

tandem

Annual Report and Accounts

Year End 2025

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Strategic Report

The Directors present their Strategic Report and audited consolidated Financial Statements of Tandem Money Limited ('the Group', 'the Bank' or 'Tandem') for the year ended 31 December 2025.

The Group accounts incorporate the results of Tandem Money Limited ('TML' or 'the Company') and its subsidiaries including Tandem Bank Limited which is authorised by the Prudential Regulation Authority ('PRA') and regulated by the Financial Conduct Authority ('FCA'). See Note 16 for a list of subsidiaries. The registered office for each entity is Viscount Court, Sir Frank Whittle Way, Blackpool, England, FY4 2FB.

The Strategic Report may include forward-looking statements, which are based on assumptions, expectations, valuations, targets, estimates, forecasts and projections about future events.

These forward-looking statements are subject to risks, uncertainties and assumptions about the Group and the environment in which it operates. These statements are made by the Directors in good faith based on the information available up to the time of their approval of this report and such statements should be considered with caution due to the inherent uncertainties underlying any forward-looking information.



Stephen Jones

Chair

Chair Statement

Shaping the foundations for long term, sustainable growth

I am pleased to present our 2025 annual report. Over the year, we continued to help consumers adopt more sustainable lifestyles while saving them money.

2025 was marked by deliberate choices to strengthen Tandem's long term position as a sustainable, tech-driven consumer lender. We also refreshed our leadership, welcoming our new Chief Executive, Neil Chandler, and planning further Board level changes in the year ahead to support the next phase of growth.

Confidence in strategy and the direction of the business

Throughout a challenging year, the Board remained focused on the long term. We have strong confidence in the Group's tech-enabled consumer lending strategy, supported by a capable leadership team and a culture grounded in sustainability and responsible finance.

This progress is reflected in resilient performance and disciplined lending growth, underpinned by a strong capital and liquidity position.

We strengthened the Executive team and broader leadership structure to ensure the business remains well governed and positioned for growth. Tandem's strategy anchored in disciplined risk management, continued investment in technology and a clear focus on sustainable finance will differentiate the business and deliver future success.

I am excited to join Tandem at a pivotal moment for specialist lenders. There is clear opportunity for customer-focused, service-led businesses, particularly those with strong technology at their core. With the policy and economic environment continuing

to encourage households to shift towards more sustainable living, lenders like Tandem are well placed to support customers through that transition.

Responding to a challenging external environment

The external environment remained demanding, shaped by sector wide developments in motor finance and continued competition across savings markets. Ongoing industry and regulatory work on historical commission arrangements, including the consultation on an industry wide redress scheme and subsequent commencement of the Scheme on 31 March 2026 has required careful scenario planning. We recognised an estimated provision of £3.4m reflecting a range of reasonably possible outcomes, including consumer response rates and operational costs.

These issues are sector wide, but they do affect our customers and operations. The Board has overseen a robust response and continued to ensure governance, controls and processes remain strong as the landscape evolves.

On behalf of the Board, I thank Neil, the Executive team and all colleagues for their dedication through a year of purposeful change. I would also like to thank Paul Pester, my predecessor as Chair, for his capable stewardship of Tandem and for his generous support as I transitioned into the Chair position.

We enter 2026 confident in Tandem's strategy, its people, and its future.

Stephen





Neil Chandler

Chief Executive Officer

CEO Statement

A year of deliberate choices to build for long term success

2025 has been a year of clear strategic choices for Tandem. Having joined as CEO in June, I have been genuinely encouraged by the response from colleagues across the organisation and the resilience with which our people have navigated change.

The commitment from our people has given me deep confidence in the strength of this business and its long term potential.

What sets Tandem apart

Since joining Tandem, I have spent significant time listening and understanding what our customers value, how our teams deliver, and where our true competitive strengths lie. What is clear is that Tandem is a customer first, tech-enabled lender with the agility to make quick, informed decisions and adapt rapidly to customer needs.

Sustainability remains core to who we are. Our commitment to helping customers make better sustainable choices continues to set us apart in a crowded market, and it is an area the Board has consistently championed.

Our culture is another defining strength. In 2025, Tandem was again recognised by The Sunday Times Best Place to Work and Tech 100, Investors in Customers Gold standard, and independently Certified™ in the Top 100 Large Organisations Great Place to Work®, reflecting the pride, dedication and energy of our people.

Taken together, these advantages provide a strong foundation that positions us to build a profitable, sustainable, long-term business.

Focused for success

Over the past year, we sharpened our focus around four key priorities: delivering an outstanding customer experience and driving digitisation to enhance that experience, driving profitable growth, simplifying how we operate, and embedding sustainability throughout the business.

This focus has guided the strategic choices we made during the year investing where it matters most to build a more resilient, future-ready Bank. We also strengthened our Executive team and Board with key appointments to add experience and constructive challenge as we enter the next phase of growth.

2025 performance highlights

- Delivered resilient underlying performance in a demanding year, with underlying operating profit of £17.4m, while managing competition and one off legacy impacts.
- Strengthened core earnings capacity, with net interest income of £87.9m and net interest margin improving to 7.0%.
- Continued to grow and diversify, with assets under management up 11.2% to £1.68bn, supported by strong momentum in priority lending franchises and the effective execution of the Fylde securitisation programme.
- Maintained tight cost control while investing selectively; expenses (excluding motor finance redress) were £64.6m, and we ended the year with strong capital and liquidity (CET1 15.5%; LCR 480%).
- Advanced our sustainability agenda, reducing Scope 1 emissions to zero by relocating our Cardiff office to a more energy efficient building.

Financially resilient

We continued to make progress in lending profitability and enhanced our savings offering with the launch of a new ISA product portfolio, all in a market of increasing competition across both savings and lending.

Importantly, our performance reflected deliberate strategic choices: simplifying the business, sharpening capital allocation and prioritising long term value over short term volume. This discipline shaped our savings and lending mix and maintained our capital and liquidity position.

We continued to navigate sector-wide developments in motor finance through prudent planning and appropriate provisioning. In addition, our financial performance reflected a tougher year-on-year comparison following the significant initial securitisation completed in 2024, which benefited from multiple years of originated assets. This reflected an uplift that, by its nature, could not be replicated in the 2025 transaction.

Looking ahead: confident in our direction and our opportunity

As we enter 2026, I am confident in Tandem's direction. With a refreshed customer proposition, a stronger operational platform and continued investment in digitisation, we will drive greater efficiency and sharpen our offer.

