ZEMPLER BANK

Pillar 3 Disclosures

for the year ended 31 March 2025

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Company information

Company name

Zempler Bank Limited

Registered Office & Trading Address

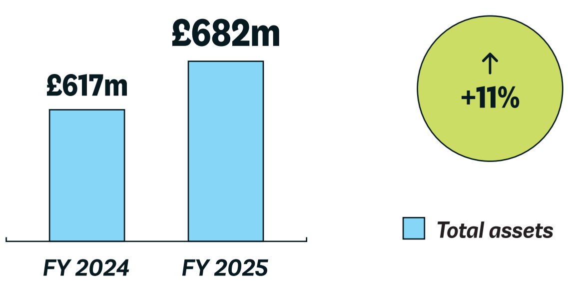
Cottons Centre
Cottons Lane
London
SE1 2QG

Company Registration Number

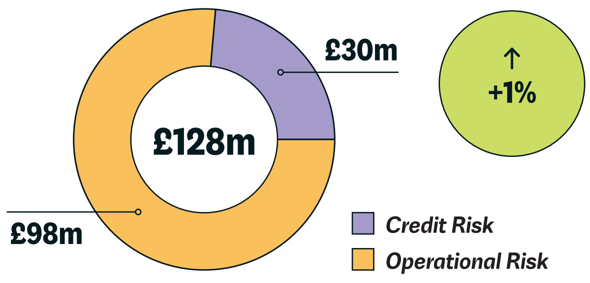
04947027
England and Wales

Executive Summary

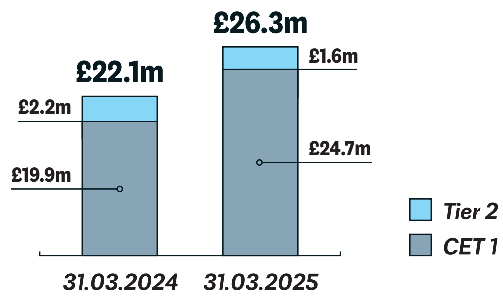
Total assets as per Annual report



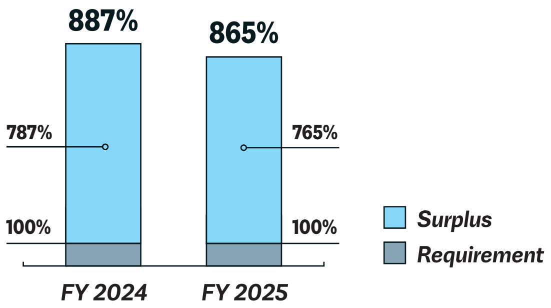
Risk Weighted Assets



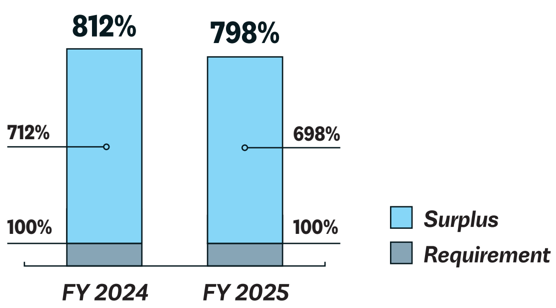
Total Capital



Liquidity Coverage Ratio



Net Stable Funding Ratio



UK Leverage Ratio

Decreased from 8.4% FY2024

8.0% ↓

Total Capital Ratio

Increased from 17.5% FY2024

20.6% ↑

CET1 Ratio

Increased from 15.7% FY2024

19.3% ↑

Overview

Introduction
Zempler Bank Limited is registered in England and Wales at Cottons Centre, Cottons Lane, London SE1 2QG (company number: 04947027). Its registered name changed to Zempler Bank Limited on 24 June 2024 and the bank launched its public rebrand as Zempler Bank on 9 July 2024. Previously, its registered name was Advanced Payment Solutions Limited, whilst it traded under the name Cashplus Bank.

We received our banking licence in February 2021. We are authorised by the Prudential Regulation Authority (PRA) and regulated by the PRA for prudential requirements and by the Financial Conduct Authority (FCA) for conduct of business matters.

Purpose
This report covers the period from 1 April 2024 to 31 March 2025. It provides information on our risk management, capital, liquidity and remuneration in line with the public disclosure requirements set out in Part VIII of the UK Capital Requirements Regulation (UK CRR) and the Disclosure (CRR) part of the PRA Rulebook. These requirements aim to encourage market discipline by enabling market participants to assess key pieces of information on our risk exposures. We have not omitted any recommended disclosures on the grounds that the information may be proprietary or confidential.

Our Pillar 3 report should be read in conjunction with the bank's Annual Report & Accounts that is available on the Zempler Bank website. The information presented in this report is not required to be, and has not been, subject to an external audit.

Basis of Preparation
We assess ourselves to be a non-listed 'small and non-complex institution' under Article 4(145) of UK CRR, as the total value of our assets is less than EUR 5 billion and we do no use any internal models to meet prudential requirements.

We follow the disclosure requirements set out in Article 433b of the Disclosure (CRR) Part of the PRA Rulebook. The frequency and scope of disclosure will be reviewed annually, or more frequently in the event of a material change in the business.
The Disclosure (CRR) Part of the PRA Rulebook contains prescribed templates which have been adopted to present the quantitative disclosures within this document. Where certain rows or columns within prescribed templates are not relevant to us, these have been omitted.

Regulatory Developments
The PRA has postponed the implementation of Basel 3.1 to January 2027, aligning with global regulatory timetables, particularly in the US. We remain committed to preparing for the introduction of Basel 3.1. We also meet the criteria for the 'Small Domestic Deposit Takers' (SDDT) regime as proposed by the PRA; however, we have not made any formal commitment at this stage. In line with PRA guidance, we will conduct a thorough assessment of both regulatory frameworks and anticipate making a strategic decision in the second half of 2025 - either to adopt the Basel 3.1 standards or to transition to the new SDDT regime.

Pillar 3 Disclosures

Strategy

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 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.

Pillar 3 Disclosures

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.

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.

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.

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.

Pillar 3 Disclosures

Governance

Governance

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.

