)	42	268	256
Release of provision on settled/written off accounts ⁷	(104)	(675)	(1,946)	(2,725)
Other credit provisions ⁸	(52)	131	(969)	(890)
Total provisions as at 31 March 2025	1,373	966	2,974	5,313
Provisions on undrawn commitment (Note 20)	(389)	(108)	(40)	(537)
Provisions on loans and advances to customer as at 31 March 2025	984	858	2,934	4,776

1. Increase in ECL resulting from loans and advances that have been newly originated, purchase or renewed.

2. Decrease in ECL due to derecognition of loans and advances.

3. Represents the impact of stage transfers prior to any ECL remeasurements.

4. Change in ECL due to movement between stages resulting from a change in its behaviour, risk score or usage of the product.

5. Change in ECL due to reassessment of an account based on change in its utilisation or risk score of the product, where the account has not changed stage.

6. Change in ECL resulting from change in regulatory requirements, change in product construct, or change in the macro environment.

7. Decrease in ECL resulting from loans and advances that have been fully repaid, sold or written off.

8. Movement in non-IFRS 9 credit provisions and any inclusion/reversal of PMAs. £(891)k includes reversal of PMAs of £829k that were introduced in 2024 to mitigate for any limitations within the model or where certain factors were not fully incorporated in modelled outputs.

Notes to the Financial Statements

28. Credit Risk Management (continued)

Provision Movement	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
Provisions as at 31 March 2023	1,144	918	2,738	4,800
Provisions on new loans and advances ¹	435	467	801	1,703
Decreases due to derecognition ²	(35)	(36)	(48)	(119)
Transfers between stages ³ :				
Stage 1	(125)	59	66	-
Stage 2	202	(339)	137	-
Stage 3	65	18	(83)	-
Change due to movement between stages ⁴	(195)	545	1,081	1,431
Change due to reassessment ⁵	21	(42)	198	177
Change due to model methodology ⁶	408	133	(103)	438
Release of provision on settled/written off accounts ⁷	(41)	(386)	(1,493)	(1,920)
Other credit provisions ⁸	(99)	(131)	765	535
Total provisions as at 31 March 2024	1,780	1,206	4,059	7,045
Provisions on undrawn commitment (Note 20)	(466)	(120)	(34)	(620)
Provisions on loans and advances to customer as at 31 March 2024	1,314	1,086	4,025	6,425

Notes to the Financial Statements

28. Credit Risk Management (continued)

Credit quality as at 31 March 2025	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
Low risk	17,557	28	15	17,600
Medium risk	2,813	324	143	3,280
High risk	323	1,025	2,526	3,874
Delinquent	–	1,759	954	2,713
Defaulted	–	–	2,231	2,231
Other lending ¹	–	–	456	456
Gross loans and advances to customers	20,693	3,136	6,325	30,154
Effective interest rate adjustment	–	–	–	74
Provision allowance	(984)	(858)	(2,934)	(4,776)
Net loans and advances to customers	19,709	2,278	3,391	25,452
Coverage ratio (%)	4.76%	27.36%	46.39%	15.84%

Notes to the Financial Statements

28. Credit Risk Management (continued)

Credit quality as at 31 March 2024	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
Low risk	18,707	4	7	18,718
Medium risk	4,153	617	228	4,998
High risk	578	744	2,173	3,495
Delinquent	–	2,533	943	3,476
Defaulted	–	–	2,976	2,976
Other lending ¹	–	–	569	569
Gross loans and advances to customers	23,438	3,898	6,896	34,232
Effective interest rate adjustment				418
Provision allowance	(1,314)	(1,086)	(4,025)	(6,425)
Net loans and advances to customers	22,124	2,812	2,871	28,225
Coverage ratio (%)	5.61%	27.86%	58.37%	18.77%

¹Other lending consists of customers with an unarranged negative balance position.

Notes to the Financial Statements

28. Credit Risk Management (continued)

Credit quality definitions		
Quality	12 Month PD	Description
Low risk	0% to 7.99%	Up to date – very high likelihood of full recovery
Medium risk	8% to 19.99%	Up to date – high likelihood of full recovery
High risk	20% to 99.99%	Up to date – low likelihood of full recovery
Delinquent		Up to three payments in arrears but have not defaulted
Defaulted		At least four payments in arrears, insolvent, bankrupt or forbearance

29. Liquidity Risk Management

Liquidity risk is the risk that the Bank is unable to meet its obligations as they fall due or can only do so at exceptional cost. This requires the Bank to have sufficient funds at all times, available as needed. The Board's liquidity risk appetite is to meet all liabilities as they fall due. The contractual maturities of assets and liabilities are calculated based on the contractual cash flows. The undiscounted contractual maturities are shown below.