We have a clear opportunity to grow sustainably, serve more customers with simple, transparent products, and create long term value for shareholders, colleagues and customers. I am grateful to our talented team, and to our customers and shareholders for their trust.

Together, we are building a stronger, more focused and future ready Tandem, leading the way in sustainable digital banking.

Neil



Ryan Heaps

Chief Financial Officer

Financial Review

2025 has seen continued positive underlying income and lending growth for Tandem despite a number of financial and market headwinds that have impacted our overall profitability.

Motor Finance commission redress and other one-off legacy book provisions taken in the year - along with increasing competition in both savings and lending markets - has required additional margin and cost discipline as we continue to focus on asset growth and developing our capabilities in new market segments.

The Group continues to maintain a strong capital and liquidity position which, alongside our continued focus on income growth, cost management and business simplification, provides a strong base to support our future lending and profitability growth plan.

This financial review includes a reconciliation of underlying and statutory measures of performance, where underlying performance excludes non-trading and non-recurring items.

Key performance indicators

The KPIs used to measure the financial performance of Tandem, under the headings of Profitability, Loan assets and customer deposits and Balance sheet strength, are set out below:

Profitability

Underlying operating profit	Statutory loss before tax	Cost-to-income*
£17.4m	-£8.7m	66.7%
(2024: £24.1m)	(2024: £4.4m profit)	(2024: 65.4%)

Net interest margin	Cost-to-asset ratio*	Impairments ratio
7.0%	2.2%	4.1%
(2024: 6.6%)	(2024: 1.8%)	(2024: 3.0%)*

*Costs exclude impact of Motor Finance commission redress

The Group's underlying operating profit for the year of £17.4m (2024: £24.1m) represents a decrease compared to the prior year. While underlying lending revenue has increased with new origination growth, year on year underlying profitability was impacted by three main areas:

- A lower gain on sale on the 2025 Fylde second charge loan securitisation – with the inaugural 2024 transaction benefiting from a larger back book loan pool
- Lower net income from excess instant access deposit balances as marginal pricing opportunities reduce in the current falling rate environment
- Higher impairment balances reflecting changes in lending origination mix towards higher yielding asset classes

Statutory profits have been further impacted by one-off or exceptional items, including £3.4m of provisions set aside for Motor Finance commission redress following the start of the FCA's Motor Commissions Redress Scheme ('the Scheme') on 31 March 2026 and impairments of the legacy high net worth portfolio. Further information on the Scheme is provided in Note 22, and on impairments in Note 12.

The cost-to-income ratio (operating expenses excluding Motor Finance commission redress provisions divided by total income including securitisation gain) increased marginally by 1.3% year on year. Operating expenses increases have been minimal, with the Group continuing to invest in new capabilities but offsetting these with simplification and cost efficiencies.

The cost-to-assets ratio (calculated as operating expenses excluding Motor Finance commission redress provisions divided by average total assets) increased by 0.4% year on year, largely driven by a reduction in excess

liquid assets from lower instant access deposit balances.

Net interest margin (net interest income divided by average loans and advances to customers) increased by 0.4% over the year with the balance sheet mix shifting towards higher yielding asset classes partially offset by lower income from excess instant access deposits.

The impairment ratio (provision for bad and doubtful debts divided by average gross loans and advances to customers) increased by 1.1% compared to the previous year with a higher proportion of unsecured loans held on balance sheet post Fylde securitisation and changes in the new lending origination mix.

The Group has reviewed the FCA Motor Finance commission redress Policy Statement published on 30 March 2026 to assess the impact of the redress scheme. At this stage, the Group considers that there remains significant uncertainty regarding customer response rates and case costs and referral rates to the Financial Ombudsman Service. Based on scenario analysis, the Group has recognised an estimated provision of £3.4m. The provision reflects a range of reasonably possible outcomes and includes estimates for operational costs, as well as potential consumer redress. Given the uncertainties, the ultimate financial impact may be higher or lower than the amount provided.

Loan assets and customer deposits

Growth in assets under management

11.2%

(2024: 5.2%)

Change in customer deposit balances

-22%

(2024: -20% reduction)

Assets under management, including both on balance sheet loans and off balance sheet second charge mortgages included in the Fylde securitisations, increased by 11.2% year on year to £1.68bn reflecting positive growth in our Motor Finance and Second Charge divisions. On balance sheet customer loans increased by 6% in the year to £1.28bn.

The 2025 Fylde securitisation transaction was once again well received by the market, delivering positive income and capital benefits for the Group. Management expect the securitisation programme to continue to be a key feature of the Bank's balance sheet and capital management strategy going forwards.

Customer deposits reduced year-on-year by 22% after significant growth in 2023. The savings market across instant access and fixed products has become increasingly competitive over the last year and funding levels are closely managed to ensure balance sheet requirements and NII margins are optimised. 2025 also marked the successful launch of our Individual Savings Account (ISA) offering which will provide additional deposit raising options across both fixed and instant access products to support future asset growth.

Balance sheet strength

CET1 ratio	Liquidity coverage ratio	Loan-to-deposits ratio
15.5%	480%	57%
(2024: 17.4%)	(2024: 498%)	(2024: 42%)

Tandem continues to maintain a strong capital and liquidity position with a Common Equity Tier 1 (CET1) ratio of 15.5% and a Liquidity Coverage Ratio (LCR) of 480% as at year end with material headroom to regulatory requirements.

The lower CET1 ratio versus prior year reflects a more efficient deployment of available capital to support lending growth following the completion of the 2025 Fylde securitisation transaction.

Changes to Loan-to-deposit ratio and LCR in the year are driven by the managed reduction in instant access deposit balances. As a predominantly retail funded bank, we continue to cover loan assets fully with deposits.

Financial Review

The summarised Income Statement for the Group is shown on an underlying basis as well as in statutory format where the former aims to provide a clearer view of Tandem's trading performance.

The main differences between the two are as follows:

- Underlying net interest income excludes Tier 2 debt interest of £2.6m (2024: £2.7m), and EIR update of £(0.4)m (2024: £0.2m).
- Underlying other income/expenses excludes swap fair value adjustments of £0.5m (2024: £(1.6)m).
- Underlying operating expenses excludes Motor Finance commission redress provision of £3.4m (2024: nil). Other differences include amortisation of intangibles of £2.0m (2024: £2.8m), employee share scheme charge of £(0.1)m (2024: £0.6m), restructuring costs of £0.7m (2024: £0.9m), and other one-off costs of £1.6m (2024: £1.0m) including professional, legal and legacy costs.