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.

For more details on our governance arrangements please see pages 31 to 35 of our Annual Report & Accounts.

Pillar 3 Disclosures

Risk Management Strategy

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.

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

Simple

- Develop a clear approach to manage risk and compliance
- Supported by efficient and effective tools
- Provide insightful management information to the right people at the right time

Target Operating Model ensures risk resource is aligned to business growth

Sustainable

- 'Absorb and adapt to shocks' - customer service protected even in times of stress
- Effective controls in line with regulatory expectations and risk appetite
- External threats are monitored and mitigated

Proactive consideration of risk, compliance, and control in everything we do

Embedded

- Trained and motivated colleagues across the organisation embrace the framework
- Risk and compliance mindsets and behaviours linked to remuneration
- Collaborative culture supporting Senior Managers and Certification Regime accountability

Risk management 'baked into' Strategy

Risk Management Strategy

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 appetites 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 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 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	• 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	• Responsible for the Risk and Compliance functions. 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	• 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	• 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 reviewed 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, macro-economic and other such matters. The output helps inform the CRO's reporting to 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, systems and/or controls may cause detriment to a customer, and negatively impact the integrity of the market.	• Customer Communications • Customer Servicing • Product & Service Design • Conduct Compliance & Regulatory Affairs • Vulnerable 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.	• Credit Risk • Credit Concentration Risk • Responsible Lending	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, and monitored by the Credit Risk Committee, which meets monthly and reports to the Executive Committee. The framework includes the use of: • predictive underwriting models which are regularly reviewed; • performance monitoring; and • Credit risk management policies and operational procedures across the full lifestyle.	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.	• 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**

Principal Risks and Uncertainties

Risk	*Description*	*Sub-risks*	*Mitigating actions and committee oversight*	*Over-arching processes*	
Financial	The risk associated with material financial disruption arising from: • Insufficient capital • Inability to meet liabilities as they fall due • Exposures to movements in interest rates • Inadequate or missing financial controls • Financial counterparties failing to meet obligations • Not meeting PRA regulatory rules, responsibilities and expectations	Capital Adequacy Risk Liquidity & Funding Risk Market Risk (Interest Rate Risk in the Banking Book) Financial Controls & Counterparty limits PRA Compliance & Regulatory Affairs	The Financial Risk Management (FRM) framework manages financial risks within risk appetite and complies with PRA rules and firm-specific requirements. It is overseen by the Asset and Liability Management Committee (ALCO), which meets monthly and is chaired by the CFO (who holds SMF accountability for the FRM policy). Daily TMS reports monitor key risk appetite metrics and escalate if emerging threats are observed. They are supported by Early Warning Indicators (EWIs) that provide insight on relative movements (e.g. compared to plan) to detect adverse trends at an early stage and prompt discussion and action. In addition, monthly reports and MI are provided to ALCO, ExCo and the Board. The annual Internal Capital Adequacy Assessment Process (ICAAP) and Internal Liquidity Adequacy Assessment Process (ILAAP) assess the material risks faced and the level of capital and liquidity that is required to be held. The approach and stress scenarios are reviewed in advance and the results are reviewed and challenged by ALCO, ExCo and RiskCo prior to approval by the Board. An independent second-line assessment is undertaken for both assessments. Financial plans are updated on (at least) a quarterly basis and include updated forecasts. Sensitivity analysis is used to identify key drivers of movements and the changes in key assumptions. Contingency plans identify the range of feasible, credible and timely actions that are available to support and/or rebuild financial resources if required. These include tactical actions that can be implemented at an early stage and more structural options included in the bank's Recovery Plan.	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	
Operational	Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or external events.	• 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 polices 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	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.	• Financial Risk from Climate Change • People & Resources • Business Model Risk • Governance & Culture • Model Risk	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 subjects to ongoing monitoring and review. Key polices include the Management Responsibility Map and the Corporate Governance Manual.	Enterprise Risk Management Metrics and Monitoring to Risk Committee	Management Risk Committees Supporting Executive and Board Risk Committees

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

Inflation remains above the 2% target level 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. On 7th 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 have 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 he 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 and 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.

Pillar 3 Disclosures

Capital Management and Resources

Capital Management and Resources

Risk Appetite

Our capital risk appetite seeks to ensure we maintain sufficient regulatory capital to meet minimum regulatory requirements and additional capital as required to absorb a series of severe but plausible stress events. It is managed as follows:

- A target to hold at least a 10% buffer over regulatory capital requirements to provide sufficient time to enact effective management actions as part of the bank's EWI trigger framework.
- The target capital ratio includes buffers required to absorb severe but plausible firm-specific and market-wide stress scenarios as assessed through the annual ICAAP.
- Reviewing Pillar 2A add-ons regularly and adjusting our target capital surplus if required.
- In stress, a minimum surplus above the regulatory minimum levels that acts as a clear trigger for a Solvent Exit should recovery actions be ineffective.

Board-level metrics monitor key capital and leverage ratios and the large exposures limit. They are supplemented by Key Risk Indicators (KRIs) that are monitored and reviewed at ALCO and escalated if trends are moving in a significantly adverse direction.

Regulatory Capital Requirements

The regulatory capital requirements as they apply to Zempler Bank are:

Pillar 1

We adopt the Basel Standardised Approach for the calculation of our Pillar 1 Risk-weighted assets (RWAs) for credit and market risk and the Basic Indicator Approach (BIA) for the calculation of Pillar 1 operational risk RWAs (see section 5). Pillar 1 capital requirements are 8% of RWAs, of which at least 4.5% of RWAs must be met by Common Equity Tier 1 (CET1) capital, 6% of RWAs by Tier 1 (T1) capital and 8% of RWAs by Total capital.

Pillar 2A

Designed to capture the risks that are not covered or are not adequately covered under Pillar 1. Our Pillar 2A requirement prescribed by the PRA is 4.54% of RWAs. When added to Pillar 1 this equates to a firm-specific Total Capital Requirement (TCR) of 12.54% of RWAs. At least 56.25% of the Pillar 2A requirement must be met by CET1 capital and at least 75% by T1 capital.