The contractual maturity may differ from the observed maturity. Loans and advances to customers may be repaid earlier in line with the contractual terms and conditions. Investment securities may not be held to maturity in accordance with the Treasury strategies adopted. Customer deposits, whilst they are repayable on demand, show a behavioural maturity which is usually longer than their contractual maturity.

Notes to the Financial Statements

29. Liquidity Risk Management (continued)

Contractual maturity of financial assets and liabilities - As at 31 March 2025

	On demand	Less than 3 months	Between 3 and 6 months	Between 6 months and one year	Over one year	Total
Financial assets	£'000	£'000	£'000	£'000	£'000	£'000
Cash and balances at banks	351,711	-	-	-	17,377	369,088
Loans and advances to customers	-	328	-	-	25,377	25,705
Investment securities	-	30,881	75,784	62,397	111,738	280,800
Other financial assets	4,636	624	-	-	1,804	7,064
Derivative financial assets	-	-	-	-	-	-
Total financial assets	356,347	31,833	75,784	62,397	156,296	682,657

Financial liabilities						
Customer deposits	625,776	-	-	-	-	625,776
Other financial liabilities	10,571	3,105	-	-	3,927	17,603
Debt instruments and borrowing	-	120	121	239	3,821	4,301
Total financial liabilities	636,347	3,225	121	239	7,748	647,680
Net financial assets	(280,000)	28,608	75,663	62,158	148,548	34,977

Notes to the Financial Statements

29. Liquidity Risk Management (continued)

Contractual maturity of financial assets and liabilities - As at 31 March 2024 (Restated)

	On demand	Less than 3 months	Between 3 and 6 months	Between 6 months and one year	Over one year	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Financial assets						
Cash and balances at banks	356,025	-	-	-	30,000	386,025
Loans and advances to customers	-	334	-	-	27,808	28,142
Investment securities	-	44,995	55,359	20,000	50,000	170,354
Other financial assets	5,509	120	-	-	12,939	18,568
Derivative financial assets	-	-	-	-	137	137
Total financial assets	361,534	45,449	55,359	20,000	120,884	603,026

Financial liabilities						
Customer deposits	543,616	-	-	-	-	543,616
Other financial liabilities	30,557	5,261	-	-	2,618	38,436
Debt instruments and borrowing	-	119	121	239	4,301	4,780
Total financial liabilities	574,173	5,380	121	239	6,919	586,832
Net financial assets	(212,639)	40,070	55,238	19,761	113,965	16,394

Liquidity risk is managed by the Bank's treasury team. Reporting and management of liquidity risk is monitored by ALCO, which meets on a monthly basis. The Bank holds its surplus assets in overnight deposits with the central bank and in Treasury bills, Gilts and Supranational bonds which can be liquidated on demand to provide liquidity. The key metric used to monitor liquidity risk is the liquidity coverage ratio (LCR). At year end and at all times throughout the year, the Bank was significantly in excess of all liquidity targets.

Notes to the Financial Statements

30. Market Risk Management

Market risk is the risk that changes in market conditions may adversely impact the Bank's capital or earnings.

Interest rate risk in the banking book is the risk of losses arising from volatility in interest rates associated with the mismatch between interest rate sensitive assets and liabilities in the banking book. These losses can arise from financial assets or liabilities being adversely affected by the movement in market prices, interest rates or exchange rates. It can be reflected in near term earnings or in the longer-term capital because of changes in the economic value of future cash flows.

The Bank's primary exposure to market risk is interest rate risk. As the Bank holds its interest rate-sensitive assets in a mix of credit, cash held at central banks and financial institutions and UK Government and Supranational securities, the risk to the business comes from the impact to earnings associated with the interest rates on these balances. The Bank has a policy to manage this risk within set parameters using a combination of repricing of liabilities, hedging instruments and managing

maturity mismatches using Gilts, T-Bills and Supranational bonds at the fixed rates.

The Bank measures and assesses interest rate risk primarily through variances on two methods, i.e. the risk arising from potential changes in interest rates impacting economic value of equity (EVE), which applies six prescribed interest rate scenarios and changes in net interest income (NII), which applies 250 basis points parallel up and down shifts over a 12-month time horizon. The sensitivity scenario is unchanged from the prior year. The Δ EVE as at 31 March 2025 is £(1,152)k (2024: £(1,120k) and Δ NII as at 31 March 2025 is £(1,386)k (2024: £(1,000)k).