- Underlying provisions for bad and doubtful debts excludes the impact of legacy high net worth portfolio impairment of £2.6m (2024: nil) and other one-off losses and impairments of £1.1m (2024: nil) including credit risk model updates, fraud impact and other legacy book write-offs. The prior year excluded the initial impact of motor voluntary terminations provisions of £0.9m, ongoing adjustment of which is included in the underlying charge in 2025.

	2025			2024		
	Statutory £'000	Underlying £'000	Variance £'000	Statutory £'000	Underlying £'000	Variance £'000
Net interest income	87,917	90,091	2,174	85,520	88,378	2,858
Other income/ expenses	84	620	536	1,981	347	(1,634)
Total income	**88,001**	**90,711**	**2,710**	**87,501**	**88,725**	**1,224**
Operating expenses	(64,647)	(60,514)	4,133	(64,556)	(59,191)	5,365
Motor Finance commission redress	(3,422)	–	3,422	–	–	–
Bad and doubtful debts	(25,420)	(21,704)	3,716	(17,525)	(16,646)	879
Gain on sale of financial assets	8,887	8,887	–	11,194	11,194	–
Underlying profit before other charges	**3,399**	**17,380**	**13,981**	**16,614**	**24,082**	**7,468**
Goodwill and intangible asset amortisation	(12,066)	(12,066)	–	(12,167)	(12,167)	–
Statutory/ Underlying adjusting items	–	(13,981)	(13,981)	–	(7,468)	(7,468)
Statutory gain / (loss) before tax	**(8,667)**	**(8,667)**	**–**	**4,447**	**4,447**	**–**

The principal movements in the Income Statement on a statutory basis year-on-year were as follows:

Net interest income

Net Interest Income (NII) increased from £85.5m to £87.9m over the year due to steady lending asset growth offsetting reduced income from excess instant access deposit balances.

Significant new loan asset originations contributed to the positive NII performance:

- £336m of Second Charge Mortgages were originated (2024: £246m) increasing lending balances to £518m (2024: £509m). Including off balance sheet assets under management the total book increased to £917m (2024: £807m).
- Motor Finance originations in 2025 totalled £203m (2024: £160m) increasing lending balances to £323m (2024: £224m).
- The Home Improvement Lending unit (HIL) originated £123m in 2025 (2024: £114m) with year-end lending balances of £327m (2024: £337m).
- Tandem originated £11m of new First Charge Mortgages in 2025 (2024: £18m), with the overall first charge book now standing at £127m (2024: £156m) with the reduction driven by the amortisation of the legacy high net worth portfolio.

Deposits reduced over the year to £2.3bn (2024: £2.9bn) primarily due to lower excess instant access deposit balances. Excess deposits are invested in both the Bank of England Reserve Account, which totalled £0.6bn at year end (2024: £1.5bn), and other high quality liquid assets.

The 2025 Fylde securitisation contributed significant fee income of £9.4m. The gain on sale was lower versus the prior year benefit (£11.3m) with the inaugural 2024 transaction benefiting from the sale of a larger back book loan pool.

Administrative expenses

Tandem has continued to invest in its products, digital capabilities and people in 2025 to support its overall growth plan, including our new ISA offering. Despite inflationary pressures, prudent cost management and the benefits of simplification has meant limited cost increases in 2025 – with expenses excluding Motor Finance commission redress at £64.6m in line with prior year (2024:£64.6m).

Provision for bad and doubtful debts

Tandem continues to apply a robust and cautious approach to credit risk across its various business lines and aims to hold sufficient provisions to protect the business.

A total of £53.8m has been set aside on the balance sheet for bad and doubtful debts, up from £40.9m in the prior year. This has resulted in a higher charge through the Income Statement of £25.4m (2024: £17.5m). This reflects growth in the higher yielding Motor Finance book alongside the impact of the high net worth specific impairments of £4.5m (2024: nil) and other one-off credit impairments of £1.1m (2024: nil).

Goodwill and intangible asset amortisation

This includes the amortisation of goodwill and intangible assets totalling £12.1m (2024: £12.2m).

Taxation

A £1.5m tax charge was recorded in 2025 (2024: £1.4m).



Business Reviews

Throughout 2025, Tandem continued to build an integrated consumer lending platform, enabling customers to make positive financial choices for their homes and everyday living. Consumer Duty principles remain embedded across customer journeys and products, with continued improvements to customer experience and outcomes.



Second Charge Mortgages

Introduction

Tandem's Second Charge Mortgage proposition offers a broad range of residential products supporting home improvements, debt consolidation and high-value consumer purchases. The Group has established a leading position in the specialist second charge market.

Customer

Tandem now serves more than 25,000 active Second Charge customers, supported by a strong and growing distribution network of over 75 specialist intermediaries. Existing customers are also able to apply directly. The proposition continues to evolve through close collaboration with brokers and direct customer insight, helping Tandem maintain a clear competitive advantage.

In 2025, the launch of Tandem's proprietary loan management platform, Connect, marked a meaningful step forward. Combined with ongoing enhancements to products, criteria and pricing, Connect enabled Tandem to meet record levels of customer demand and remain at the forefront of the specialist lending market.

Outlook

The sector grew by approximately 25% in 2025, with annual originations exceeding £2.0bn for the first time. Momentum is expected to continue into 2026, as customers increasingly turn to second charge solutions rather than remortgaging. Tandem is well positioned to capture this trend and sustain growth across the segment.



First Charge Mortgages

Introduction

Tandem's First Charge mortgage proposition provides a targeted range of residential products for both purchase and remortgage, designed specifically for the specialist residential market and supported by a broad national distribution footprint.

Customer

Customers access Tandem's First Charge products through more than 3,000 intermediaries across leading UK networks, packagers and clubs, with existing customers also able to apply directly. The range includes several features that resonate with applicants under-served by mainstream lenders, helping to deepen engagement and extend Tandem's reach in this segment.

Outlook

The 2026 market outlook is positive, with steady growth expected across residential purchase and remortgage activity. Tandem will continue to maintain a consistent presence in the specialist market while refining its proposition to support further expansion.



Motor Finance

Introduction

Motor Finance originations increased significantly in 2025, delivering strong returns and deepening distribution relationships across the UK.

Operational enhancements included a new scorecard, further migration to core technology platforms and continued refinement of the operating model, supporting improved decisioning and cost efficiency at scale. The field sales team remains central to expanding the dealer network and strengthening broker relationships.

Customer

The active customer base grew by c50% during 2025, driven primarily by new book lending. Service quality remained strong, reflected in improved Trustpilot ratings.

Used electric vehicles (EV) continue to grow in popularity, though they remain a modest proportion of the used car market and the portfolio. Volumes are expected to increase as vehicle availability improves.