Capital Buffers

We hold the prevailing industry-wide Capital Conservation Buffer (CCB) and Counter-cyclical Buffer (CCyB). As at 31 March 2025 the CCB was 2.5% of RWAs and the CCyB was 2% of RWAs. We are not classified as a systemically important bank and are not required to hold any systemic buffers. All capital buffers must be met by CET1 capital.

Pillar 1 Risk-weighted Assets (RWAs)

Pillar 1 requirements set out the rules used to determine the minimum capital requirement for credit, Market and operational risk. Our Pillar 1 RWAs and minimum capital requirements are set out in the table below. It aligns with template OV1 as set out in the Disclosure (CRR) part of the PRA rulebook, with any blank cells removed.

Reclassification of Abandoned Funds and Related Provisions

During the year, the Bank undertook a review of the classification of certain income and balance sheet items associated with abandoned funds arising from customers who do not complete the required Know Your Customer (KYC) checks and controls. As a result of this reassessment, the Bank has restated

Capital Management and Resources

its financial statements to more accurately reflect the nature of these items. Specifically, customer deposits previously recorded under "Other Assets" have been reclassified to "Customer Deposits" to represent a liquidation provision, in line with the Bank's accounting policy. Additionally, income related to abandoned funds has been reclassified from "Net Fee and Commission Income" and "Administrative Expenses" to "Other Income" to better align with its underlying characteristics. These changes have impacted the calculation of both operational and credit risk-weighted assets (RWAs) for the current and prior year, and the relevant sections and tables in this disclosure have been updated accordingly to reflect the restated figures.

Table 1: Overview of Risk Weighted Exposure Amounts (OV1)

		Risk Weighted Assets		Capital requirement	
		31 Mar 2025 £'000	31 Mar 2024 £'000	31 Mar 2025 £'000	31 Mar 2024 £'000
1	Credit Risk	29,569	43,301	2,366	3,464
2	of which the standardised approach	29,569	43,301	2,366	3,464
6	Counterparty Credit Risk – CCR	–	780	–	62
8b	Of which credit valuation adjustment – CVA	–	299	–	24
9	Of which other CCR	–	481	–	38
20	Market Risk	–	–	–	–
21	of which the standardised approach	–	–	–	–
23	Operational Risk	98,418	82,457	7,873	6,597
23a	of which the basic indicator approach	98,418	82,457	7,873	6,597
29	**Total Risk-weighted Assets**	**127,987**	**126,538**	**10,239**	**10,123**

Capital Management and Resources

Available Capital

Our CET1 capital ratio was 19.32% on 31 March 2025 and our Total Capital ratio (including eligible Tier 2 capital) was 20.59%. We do not hold any Additional Tier 1 (AT1) capital.

Table 2: Capital Ratios

	31 Mar 2025	31 Mar 2024
CET1 ratio	19.32%	15.71%
T1 ratio	19.32%	15.71%
Total capital ratio	20.59%	17.47%

CET1 capital is the strongest form of capital, consisting of ordinary share capital, associated share premiums and allowable reserves, subject to appropriate regulatory deductions. Our available CET1 capital is stated after adjustments for the IFRS9 transitional arrangements. Tier 2 capital consists of subordinated debt instruments that are amortised once their residual maturity falls below 5 years.

Capital Management and Resources

Table 3: Available Capital by Type

Common Equity Tier 1	31 Mar 2025 £'000	31 Mar 2024 £'000
Paid up share capital	9	9
Share premium	43,334	43,334
Other reserves	4,880	3,993
Retained losses	(15,445)	(18,871)
Total equity per balance sheet	**32,779**	**28,466**
Regulatory capital adjustments		
Intangible assets	(5,827)	(5,986)
IFRS 9 transitional adjustments	632	1,265
Deferred tax assets	(2,856)	(3,868)
Additional coverage for non-performing exposures	0	0
Common Equity Tier 1	**24,728**	**19,877**
Tier 2 capital		
Issued Tier 2 capital instruments	1,627	2,226
Total Tier 2 capital	**1,627**	**2,226**
Total own funds	**26,354**	**22,103**

Capital Management and Resources

Minimum Requirements for Eligible Liabilities (MREL)

MREL is set annually by the Bank of England on a case-by-case basis. In line with its preferred resolution strategy for Zempler, the Bank of England does not currently require any additional MREL to be held by the bank over and above its minimum Pillar 1 and Pillar 2A requirements.

Leverage Ratio

Our Tier 1 Leverage ratio is our T1 capital resources expressed as a proportion of total exposure. On 31 March 2025, our T1 leverage ratio under the UK definition was 7.96%

Table 4: Summary reconciliation of accounting assets and leverage ratio exposures (LR1)

		31 Mar 2025 £'000	31 Mar 2024 £'000
1	Total assets per published financial statements	681,923	616,752
4	Adjustment for exemption of exposures to central banks	(366,157)	(374,773)
8	Adjustment for derivative financial instruments	-	961
10	Adjustments for off balance sheet items	2,942	2,621
12	Other adjustments	(8,051)	(8,589)
13	**Leverage Ratio total exposure amount**	**310,657**	**236,973**

Capital Management and Resources

Table 5: Leverage ratio common disclosure (LR2)

On-balance sheet exposures		31 Mar 2025 £'000	31 Mar 2024 £'000
1	Total assets per published financial statements	681,923	616,752
6	Asset amounts deducted in determining Tier 1 capital	(8,051)	(8,589)
7	**Total on-balance sheet exposures**	**673,872**	**608,163**
Derivative exposures			
9b	Exposure determined under the original exposure method	-	961
13	**Total derivatives exposures**	**-**	**961**
Off balance sheet items			
19	Off-balance sheet exposures at gross nominal amount	29,421	26,211
20	Adjustments for conversion to credit equivalent amounts	(26,479)	(23,590)
22	**Total off-balance sheet exposures**	**2,942**	**2,621**
Capital Ratios and Buffers			
23	Tier 1 capital	24,728	19,877
24	Total exposure measure inc. claims on central banks	676,814	611,746
24a	Claims on central banks excluded	(366,157)	(374,773)
24b	Total exposure measure exc. claims on central banks	310,657	236,973
25	Leverage ratio excluding claims on central banks	7.96%	8.39%
25a	IFRS9 Fully loaded leverage ratio exc. claims on central banks	7.77%	7.90%
25c	Leverage Ratio including claims on central banks	3.65%	3.25%