The Bank is not materially impacted by other market risks such as currency exchange.

31. Regulatory Capital

A reconciliation of shareholders' funds shown in the Statement of Financial Position to regulatory capital is presented below. Zempler Bank has met all regulatory capital requirements during the period.

The level of capital held by the Bank is measured against the regulatory framework, defined by the Capital Requirement Directive and Regulation (CRR

& CRD IV), as implemented in the UK by the PRA. Full details of the Bank's regulatory capital and calculation of its regulatory total capital requirement are included in the Pillar 3 report published on the Bank's website.

The Bank maintains its capital at a level that supports the future plans of the business. The Board manages its capital levels for both current and future activities as well as its risk appetite and capital requirements under stress scenarios as part of the ICAAP. The ICAAP defines the Board's view of the Bank's risk appetite and forms the Bank's capital plan for use by management to assess the resilience of the Bank against economic and idiosyncratic shock events.

Notes to the Financial Statements

31. Regulatory Capital (continued)

	31 Mar 2025 £'000	31 Mar 2024 £'000
Shareholders' funds	32,779	28,466
Regulatory deductions:		
Intangible assets	(5,827)	(5,986)
Deferred tax deduction	(2,856)	(3,868)
Other deductions	-	-
Tapered allowance for impact of IFRS9	632	1,265
Common equity tier 1 (CET1) capital	24,728	19,877
Tier 2 debt	3,000	3,000
Adjustments to tier 2	(1,373)	(774)
Tier 2 capital	1,627	2,226
Total regulatory capital	26,354	22,103

Note: Regulatory deductions and adjustments to Tier 2 have not been subject to audit. CET1 capital is calculated based on the audited financial statements figures.

Notes to the Financial Statements

31. Regulatory Capital (continued)

	31 Mar 2025 £'000	Restated 31 Mar 2024 £'000
Credit risk exposure	29,569	43,301
Operational risk exposure	98,418	82,457
Other	–	780
Total risk weighted assets	127,987	126,538
Common equity tier 1 ratio	19.3%	15.7%
Total capital ratio	20.6%	17.5%
Leverage ratio (UK definition)	8.0%	8.4%

Note: Risk weighted assets and ratio calculations have not been subject to audit.

Notes to the Financial Statements

32. Undrawn commitment and contingent liabilities

Loans and advances to customers commitments	31 Mar 2025 £'000	31 Mar 2024 £'000
Undrawn credit card commitments	18,880	18,109
Undrawn overdraft commitments	9,225	6,957
Total commitment	28,105	25,066

Customer credit commitments are granted as part of normal product facilities which are offered to customers. Customer credit commitments comprise undrawn facilities granted on credit cards and overdraft facilities. 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 20 and 28). When these commitments are drawn down or called upon and meet the recognition criteria as detailed in Note 2 (ix), these are recognised within loans and advances to customers.

The Bank had no contingent liabilities as of 31 March 2025 (31 March 2024: £nil).

33. Related Party Transactions

Key management personnel are deemed to be the Directors and their remuneration is disclosed in Note 6.

	31 Mar 2025 £'000	31 Mar 2024 £'000
Recognised through the Statement of Comprehensive Income		
Directors' remuneration	1,357	1,161

Notes to the Financial Statements

34. Controlling party

The ultimate controlling party is Trident Capital Management VI, L.L.C. which is the General Partner of Trident Capital Fund VI LP, a fund which has the majority shareholding in the Bank. Both Trident Capital Management VI, L.L.C. and Trident Capital Fund VI L.P. are entities incorporated in the United States of America.

The largest and smallest entity for which financial statements have been prepared and are publicly available is Zempler Bank Limited.

35. Post Balance Sheet Events

There have been no material events affecting the Bank between 31 March 2025 and the date of approval of the financial statements⁵

36. Gross Revenue

	31 Mar 2025 £'000	Restated 31 Mar 2024 £'000
Interest income	36,899	33,911
Fee and commission income	31,282	33,776
Total	68,181	67,687

Gross revenue has been included as an alternative performance measure note to the statements to allow transparency of the underlying revenue items before charges.

Notes to the Financial Statements

37. Subsidiary Undertakings

The following were subsidiary undertakings of the Company:

Subsidiary name	Registered office	Principal activity	Class of shares	Holdings	Status
Zempler Limited	Cotton Centre, London	Non trading entity	Ordinary	100%	Dissolved

During the financial year 2024 Zempler Limited was established with a share capital of £1, solely for the purpose of name protection for Zempler branding. Zempler Limited was dissolved in March 2025.