Outlook

Strategic priorities include growth in EV lending, further service efficiency and continued strengthening of distribution partnerships. Consistent service delivery remains central to building trust with customers and partners.



Home Improvement Lending

Introduction

2025 was another successful year for Home Improvement Lending (HIL), with year-on-year income growth. Tandem's proprietary origination system enabled the onboarding of new retailer partners and supported delivery of the Bank's sustainability mission, financing products such as solar panels, battery storage and energy-efficient home improvements. A refreshed distribution strategy drove higher origination volumes.

Customer

Approximately 90% of the HIL portfolio supports green or pathway-to-green products. Growing customer awareness of energy efficiency and emissions reduction continues to underpin demand. To date, Tandem has provided over £800m of funding to more than 170,000 customers.

Outlook

The experienced HIL team is well positioned for continued profitable growth. Strong technical capabilities allow volumes to scale with limited cost impact. Engagement with DESNZ and the Green Finance Institute, alongside anticipated tailwinds from government warm homes initiatives, supports a positive outlook.



Savings

Introduction

2025 focused on proposition development within Savings, including the launch of Cash ISAs and an increase in Fixed Savings balances, while maintaining efficient book management.

Customer

The Cash ISA proposition launched in November in response to strong customer demand. A portfolio-based approach enables customers to hold multiple ISAs and move funds easily. Onboarding and transfers were simplified to enable account opening within minutes.

Improvements were also made to onboarding journeys, app design, documentation, fixed-term maturity communications and financial crime controls. These enhancements contributed to recognition at the Moneyfacts Awards, winning App-only Savings Provider of the Year and Best Customer Service.

Outlook

Customer feedback continues to shape proposition development. The 2026 focus is on growing the ISA book and further enhancing both variable and fixed savings ranges.

Digital, Data and Technology

Throughout 2025, Digital, Data and Technology teams maintained platform resilience, security and stability while delivering change initiatives to support growth, efficiency and enhanced controls.

Business growth

Key initiatives included enhancements to the bespoke origination platform, expansion of Motor Finance distribution capabilities, additional mortgage functionality and the launch of the Cash ISA product. In-house development of our Motor scorecard delivered improved control over credit decisioning.

Efficiency and cost reduction

Progress continued towards a single Tandem technology stack, including unified networking, corporate infrastructure and telephony services. Expanded Interactive Voice Response (IVR) and portal functionality increased customer self-service. Migration to strategic loan management and Customer Relationship Management (CRM) platforms simplified processes and reduced costs.

Control, risk and data

Automation of controls continued, alongside enhanced cyber-security and 24×7 Security Operations Centre capabilities. Investment in data platforms strengthened governance, data quality and real-time customer insight, laying foundations for AI pilots and advanced analytics.

Looking ahead to 2026

Investment will continue in core platforms and the customer app, with increased digitisation driving efficiency, improved experience and scalable support for AI initiatives.



People and Engagement

Overview

In 2025, Tandem's 'One Bank' approach continued to align our people, priorities and ways of working. The transition to a new CEO brought greater clarity of direction, strengthened collaboration, improved decision-making, and accelerated more consistent and efficient ways of working.

Investing in our people

Investment in learning and development remains a priority, supporting career progression and leadership capability. Building diverse leadership pipelines continues to be a key focus, including expanded participation in the Women in Leadership Programme across all levels.

Engagement and culture

Inclusion and diversity initiatives continued, supported by campaigns such as Menopause Awareness, Pride and International Women's Day. Employee-led affinity groups for Working Parents and Carers, and Gender Balance were established, helping shape policies and culture.

Tandem's progress has been recognised through multiple external accreditations, including The Sunday Times Best Places to Work (2024 and 2025), inclusion in The Sunday Times Tech 100 (2025 and 2026), Investor in Customers Gold Standard, and Great Place to Work® Certified™ in 2025.





Sustainability

Our progress in 2025

We established four strategic pillars that address the sustainability issues most relevant to our business. These pillars guide and inspire the integration of sustainability across Tandem's operations and decision-making.

Together we are Tandem

We're here to make it easier for people to choose a more sustainable lifestyle.

Impactful products

Together we provide products that enable our customers to lead a greener lifestyle

We provide loans that help our customers to decarbonise their homes and cars. Some of our lending products also have the benefit of enabling our customers to reduce air pollution too.

Journey to Net Zero

Together we act responsibly and reduce our environmental impact

Our journey to Net Zero includes reducing our own emissions, working with our suppliers to reduce their emissions and purchasing carbon credits to offset our operational emissions whilst we're on the journey.

People who care

Together we care about our impact

Our people include employees, partners and the communities in which we work. By being recognised as a Great Place to Work we want to inspire and reward sustainable actions.

Effective governance

Together we do things the right way

We're working to embed sustainability into every part of the Group, every day. Climate change is already part of our strategy, risk management, targets and reporting.

The following section highlights the progress made on each strategic sustainability pillar, as we look ahead to our 2026 sustainability agenda and provide our Climate-related Financial Disclosure (CFD).

2025 in figures:



89k

Customers on Green or Pathway to Green[1] lending[2]



631m

£££'s of Green and Pathway to Green lending[3]



75.6k

Tonnes of CO_2 saved by our customers



3,321

Tonnes of carbon credits purchased to offset all operational emissions



260

Employees taking part in The Green Deal



103,428

Employee minutes volunteered for charities

1. Green lending is categorised according to the EU Green Taxonomy; Pathway to Green is a Tandem definition of a loan that outperforms the national average green performance.
2. At the end of 2025
3. On the balance sheet at 31 December 2025

Impactful Products

Together we provide products that enable our customers to adopt greener lifestyles.

Our greatest opportunity to address climate change is through lending that supports the transition to a lower-carbon economy, particularly by enabling the decarbonisation of homes and vehicles.

Green product criteria

To build and maintain trust in our green products, we established clear Green Product Criteria, benchmarking eligible products against the EU Taxonomy — the EU's classification system for sustainable activities.

We also recognise products that outperform the national average and make a meaningful contribution to sustainability, even if they do not fully meet EU Taxonomy thresholds. To reflect our commitment to supporting customers on their sustainability journey, we refer to this as our Pathway to Green.

Our Green product criteria provides transparency on how we measure sustainability and help customers and investors make informed decisions.

Q: How do we calculate 75.6k tonnes of CO_2 saved by our customers?

We estimate the emissions saved by customers who finance or purchase lower-emission products, such as electric vehicles, solar panels, heat pumps, energy-efficient windows and doors, or upgraded gas boilers.