Capital Management and Resources

Table 6: Split of on-balance sheet exposures (LR3)

		31 Mar 2025 £'000	31 Mar 2024 £'000
1	**Total on-balance sheet exposures**	681,923	616,752
3	**Banking book exposures, of which:**	681,923	616,752
5	**Exposures treated as sovereigns**	633,016	541,846
7	**Institutions**	2,931	21,666
9	**Retail exposures**	22,507	24,528
11	**Exposures in default**	2,945	3,077
12	**Other exposures**	20,524	25,634

IFRS9 transitional arrangements

IFRS9 transitional arrangements were agreed within the CRR to allow firms to phase-in the Day 1 capital impact of the change from IAS39 to IFRS9 over a five-year period. Zempler applies the transitional arrangements in line with Article 473a (6a) of the UK CRR.

Capital Management and Resources

Table 7: IFRS9 transitional arrangements

		31 Mar 2025 £'000	31 Mar 2024 £'000
Available Capital (amounts)			
1	Common Equity Tier 1 (CET1) capital	24,728	19,877
2	CET1 capital without IFRS9 transitional arrangements	24,096	18,612
3	Tier 1 capital	24,728	19,877
4	Tier 1 capital without IFRS9 transitional arrangements	24,096	18,612
5	Total capital	26,354	22,103
6	Total capital without IFRS9 transitional arrangements	25,722	20,838
Risk-weighted assets (amounts)			
7	Total Risk-weighted assets (RWAs)	127,987	126,538
8	Total RWAs without IFRS9 transitional arrangements	127,355	125,273
Capital Ratios			
9	CET1 ratio (as a % of risk exposure amount)	19.32%	15.71%
10	CET1 ratio without IFRS9 transitional arrangements	18.92%	14.86%
11	Tier 1 ratio (as a % of risk exposure amount)	19.32%	15.71%
12	Tier 1 ratio without IFRS9 transitional arrangements	18.92%	14.86%
13	Total capital ratio (as a % of risk exposure amount)	20.59%	17.47%
14	Total capital without IFRS9 transitional arrangements	20.20%	16.63%
Leverage Ratio			
15	Leverage ratio total exposure	310,657	236,973
16	Leverage ratio	7.96%	8.39%
17	Leverage ratio without IFRS9 transitional arrangements	7.77%	7.90%

With the completion of the IFRS 9 transitional arrangements, they were fully phased out as of April 1, 2025.

Pillar 3 Disclosures

Liquidity and Funding

Liquidity and Funding

Liquidity Risk

Liquidity risk is the risk that the Bank is unable to meet its obligations as they fall due or can only do so at an excessive cost. It is assessed in relation to potential losses arising from the liquidation of assets and increases in the cost of funding during periods of stress.

Our risk appetite for liquidity risk is low and we hold sufficient liquid assets to cover liquidity needs under normal and stressed conditions. This is articulated through the following:

- Our internal risk appetite is to survive up to a minimum period of 90 days under extreme but plausible stressed conditions
- Maintain a Net Stable Funding Ratio (NSFR) at a level of at least 150%

The risk appetite is reviewed by ALCO and RiskCo and approved by the Board as part of the annual review and approval of the Internal Liquidity Adequacy Assessment Process (ILAAP). Adherence to the risk appetite is monitored daily by the Finance department. As part of the risk appetite monitoring and reporting, key metrics are in place to help identify any adverse movements at an early stage and take necessary actions before the risk appetite limits are breached.

We maintain a strong liquidity position, supported by a customer deposit base that significantly exceeds our lending portfolio. Most of our liquid assets are held at central bank and are accessible on a same-day basis. To enhance diversification and manage interest rate risk, we also maintain a portfolio of UK government securities with maturities of up to five years. These form an integral part of the Bank's liquidity buffer. On 31 March 2025, our Liquidity Coverage Ratio was 865%.

Table 8: Liquidity Coverage Ratio

	31 Mar 2025 £'000	31 Mar 2024 £'000
High quality liquid assets	593,599	499,514
Cash outflows	75,205	73,811
Cash inflows	6,559	17,467
Net cash outflows	68,646	56,344
Liquidity coverage ratio	**865%**	**887%**

Liquidity and Funding

Our assets are primarily High-Quality Liquid Assets (HQLA), for which we adopt a conservative approach focused on UK GILTS/T-Bills and Supranational bonds, and cash held in the Bank of England reserve account. We assess our exposure to liquidity stresses through our annual ILAAP that concluded that our liquidity position is sufficient to withstand severe but plausible liquidity stress events.

Funding Risk

Funding risk is the risk that the Bank does not have access to stable sources of funding to enable it to meet its financial obligations as they fall due. Funding concentration risk arises where funding is primarily from a single source and Zempler is unable to raise sufficient funds.

Our funding is primarily sourced from customer deposits. We regularly analyse transactional usage in our customer deposit accounts to understand the stickiness of these accounts and review our strategic product offering at least annually. We also apply limits across our deposit portfolio to ensure we identify and manage any exposure to geographic, sector or single-name concentrations.

On 31 March 2025, our Net Stable Funding Ratio was 798%.

Table 9: Net Stable Funding Ratio

	31 Mar 2025 £'000	**31 Mar 2024** £'000
Available Stable Funding	606,213	537,754
Required Stable Funding	75,978	66,251
Net Stable Funding Ratio	**798%**	**812%**

Pillar 3 Disclosures

Credit Risk

Credit Risk

Credit Risk

Credit risk is defined as the potential risk that a bank borrower or counterparty will fail to meet its obligations in accordance with agreed terms. We are willing to accept a moderate level of credit risk subject to associated pricing commensurate with our target markets, maintaining effective measurement and controls and ensuring that credit is being provided and used on a responsible basis and in accordance with applicable regulatory and legal obligations and standards.