38. Prior year restatement

During the year, the Bank reassessed the presentation of certain income and balance sheet items relating to abandoned funds arising from incomplete know your customer (KYC) compliance. As a result, the Bank's financial statements have been restated to reflect the following adjustments:

(a) Abandoned funds provision

In the prior year, the Bank recognised a balance of £1,841k within "Other assets" in respect of customer deposits subject to failed KYC checks. Upon review, the Bank determined that these balances should be reclassified to "Customer deposits" within the statement of financial position, to better reflect their nature as an abandoned funds provision. This

provision is established from the third to the twelfth month following an AML request, where no adequate customer response is received. The reclassification is in accordance with the accounting policy set out in Note 2(xix).

The restatement has reduced "Other assets – sundry debtors" (Note 17) and increased "Customer deposits – abandoned funds provision" (Note 18) by £1,841k.

(b) Abandoned funds income

Abandoned funds income represents income recognised in respect of customers who have failed to provide satisfactory proof of identity or address in response to the Bank's AML and KYC requests, in accordance with the policy outlined in Note 2(xix).

This income is presented net of a provision for future claims. In the prior year, the Bank reclassified £2,520k from "Net fee and commission income" (see Note 4) and £113k from "Administrative expenses" (see Note 6) to "Other income" (see Note 5), to better reflect the nature of the balances.

(c) Other Balance Sheet presentation

To align with the presentation requirements of Schedule VI of the Companies Act 2006, the Bank has revised the format of its statement of financial position. "Other assets" have been disaggregated into "Other assets" and "Prepayments and accrued income", while "Other liabilities" have been split into "Other liabilities" and "Accruals and deferred income".

Notes to the Financial Statements

38. Prior year restatement (continued)

These changes have been applied retrospectively, and comparative figures have been adjusted accordingly. The reclassifications do not affect total profit, net assets, or equity for any period.

Impact of the restatements on the Statement of Financial Position:

	31 Mar 2024 (Reported) £'000	Adj (a) £'000	Adj (c) £'000	31 Mar 2024 (Restated) £'000
Assets:				
Other assets	23,305	(1,841)	(2,292)	19,172
Prepayments and accrued income	-	-	2,292	2,292

Liabilities:

Customer deposits	(544,010)	1,841	-	(542,169)
Other liabilities	(39,837)	-	3,136	(36,701)
Accrual and deferred income	(2,660)	-	(3,136)	(5,796)
Net assets	28,466	-	-	28,466

Notes to the Financial Statements

38. Prior year restatement (continued)

Impact of the restatements on the Statement of Comprehensive Income:

	31 Mar 2024 (Reported) £'000	Adj (b) £'000	31 Mar 2024 (Restated) £'000
Interest income	33,911	-	33,911
Interest expense	(2,020)	-	(2,020)
Net interest income	31,891	-	31,891
Fee and commission income	36,296	(2,520)	33,776
Fee and commission expense	(8,627)	-	(8,627)
Net fee and commission income	27,669	(2,520)	25,149
Total operating income	59,560	(2,520)	57,040
Other income	176	2,633	2,809
Loss on derivatives	(278)	-	(278)
Impairment charges and charge-offs	(6,559)	-	(6,559)
Net operating income	52,899	113	53,012
Administrative expenses	(49,608)	(113)	(49,721)
Profit before taxation	3,291	-	3,291
Taxation credit	1,447	-	1,447
Profit after taxation	4,738	-	4,738

Notes to the Financial Statements

38. Prior year restatement (continued)

Impact of the restatements on the Cashflow Statement:

	31 Mar 2024 (Reported) £'000	Adj (a) £'000	Adj (c) £'000	31 Mar 2024 (Restated) £'000
Working capital movements				
Net decrease / (increase) in loans and advances to customers	(5,012)	-	-	(5,012)
Net decrease / (increase) in other assets	(9,656)	(113)	(285)	(10,054)
Net decrease in prepayments and accrued income	-	-	285	285
Net increase in customer deposits	32,547	113	-	32,660
Net (decrease) / increase in other liabilities	21,451	-	(1,421)	20,030
Net (decrease) / increase in deferred income	422	-	1,421	1,843
Net cash flow generated from operating activities	38,209	-	-	38,209

ZEMPLER BANK

Zempler Bank Ltd is registered in England and Wales at Cottons Centre, Cottons Lane, London SE1 2QG (No.04947027). Zempler Bank Ltd is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority under Firm Reference Number 671140.