Where usage data is unavailable, estimates are based on industry assumptions and published data from sources including the Energy Saving Trust and emissions factors from the UK Department for Energy Security and Net Zero.

For Motor Finance, we use manufacturer-specified tailpipe emissions for each vehicle model (with electric vehicles recorded as 0gCO_2/km). Calculations exclude upstream emissions such as fuel production and electricity transmission losses.

Estimated customer emissions savings are reported separately and are not included in Tandem's operational emissions totals or treated as offsets.

Fig. 1 Tandem's green product criteria

Product	Green – EU Taxonomy	Pathway to Green – Tandem definition
Motor Finance	Until 31 December 2025: Euro 6 Vehicles <50g CO_2/km from 1 Jan 2026: 0g CO_2/km	Euro 6 Vehicles with CO_2 emissions 50 - 110g CO_2/km
Home Improvement Loans	Solar, heat pumps, doors / windows	Gas boilers ErP "A"*
Mortgages	EPC A & B rated	EPC C rated

*Assumption is that the new boiler is more efficient than boiler being replaced.

	Green - EU Taxonomy	Pathway to Green - Tandem definition
	Current % book (value of loans)	**Current % book (value of loans)**
Total lending	22%	15%



Our Journey to Net Zero

Together we act responsibly and reduce our environmental impact.

Carbon neutral, on the path to Net Zero

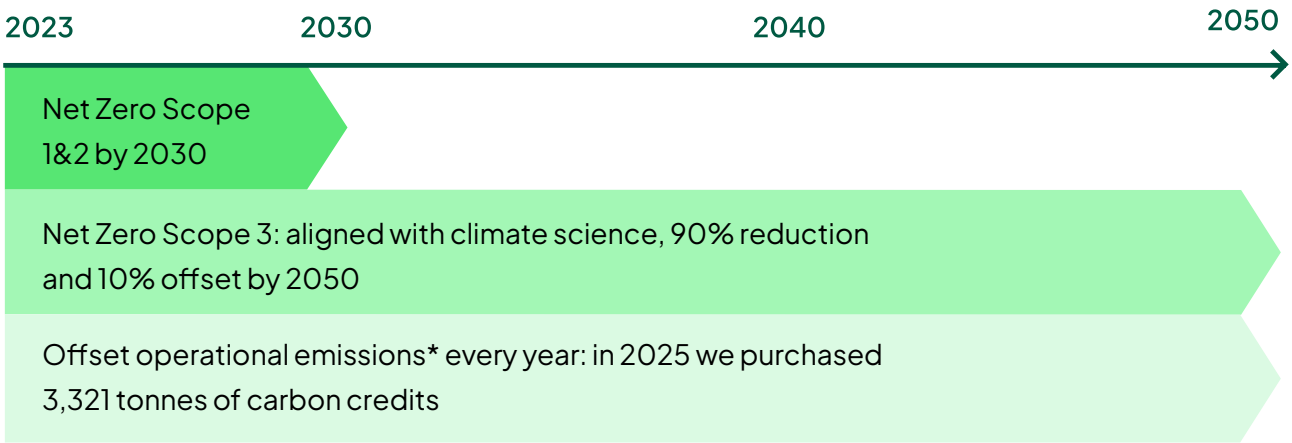
In 2025, we made our second purchase of carbon credits, offsetting all Scope 1, 2 and 3 operational emissions from 2024 and achieving carbon-neutral status. We also continued investing in a domestic solar project in East Africa, helping households reduce reliance on kerosene lamps while cutting carbon emissions, indoor air pollution and fire risk.

Our greatest climate impact comes from the emissions reductions enabled by customers using our products—referred to as invested emissions. To demonstrate our commitment, we have set Net Zero targets of 2030 for Scope 1 and 2 emissions and 2050 for indirect Scope 3 emissions.

Reducing our emissions

We calculate our carbon emissions annually and take targeted action to reduce them. In early 2025, we moved to a new office in Cardiff that better supports our hybrid working model and is powered entirely by renewable electricity. This significantly reduced electricity consumption and brought Scope 1 emissions for the Cardiff office and the Bank overall to zero.

Our route to Net Zero



*Operational emissions are all our scope 1, 2 and 3 emissions with the exception of our Scope 3, category 15, Invested

People Who Care

Together we care about our impact

At Tandem, our people are central to the impact we create for customers, communities and wider society. We believe a strong, inclusive culture enables meaningful social impact, and we are committed to building an organisation grounded in care, fairness and shared responsibility across our UK workforce.

Supporting our people

As part of our sustainability strategy, Tandem became a member of Business in the Community, reinforcing our commitment to inclusivity and diversity. Creating an equitable workplace is fundamental to ensuring colleagues feel respected, valued and empowered to thrive.

Gender equity is a key pillar of our Inclusion and Diversity strategy. While women represent a significant share of the financial services workforce, the sector has historically been male-dominated, particularly at senior levels, with female representation often declining as careers progress. We believe diverse leadership teams strengthen decision-making and lead to better outcomes for customers and colleagues alike.

In February 2024, Tandem became a signatory to HM Treasury's Women in Finance Charter, committing to increase female representation in senior leadership. Our target is for at least 35% of senior leadership roles to be held by women by December 2026.

Progress is supported through gender-balanced recruitment, flexible and hybrid working, and targeted leadership development. We also launched our Women in Finance Charter pledges, partnered with Henpicked to support menstrual health, and expanded our Women in Leadership Programme, which has supported 28 women to date. These initiatives are complemented by strengthened wellbeing support and enhanced manager capability.

Supporting our communities

By November 2025, women held 30% of senior management and above roles, up from 25.4% in January 2025. Women represent 46% of the overall workforce, and 92% of colleagues report feeling they are treated fairly, regardless of gender.

Fig. 2 Our social impact in numbers

Our workforce	46% of colleagues across Tandem are women
Senior leadership progress	30% of senior management and above roles held by women (November 2025 — up from 25.4% in January 2025)
Our commitment	35% female representation in senior leadership by December 2026 Women in Finance Charter target
Developing future leaders	28 women supported through Tandem's Women in Leadership Programme to date
Fairness & inclusion	92% of colleagues feel they are treated fairly at Tandem (2025 Trust Index Survey)
External commitment signatory to HM treasury's women in finance charter	Since February 2024



Effective Governance

Together we do things the right way

In 2025 we changed the name of our function from ESG to Sustainability. "ESG", or Environmental, Social and Governance, is a practical name adopted by the financial services sector. "Sustainability" is much more widely understood by our customers. It might not seem like a big deal but as we have the ambition to be the greener, more sustainable bank, we think it's important to be clear to all stakeholders.