Credit Risk Management

Our credit framework focuses on ensuring that appropriate and affordable lending is provided to customers. Credit is managed to a defined risk appetite and associated measures and monitored by the Credit Committee which meets monthly and reports to the Board Risk Committee. The framework includes the use of underwriting models which are regularly reviewed, performance monitoring and key policies including the Credit Policy and Collections policies.

Credit Risk RWAs

We adopt the Basel Standardised Approach to determine its Pillar 1 credit RWAs, applying the risk weights set out in Chapter 2, Section 2 of the CRR. Standardised risk weights are applied by type of asset class to each net exposure (gross exposure minus provisions and undrawn elements). On 31 March 2025, we had £29.6m of credit RWAs, against which we held £2.4m of Pillar 1 capital.

Credit Risk

Table 10: Pillar 1 Standardised Credit Risk Weighted Assets (31 March 2025)

£'000	Gross Exposure	Provision	Net Exposure	Risk-Weight	RWAs
Retail - Consumer	**25,184**	**(3,611)**	**21,573**	**-**	**17,235**
Non-defaulted assets	20,175	(1,219)	18,955	75%	14,217
Default (>20% provision)	4,075	(2,258)	1,817	100%	1,817
Default (<20% provision)	934	(134)	800	150%	1,201
Retail - SME	**5,044**	**(1,165)**	**3,879**	**-**	**2,376**
Non-defaulted assets	4,196	(645)	3,552	57%	2,029
Default (>20% provision)	804	(517)	287	100%	287
Default (<20% provision)	43	(3)	40	150%	60
Central Banks	**633,016**	**-**	**633,016**	**0%**	**0**
Institutions	**2,931**	**-**	**2,931**	**-**	**586**
Bank Balances	2,931	-	2,931	20%	586
Other	**12,167**	**-**	**12,167**	**-**	**9,372**
Fixed Assets	2,178	-	2,178	100%	2,178
Deferred Tax Asset	195	-	195	250%	487
Cash in collection	3,859	-	3,859	20%	772
IFRS9 transition	632	-	632	100%	632
Other	5,303	-	5,303	100%	5,303
Cash in hand & equivalent cash items	0	-	0	0%	0
Total	**678,343**	**(4,776)**	**673,566**	**-**	**29,569**

Credit Risk

In calculating Pillar 1 credit RWAs, the following approach is used:

- **Unsecured retail exposures – Non defaulted assets.** In line with UK CRR Article 123 a 75% risk weight is applied to the bank's non-defaulted exposure to natural person or persons and to SMEs.

- **Application of the SME scaling factor.** In line with UK CRR Article 501(1), a scaling factor of 0.7619 is applied to non-defaulted SME exposures, resulting in a net risk weight of 57.1%.

- **Unsecured retail exposures – defaulted assets.** In line with UK CRR Article 127(1), a 100% risk weight is applied to defaulted assets where provisions are > 20% of exposure and a 150% risk weight is applied to defaulted assets where provisions are < 20% of exposure.

- **Undrawn commitments.** In line with UK CRR Article 166 annex 1 the bank's undrawn credit commitments, which can be withdrawn unconditionally, are classed as low risk and are assigned a 0% risk weight.

- **Central Banks.** In line with UK CRR Articles 114(2) and 114(4), the bank's exposure to the Bank of England Reserve account and UK GILTs are assigned a 0% risk weight.

- **Institutions – Bank balances.** In line with UK CRR Article 119(2) and 119(3), bank balances have a residual maturity of less than 3 months and are assigned a 20% risk weight

- **In accordance with UK CRR Article 120(1),** the cash collateral previously placed with Mastercard was subject to a 50% risk weighting. This collateral has since been withdrawn and replaced with a UK GILT, which carries 0% risk weighting, ensuring enhanced risk efficiency.

- **Deferred Tax Assets.** In line with UK CRR Article 48(4), the portion of the bank's Deferred Tax Assets that are deemed to depend upon future profitability and arise from temporary timing differences are assigned a risk weight of 250% (as the relevant aggregate DTA amount is less than the threshold of 10% of CET1 capital).

- **In 2024, the bank incurred a small Counterparty Credit Risk (CCR),** including Credit Value Adjustment (CVA), stemming from an Interest Rate Option purchased to manage interest rate risks. However, following the termination of the Interest Rate Option in November 2024, the exposure has been fully eliminated.

- **Cash in the process of collection.** In line with UK CRR Article 134(3), cash items in the process of collection are assigned a 20% risk weight.

- **IFRS9 transition.** In line with Regulation (EU) 2020/873, the transitional arrangements are applied on a tapered basis, with a 25% weight applied to the adjustment made to CET1 capital for FY 24/25.

- **Fixed / Other Assets.** In line with UK CRR Article 134(1), tangible assets are assigned a 100% risk-weight.

Further information on our credit risk exposures and provisioning is detailed in note 28 to the 2024/25 Annual Report & Accounts.

Pillar 3 Disclosures

Market Risk

Market Risk

Market Risk

Market risk is defined as the potential for changes in the market value of a firm's trading and investment positions. We do not operate a Trading Book and our Banking Book operates primarily in the UK and in £ sterling. However, we do have some small-scale Foreign Exchange exposures against which we assess the need to hold Pillar 1 capital using the standardised approach. We do not hold any LIBOR linked products and are not materially impacted by other market risks such as currency exchange.

Interest Rate Risk in the Banking Book (IRRBB)

The Bank's primary exposure to market risk is interest rate risk. IRRBB is the risk of losses arising from volatility in interest rates associated with the mismatch between 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 cashflows.

As the Bank holds its interest rate sensitive assets in a mix of credit, cash held at central banks and financial institutions, UK Government securities and Supranational bonds, the risk to the business comes from the impact to earnings associated with changes in 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 and managing maturity mismatches using GILTs at fixed rates.

The Bank measures and assesses interest rate risk primarily arising from potential changes in the interest rates impacting economic value of equity (EVE), which applies six prescribed interest rate scenarios. This sensitivity scenario remain unchanged from the prior year. The ΔEVE resulting from worst case scenario on 31 March 2025 is -£1,153k (2024: -£1,208k).

In addition to EVE, the bank evaluates the impact of interest rate changes on NII over a 12-month horizon. This assessment is based on a parallel shift of 100 basis points upward and downward in interest rates.

Our Treasury Management function calculates and reviews our IRRBB exposure daily, monitoring movements and trends as the business grows and ensuring that we remain within risk appetite through hedging of net-liability maturity mismatches. This is also reviewed at the ALCO along with an IRRBB forecast and results of the underlying stresses. The IRRRBB policy and calculation methodology is reviewed annually or when there is a significant change in business strategy or balance sheet composition.

Interest Rate Option

In 2024, Zempler had entered into an Interest Rate Floor Option with Investec Bank PLC as an OTC derivative financial instrument, designed as an economic hedge against potential downward interest rate shocks. While the option was originally set to mature on 6 May 2025, it was terminated in November 2024, eliminating any associated exposure in 2025.

Pillar 3 Disclosures

Operational Risk

Operational Risk

Operational Risk

Operational Risk is defined as the risk of loss resulting from failed or inadequate internal processes, people and systems or external events. Our risk appetite seeks to optimise Operational Risk to ensure an appropriate balance between customer outcomes, financial sustainability and operational stability in line with our strategic objectives.

Operational Risk Management

Operational risks are managed by the Operational and Security Risk Committee which meets monthly and reports to the Risk Committee. Key polices are the Business Continuity and Disaster Recovery plans that set out actions in the event of material IT disruption. Zempler 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.

Operational Risk RWAs

We adopt the Basel Basic Indicator Approach (BIA) to determine our Pillar 1 operational risk RWAs. This is based on 15% of the average relevant income over the previous three years.

Table 11: Operational risk own funds requirements and risk-weighted exposure amounts (OR1)

	Relevant Indicator (£'000)			Pillar 1 Capital	RWAs
	22/23	23/24	24/25	£'000	£'000s
Banking activities subject to Basic Indicator Approach (BIA)	42,418	57,040	58,010	7,873	98,418

Pillar 3 Disclosures

Remuneration

Remuneration

Remuneration Policy

Our Remuneration Policy applies to all colleagues, including Material Risk Takers, and is implemented consistently across the Bank. It is designed to be inclusive, equitable, and aligned with our values. We recognise that remuneration can influence behaviour and therefore prioritise rewarding contributions that support positive outcomes for customers, colleagues, shareholders and other stakeholders. The Policy supports long-term sustainable growth, with risk awareness and good conduct central to its application.

The Policy has been designed to attract, motivate and retain individuals with the necessary skills and experience to meet the demands and complexities of their roles. It is applied without bias or discrimination on the basis of gender, ethnicity, age, disability, race, social background, sexual orientation, or any other factor unrelated to performance or experience within the organisation.

The Remuneration Committee (RemCo) holds responsibility for overseeing the Remuneration Policy. Appointed by the Board, RemCo comprises three independent non-executive directors. It reviews the Policy annually to ensure alignment with the Bank's strategy, objectives, and values, and to confirm compliance with regulatory requirements, in accordance with the proportionate expectations for Zempler Bank as a Level 3 firm.

The Remuneration Policy was most recently reviewed by RemCo in March 2025 and approved by the Board in April 2025. While RemCo has the authority to engage external consultants to support its responsibilities, no such appointments were made during the reporting period ending 31 March 2025. The Risk and Audit functions also provide input into remuneration decisions where appropriate. During the financial year ending 31 March 2025, RemCo met three times.

Link between pay and performance

Remuneration for colleagues comprises fixed pay (including base salary, a flexible benefits allowance calculated as a percentage of base salary, life assurance, company-funded pension contributions, and other benefits) and variable pay. For the period ending 31 March 2025, variable pay was awarded as a discretionary cash bonus in July 2024, recognising individual contributions to the bank's overall performance.

The Remuneration Policy provides a framework that supports legal and regulatory compliance while ensuring decisions are based on the following principles:

1. Business performance, including performance against strategic objectives and metrics from our Enterprise-wide Risk Management Framework.
2. Individual performance against individual objectives as set out in personal performance reviews.
3. Adherence to Company values, business principles, risk-related policies and procedures and global conduct standards of the banking and financial services industry.

Fixed Pay

Base salaries are determined by the accountability, impact, and level of responsibility of each role, as well as, to a lesser extent, individual performance. External market benchmarking is used to determine appropriate salary levels. Salaries are reviewed annually, though this does not necessarily result in a change each year.

In addition, a fixed range of relevant benefits is provided for colleagues. RemCo periodically reviews

Remuneration

the benefits package to ensure continued relevance and alignment with market expectations. Alongside pension contributions and life assurance, each colleague receives a Flexible Benefits Allowance worth 7.5% of their base salary. While this is paid in cash, colleagues are encouraged to use it towards private medical cover and enhancing their company pension contributions.

We offer a variety of leave options including annual leave, sabbatical opportunities, and enhanced family leave and pay policies. A suite of voluntary benefits is also available to support financial, physical, emotional, social, and professional wellbeing. These benefits are not linked to individual or Company performance metrics.

Variable Pay

Variable pay is designed to reward performance. For the period ending 31 March 2025, discretionary cash bonuses were paid in July 2024. All staff appointed before 1 January 2024 were eligible for a bonus, calculated as a percentage of base salary, in recognition of their contribution to the Company's success.

In accordance with proportionality principles, the Company has chosen not to apply deferral requirements to the July 2024 bonus awards, as all individual payments were below the regulatory de minimis threshold of £44,000.

In addition to the discretionary bonus, the Company operates two share option schemes as part of variable pay: Share in Success (SiS) and the Executive Share Option Scheme (ESOS). SiS has been suspended since 19 September 2023, with no further allocation of options. ESOS may still award options, but only from the existing pool. These ESOS awards are made to senior executives on recruitment to ensure alignment with the Company's long-term interests. The value of share options is only realised upon an exit event, which is dependent on the overall performance of the business—including financial results, customer experience, and the effectiveness of our compliance and risk management.