Sustainability committee

We continue to develop our governance and in 2025 we refreshed how we run our Sustainability Committee. The Committee now has a formal role in the first line of defence against climate risk and accordingly, a standing agenda item at every meeting provides an update on the implementation of Tandem's climate risk framework, as well as management information on our green and Pathway to Green lending.

Climate change risk

Tandem continues to evaluate and take action to mitigate climate change risk. The Board has oversight of Tandem's climate risk register which includes the following two significant risks:

1. Transition risk: increased stakeholder concern.

The risk is that Tandem makes false statements (greenwashing) which result in breach of regulations and loss of customer trust. In mitigation of this risk, we have established a process and assigned roles and responsibilities to review all of Tandem's external communications and change any language that was at risk of being labelled as greenwashing.

2. Physical risk: flooding.

We undertook a detailed, property level assessment of flood risk and benchmarked our exposure against the UK market.

The Group's climate risk management process is described in more detail in the Climate-related Financial Disclosure (CFD) section.

Looking ahead to 2026

In the year ahead we plan to:

- Continue to integrate our Net Zero target into our strategic business planning;
- Increase our customer engagement on sustainability by working with partners and intermediaries on all products;
- Work with suppliers to better understand their sustainability challenges and help each other to reduce our value chain impact;
- Continue to develop the way we work and maintain our status as a Great Place to Work;
- Continue to develop our climate risk framework.



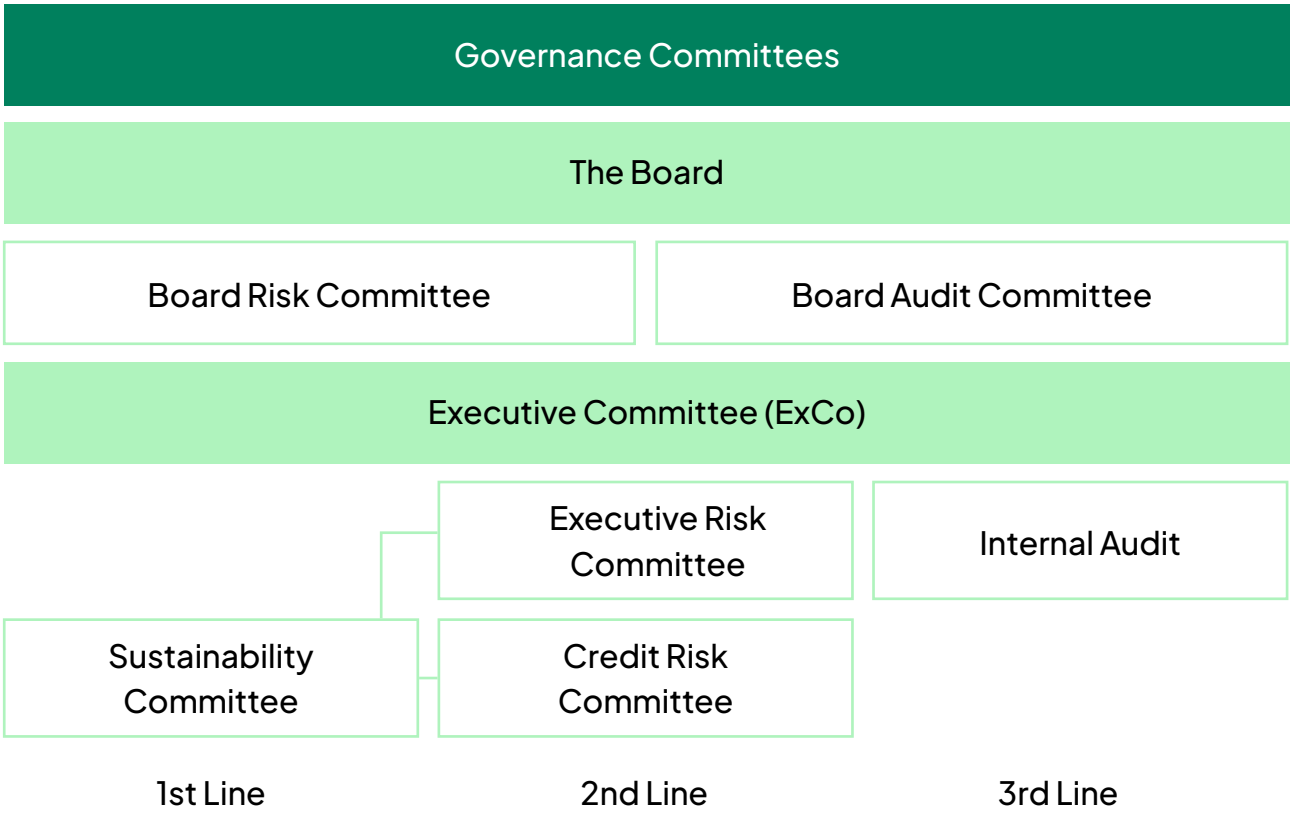
Climate-Related Financial Disclosure (CFD)

Non-Financial and Sustainability Information Statement (SI 2022/31, CA06 S414CA)

It is important to understand how climate change impacts our business, and we acknowledge that climate change poses risks and opportunities to the Group's business strategy and operations. This is the third year of producing mandatory CFD (Climate-related Financial Disclosure) to direct our evaluation and handling of climate-related risks and opportunities.

Governance

Fig. 3: How Tandem governs climate risks



Compliance statement

The Companies (Strategic Report) (Climate-related Financial Disclosure) (CFD) Regulations 2022 (the Regulations) require certain companies to include climate disclosures in their annual reports. Tandem Money Limited ('Tandem' or 'the Bank' or 'the Group') is a UK Public Interest Entity ('PIE'), a banking company with an average workforce exceeding 500 employees. As such, it is required to produce climate-related financial disclosures under the Regulations. In 2025, Tandem prepared this disclosure in line with the CFD recommendations and confirms compliance with all eight recommendations.

The Board

Tandem's Board, along with its committees and subcommittees (Figure 3), hold ultimate responsibility for Tandem's risk management framework, including oversight of climate-related risks and opportunities. Board oversight of climate change is exercised through the Board Risk Committee ('BRC') and Board Audit Committee ('BAC') as part of their responsibilities for principal risks and assurance. Through effective governance and clear accountability, the Board delegates the ongoing management of climate risk to the Chief Executive Officer (CEO) and the Executive Committee

(ExCo). The Board comprises individuals with extensive experience in managing risk and opportunity within financial services. Consistent with the Board skills matrix, members possess the expertise required to ensure climate risk is appropriately embedded within Tandem's overall risk management framework and governance arrangements. The Board's climate risk oversight through its subcommittees, including targeted capacity-building, is further described in the Executive Governance on page 75.