As approved by RemCo, variable pay for Material Risk Takers (MRTs) remains subject to voluntary malus and clawback provisions. Malus and clawback may apply in circumstances including (but not limited to) cases where an MRT has participated in, or been responsible for, conduct resulting in significant losses to the Company, or has failed to meet appropriate standards of fitness and propriety.

The total value of variable pay in each year is limited to a maximum of 100% of fixed pay.

The Remuneration Policy incorporates a policy that limits any guaranteed variable remuneration to exceptional circumstances, for example to secure a candidate for a role. Where approved by RemCo, such arrangement will be applicable only in the first year of employment. Any payments related to an early termination of contract will not reward failure or misconduct. Termination payments for Material Risk Takers are approved by RemCo.

Alignment of Remuneration and Risk

The Terms of Reference for the Remuneration Committee (RemCo), which are reviewed annually, set out the Committee's full responsibilities. Among these is ensuring that remuneration arrangements are consistent with, and actively promote, sound and effective risk management. RemCo provides oversight of the Remuneration Policy and its application across all business and functional areas.

Remuneration

To support the alignment of remuneration with both risk management and sustainable business growth, the following practices are in place:

- The Chief Risk Officer (CRO) provides regular input to RemCo on risk-related matters across the Company. This ensures that any relevant risks are taken into account when applying the remuneration framework and making related decisions. The CRO also reports on performance against the Enterprise-wide Risk Management Framework, which defines the types and levels of risk the Company is willing to assume in pursuit of its strategy. RemCo considers this information when making adjustments to the variable pay pool, ensuring that risk, return, and remuneration remain appropriately balanced.

- The Internal Audit Director (IAD) provides updates to RemCo on material matters arising from Internal Audit work, typically via the Audit Committee. This includes any relevant audit findings relating to remuneration, as well as updates on the status of outstanding audit actions.

- The Chairs of the Audit and Risk Committees are members of RemCo. Their perspectives, informed by their respective committee responsibilities, help ensure that any risk-related adjustments to the variable pay pool—or to individual remuneration decisions—are grounded in strong governance and aligned with the Bank's risk management framework.

Control Functions

In view of a potential conflict, RemCo will determine whether Control Function colleagues are included within variable pay schemes in operation for other staff in consideration of:

- the impact of personal performance within variable pay schemes looking at the performance assessment relative to objectives specific to the functional role;
- the extent of involvement in, and broader contribution, to variable plan design proposals;
- the materiality (value) of potential award including a review of values as a % of fixed remuneration;
- whether, or not, the schemes are felt to have the potential to impair independence and objectivity.

The remuneration of any senior members of Control Functions, such individuals identified as Material Risk Takers, will be reviewed by the People Team, and approved by RemCo.

Remuneration for Material Risk Takers

Material Risk Takers (MRTs) are defined as individuals whose professional activities can have a material impact on the firm's risk profile. We identify MRTs in line with the relevant PRA and FCA regulatory standards.

The remuneration of MRTs is managed in line with our overall reward approach, applying the Remuneration Code requirements in a way that is proportionate to the Bank's size, nature, and complexity.

In the financial year ending 31 March 2025 we identified 24 Material Risk Takers including part-year Material Risk Takers. Remuneration for identified MRTs in the financial year 2024/25 is shown in the table below.

Remuneration

Table 12: Remuneration awarded for the financial year 2024/25 (REM1)

	MB Supervisory Function £'000	MB Management Function £'000	Other Senior Management £'000	Other Identified Staff £'000
Number of identified staff	**6**	**3**	**9**	**6**
Fixed Remuneration: Cash-based	444	861	2,069	849
Total Fixed Remuneration	**444**	**861**	**2,069**	**849**
Variable Remuneration:				
Cash-based	-	86	146	55
Shares or equivalent interests	-	333	-	-
of which: deferred	-	333	-	-
Total Variable Remuneration	**-**	**419**	**146**	**55**
Total Variable Remuneration	**444**	**1,280**	**2,215**	**904**

Remuneration

Table 13: Special payments to staff (REM2)

Guaranteed variable remuneration awards	*Total £'000s*
1. Guaranteed variable remuneration awards – Number of identified staff	–
2. Guaranteed variable remuneration awards – Total amount	–
3. Of which guaranteed variable remuneration awards paid during the financial year, that are not taken into account in the bonus cap	–
Severance payments awarded in previous periods, that have been paid out during the financial year	
4. Severance payments awarded in previous periods, that have been paid out during the financial year – Number of identified staff	–
5. Severance payments awarded in previous periods, that have been paid out during the financial year – Total amount	–
Severance payments awarded during the financial year	
6. Severance payments awarded during the financial year – Number of identified staff	3
7. Severance payments awarded during the financial year – Total amount	131
8. Of which paid during the financial year	131
9. Of which deferred	–
10. Of which severance payments paid during the financial year, that are not taken into account in the bonus cap	–
11. Of which highest payment that has been awarded to a single person	86

Due to the limited number of recipients and the potential risk of identifying the individual concerned, we have applied the principle of proportionality and data protection in line with Article 432 of the UK CRR and UK GDPR requirements. To preserve confidentiality and protect personal data, the information disclosed in REM2 has been aggregated and anonymised. Further details have been withheld where disclosure would lead to the identification of the individual.

Pillar 3 Disclosures

Appendices

Appendix 1: Key Metrics

The following table shows key metrics in the format prescribed by the Disclosure (CRR) part of the PRA rulebook. Any blank cells in the template have been removed.