There is formal reporting on climate risk at every Board meeting, with the Board sitting ten times in 2025. Climate risk oversight is primarily exercised through reporting against agreed risk appetite measures, which are approved at the start of the year and reviewed at the mid-point. This includes ongoing monitoring of risk appetite metrics at each meeting and presentation of the annual climate risk workplan.

The Board approves the Climate Risk Framework and the climate risk appetite on an annual basis; in 2025, this approval occurred in July. This includes strategic risk objectives, the policy framework, and key risk indicators (KRIs), such as loan book physical risks (e.g. flooding), and key performance indicators (KPIs), such as progress against Net Zero targets and uptake of green finance products, used to monitor the Group's exposure to climate-related transition and physical risks.

In September 2025, the Board Risk Committee (BRC) reviewed the climate risk appetite statements and associated metrics and agreed on their continued appropriateness. The climate risk register was approved by the Board in November 2025.

These committees provide focused challenge and assurance, ensuring that material climate risks, key updates, and relevant regulatory developments are appropriately escalated to the full Board. Further details on the Board's engagement with climate risk are set out in the Corporate Governance Report (page 72).

Board Risk Committee (BRC) is a subcommittee of the Board and has responsibility for oversight and advice to the Board on the current risk exposures and future risk strategy of Tandem and its subsidiaries, including strategy for capital and liquidity management, and the embedding and maintenance of a supportive culture in relation to the management of risk across the Tandem group of companies, alongside established prescriptive rules and procedures.

Board Audit Committee (BAC):
A subcommittee of the Board and assists the Board in fulfilling its oversight responsibilities by reviewing and monitoring the financial reporting process, the system of internal control, the internal and external audit process and auditors.

Currently, there is no direct link between the Board's remuneration and performance against climate-related objectives, but it will be considered over the coming years.

Climate change is not a standing agenda item but is considered by the Board (BRC and BAC) at key points via formal meetings and reports (September and November 2025), as outlined in the Executive Governance and second line section, keeping the Board fully informed of material risks, updates, and regulatory developments.

Executive governance

Executive Committee (ExCo)

The ExCo is responsible for the day-to-day management of climate risk, as delegated by the Board. The ExCo delegates second-line oversight of climate risk to the Executive Risk Committee (ERC) and the Credit Risk Committee (CRC), with first-line activities overseen through the Sustainability Committee.

The Chief Financial Officer (CFO) holds overall Senior Management Function (SMF) responsibility for climate risk and has formal accountability for annually identifying, managing, and reporting on the financial risks arising from climate change. The CFO works closely with the CRO and the Sustainability Committee to ensure that climate-related financial risks are appropriately integrated into decision-making and are managed within the Board-approved climate risk appetite.

Executive Risk and Credit Risk Committees

The second line of defence establishes policies and tools to define a framework for managing each principal risk and provides supervision and monitoring of first-line risks and controls.

The ERC comprising senior executives and business line leaders, is chaired by the Chief Risk Officer (CRO), who reports directly to the CEO and has direct access to the BRC Chair. In 2025, the Interim CRO presented the Climate Risk Register to the Board (BAC), which was approved in November 2025. The Register was developed following two climate risk workshops attended by members of the ERC, the Sustainability Committee, and business line leads, with further details set out in the Risk Management section on page 37.

The CRO is responsible for establishing and maintaining an integrated Climate Risk Framework to ensure climate risks are identified, assessed, managed, and monitored annually, and that the Group operates within its Board-approved climate risk appetite. The CRO may request a re-assessment of a risk's assessed likelihood or impact at their discretion, should their circumstances not correspond with the assessment(s), and may conduct and report on further in-depth reviews as necessary. The Director of Compliance and Prudential Risk, reporting to the CRO, oversees the second line of Climate Risk and is responsible for reviewing climate risk appetite statements, metrics, and the maturity framework.

The ERC met 10 times in 2025 to discuss climate risk appetite reporting and other climate risk updates, and to formally report key findings to the BRC twice a year. In September 2025, the BRC reviewed the climate risk appetite statements and associated metrics (for details, see metrics and targets section on page 54) and received a comprehensive update on the status and maturity of the Climate Risk Framework. This update, initiated at the ERC, was prepared and jointly presented to the Board by the Director of Compliance and Prudential Risk and the Head of Sustainability, and submitted as a formal paper. The ERC also reviewed the climate risk register following consideration by the Sustainability Committee, prior to submission to the BRC in November 2025.

In July 2025, the ERC discussed the integration of climate risk into the Internal Capital Adequacy Assessment Process (ICAAP) and the Internal Liquidity Adequacy Assessment Process (ILAAP), with ICAAP evaluating physical and transition risks to capital adequacy and ILAAP assessing greenwashing risks to liquidity and reputation, ensuring climate risks and opportunities inform strategic and operational decision-making. See Table 6 on page 46.

The CRC provides second-line oversight and challenge on the physical risks to assets arising from climate-related risks. In 2025, it held ten meetings. Updates from each CRC meeting are provided to the ERC, with a one-page summary also shared with ExCo.

First Line: Sustainability Committee

The Sustainability Committee is responsible for the day-to-day management of climate-related initiatives and risks, including matters forming part of the Climate Risk Framework, such as risk appetite, risk identification, and the delivery of mitigation actions identified in the Climate Risk Register. The committee presented the Climate Risk workplan for 2025 to ERC and BRC in April. The Committee reports to ExCo on risk matters considered at the ERC and comprises senior executives from across the Bank, including the CEO and members of the Executive Committee, representing all lending businesses and corporate functions.

The Head of Sustainability, reporting to the Managing Director of Corporate Development, who chairs the Committee, plays a central role in supporting its activities, including preparing climate risk updates and coordinating with third-party ESG specialists to conduct climate risk modelling, oversee climate risk reporting, and support climate risk management and strategy development. The Committee also enables the production and review of all sustainability and climate disclosures and will provide approval prior to recommendation to ExCo and the BAC.

The Committee meets bi-monthly and reports material issues to ExCo, with climate risk matters escalated to the ERC for second-line review and challenge. In 2025, it met six times, with climate risk included as a standing agenda item and a status update provided at each meeting. In November 2025, building on the Sustainability Committee's ongoing oversight of climate risk, the Board further enhanced its capacity through a climate-focused webinar for all members, supported by Inspired ESG, and the Head of Sustainability provided a brief update on the Net Zero Pathway.