Table 14: Key Metrics (KM1)

Available Own Funds		31 Mar 2025 £'000	31 Mar 2024 £'000
1	Common Equity Tier 1 capital	24,728	19,877
2	Tier 1 Capital	24,728	19,877
3	Total Capital	26,354	22,103
Risk Weighted Assets (RWAs)			
4	Total Risk Weighted Assets	127,987	126,538
Capital ratios (as a % of RWAs)			
5	Common Equity Tier 1 ratio	19.32%	15.71%
6	Tier 1 ratio	19.32%	15.71%
7	Total capital ratio	20.59%	17.47%
7a	Additional CET1 SREP requirements	1.96%	1.96%
7b	Additional AT1 SREP requirements	0.65%	0.65%
7c	Additional T2 SREP requirements	0.87%	0.87%
7d	Total SREP own funds requirements	12.54%	11.49%

Appendix 1: Key Metrics

Table 14: Key Metrics (KM1)

Combined buffer requirement (% of RWAs)		31 Mar 2025 £'000	31 Mar 2024 £'000
8	Capital conservation buffer	2.50%	2.50%
9	Institution specific countercyclical capital buffer	2.00%	2.00%
11	Combined buffer requirement	4.50%	4.50%
11a	Overall capital requirements	17.04%	15.99%
12	CET1 available after meeting SREP own funds requirements	6.78%	4.22%
Leverage ratio			
13	Leverage ratio total exposure measure	310,657	236,973
14	Leverage ratio	7.96%	8.39%
Liquidity Coverage Ratio			
15	Total high-quality liquid assets (HQLA)	593,599	499,514
16a	Cash outflows	75,205	73,811
16b	Cash inflows	6,559	17,467
16	Total net cash outflows	68,646	56,344
17	Liquidity coverage ratio (%)	865%	887%
Net Stable Funding Ratio			
18	Total available stable funding	606,213	537,754
19	Total required stable funding	75,978	66,251
20	NSFR ratio (%)	798%	812%

Appendix 2: Composition of Own Funds

The following table shows the composition of own funds for the Bank in the format prescribed by the Disclosure (CRR) part of the PRA rulebook. Any blank cells in the template have been removed.

Table 15: Composition of regulatory own funds (CC1)

Common Equity Tier 1 capital: instruments and reserves		31 Mar 2025 £'000	31 Mar 2024 £'000
1	Capital instruments and related share premium	43,344	43,344
2	Retained Earnings	(15,445)	(18,871)
3	Accumulated other reserves	4,880	3,993
5a	Independently reviewed interim profits	0	0
6	**Common Equity Tier 1 before regulatory adjustments**	**32,779**	**28,466**
Common Equity Tier 1 capital: regulatory adjustments			
8	Intangible assets	(5,827)	(5,986)
10	Deferred tax assets	(2,856)	(3,868)
27a	Other adjustments	632	1,265
28	**Total Regulatory adjustments to CET1**	**(8,051)**	**(8,589)**
29	**Common Equity Tier 1**	**24,728**	**19,877**
45	**Tier 1 capital**	**24,728**	**19,877**

Appendix 2: Composition of Own Funds

Table 15: Composition of regulatory own funds (CC1)

Tier 2 capital and provisions		31 Mar 2025 £'000	31 Mar 2024 £'000
46	Tier 2 capital instruments and related share premium	1,627	2,226
51	Tier 2 capital before regulatory adjustments	**1,627**	**2,226**
58	Tier 2 capital	**1,627**	**2,226**
59	Total Capital	**26,354**	**22,103**
60	Total Risk-weighted assets	**127,987**	**126,538**
Capital Ratios and Buffers			
61	Common Equity Tier 1 (as % of total risk exposure amount)	19.32%	15.71%
62	Tier 1 (as % of total risk exposure amount)	19.32%	15.71%
63	Total capital (as % of total risk exposure amount)	20.59%	17.47%
64	Institution CET1 overall capital requirement	10.96%	10.96%
65	Of which: capital conservation buffer requirement	2.50%	2.50%
66	Of which: counter-cyclical buffer requirement	2.00%	2.00%
68	Common Equity Tier 1 available to meet buffers	12.86%	9.24%
Amounts below the threshold for deduction (before risk weighting)			
75	Deferred tax assets arising from temporary differences	195	862
Applicable caps on the inclusion of provisions in Tier 2			
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	370	541

Appendix 3: Reconciliation

The following table shows the reconciliation of own funds to balance sheet for the Bank in the format prescribed by the Disclosure (CRR) part of the PRA rulebook. Any blank cells in the template have been removed.

Table 16: Reconciliation of regulatory own funds to balance sheet (CC2)

		Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference
Assets		**31 Mar 2025** £'000	**31 Mar 2025** £'000	
1	Cash and balances at other banks	369,088	369,088	
2	Investment Securities	266,859	266,859	
3	Loans and Advances to Customers	25,452	25,452	
4	Derivative financial assets	0	0	
5	Other assets	9,469	9,469	
6	Net Deferred Tax Assets	3,051	3,051	CC1 (10)
7	Plant, property and equipment	2,177	2,177	
8	Intangible Assets	5,827	5,827	CC1 (8)
	Total On B/S Assets	**681,923**	**681,923**	
9	Other items – IFRS9 adjustment and NPE charge	0	632	CC1 27(a)
	Total Assets	**681,923**	**682,555**	

Appendix 3: Reconciliation

Table 16: Reconciliation of regulatory own funds to balance sheet (CC2)

		Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference
Liabilities		31 Mar 2025 £'000	31 Mar 2025 £'000	
1	Customer deposits	624,600	624,600	
2	Provisions for Liabilities and Charges	0	0	
3	Tier 2 debt	1,627	1,627	CC1 (46)
4	Tier 2 debt amortisation	1,373	1,373	
5	Loan Stock	–	–	
6	Other Liabilities and Accruals	16,520	16,520	
7	Deferred Income	5,024	5,024	
	Total Liabilities	**649,144**	**649,144**	

Appendix 3: Reconciliation

Table 16: Reconciliation of regulatory own funds to balance sheet (CC2)

		Balance sheet as in published financial statements	*Under regulatory scope of consolidation*	*Reference*
Shareholder's Equity		**31 Mar 2025** £'000	**31 Mar 2025** £'000	
1	**Share Capital**	9	9	CC1 (1)
2	**Share Premium**	43,334	43,334	CC1 (1)
3	**Other Reserves**	4,880	4,880	CC1 (3)
4	**Retained Earnings**	(15,445)	(15,445)	CC1 (2) & 5(a)
5	**IFRS 9 transitional adjustment**	0	632	CC1 27(a)
	Total Shareholder's Equity	**32,779**	**33,411**	

ZEMPLER BANK