Third Line: Internal Audit Function

The third line of defence, provided by the internal audit function, operates independently from the first two lines. Its main role is to evaluate the effectiveness of governance, risk management, and internal controls, report to the BAC, and provide insights to the Board and Senior Management.

Risk Management

Climate-related risks and opportunities are annually managed through Tandem's established enterprise risk management framework, applying consistent methodologies, controls, and escalation processes across the organisation. Oversight and challenge are embedded through the three lines of defence, ensuring that climate risks and opportunities are identified at a Group level, assessed for materiality, managed within appetite, and reported to senior management and the Board as appropriate.

Step 1: Risk identification

Led by external consultants, the Bank conducted climate scenario analysis in August 2025 to identify potential climate-related risks and opportunities across different warming scenarios and time horizons. Internal data, supply chain information, market trends, and regulatory developments were reviewed to identify additional climate vulnerabilities and validate those identified in the scenario analysis. The outputs were reviewed and validated by the ERC, with support from the Sustainability Committee. This analysis is conducted annually to inform the Board of its climate risk exposure.

Step 2: Risk analysis

In September-October 2025, the Group conducted two Climate Risk Management Workshops covering physical and transition risks with relevant Tandem stakeholders, including members of the ERC and Sustainability Committee, product business lines, risk functions, procurement, operations, finance, and legal.

Using Tandem's existing risk materiality framework, stakeholders evaluated each risk based on likelihood and potential financial and operational impact. This enabled the prioritisation of the most significant risks and informed the Group's mitigation and adaptation focus. Risks assessed as significant or higher were deemed material to the Group. Further detail on the risk rating methodology is provided in Tables 1 and 2.

Our risk matrices and methodology are shown below. We identify the most important climate-related risks according to their likelihood and impact. Climate-related opportunities were not assessed using the same quantitative methodology. Instead, opportunities were identified and discussed qualitatively during the workshops, with a focus on those that are internally driven and aligned to Tandem's strategic priorities.

Table 1: Likelihood and impact methodology.

Likelihood	Impact
The likelihood assessment of a risk was based on the judgment of the risk owner and their knowledge of their business function. Also, it was based on events that have occurred in the assessment period (FY25) or known/expected events which have occurred or can potentially occur in the future. The likelihood assessment was considered on a residual basis (after considering the control environment operated in the assessment period). The Tandem Impact Matrix was introduced in April 2023 and is reviewed annually by the Director of Enterprise and Operational Risk.	The risk owner provides an assessment of the consequence/impact of the risk materialising, based on their knowledge of the business function. They also consider events that have occurred in the assessment period or known/expected events which have occurred or have the potential to occur in the foreseeable future. It should be noted that consequence/ impact is not solely based on financial value as other factors are considered, such as brand value and reputation. The assessment of consequence/impact is considered on an inherent basis (before the application of mitigating controls) and again considering the control environment operated in the assessment period.

Table 2: Tandem risk matrix

Risk Impact	Major	Moderate	Significant	Major	Major
	Significant	Minor	Moderate	Significant	Major
	Moderate	Minor	Moderate	Moderate	Significant
	Minor	Minor	Minor	Minor	Moderate
		Rare	Unlikely	Possible	Probable
		Risk Likelihood			

Tandem assesses the financial impact of climate-related risks using four categories: Major, Significant, Moderate, and Minor. Major impact signifies a substantial adverse effect exceeding £500,000, potentially affecting profitability and requiring material changes to business strategy. A Significant impact, ranging from £100,000 to £500,000, requires close monitoring and potential operational adjustments. A Moderate impact, between £10,000 and £100,000, warrants attention and targeted actions, while a Minor impact, less than £10,000, is negligible and requires no significant action. This framework provides a clear and measurable way to assess the financial implications of climate-related risks and guide decision-making.

Step 3: Risk reporting

Climate-related risks and opportunities are documented within a dedicated Climate Risk Register, which consolidates outputs from scenario analysis, risk workshops, and ongoing risk assessments. The register is used to support management decision-making, monitor alignment with the Board-approved climate risk appetite, and inform mitigation planning. The Climate Risk Register was reviewed and endorsed by the Sustainability Committee, Executive Risk Committee (ERC) and the Executive Committee (ExCo), before being presented by the CRO to the BRC and the Board for approval in November 2025.

Step 4: Risk treatment/controls

Tandem manages climate-related risks in line with its established three lines of defence model, as described in the Governance section on page 33. Mitigation actions and controls, detailed in tables 6 and 7 in the Strategy section on pages 46 to 50, are assigned to first-line risk owners and are designed to reduce the likelihood and impact of material climate-related risks identified in the Climate Risk Register.

Second-line functions provide oversight and challenge to ensure that controls are appropriately designed, implemented, and aligned with the Board-approved climate risk appetite. The second line of defence establishes policies and tools to define a framework for managing each principal risk and provides supervision and monitoring of first-line risks and controls.

Independent assurance over the effectiveness of climate-related controls and the broader risk management framework is provided through the third line of defence.

Significant climate-related risks and control effectiveness are escalated through management committees and, where appropriate, reported to the Board via the Audit and Risk Committees. Tandem's Board classified climate change as a principal risk in Q1 2022, following a structured review supported by senior management, sustainability teams, and external consultants. This assessment was informed by focused discussions and climate-related workshops to evaluate potential impacts. Since its initial classification, climate change has remained a principal risk and has not been de-escalated, with the Group undertaking annual reviews to further refine its understanding of climate-related risks.

Step 5: Monitoring

To facilitate the monitoring of risks and controls across business functions, the risk management function maintains a Risk and Control Self-Assessment (RCSA) register, which is reviewed and updated at least annually. The RCSA register includes key information about climate risks across Tandem.

Strategy

To ensure climate-related risks and opportunities are fully integrated into the Bank's strategy, climate scenario modelling is undertaken in line with UK Climate-related Financial Disclosure (CFD) requirements. This strategy section provides the supporting detail, including timeframes, scenarios and assessment of risks and opportunities, showing how analysis informs the targets we set and how those targets shape the Bank's actions. Three possible global warming scenarios were modelled: below 2°C, between 2–3°C, and lastly above 3°C, within three timeframes: short-term, medium-term, and long-term.



Table 3: Modelled possible global warming scenarios.

Time Horizons	Description
Short Term (2025–2029)	In this timeframe, we gain insights into the imminent implications of climate change, guiding decisions to enhance resilience. We expect regulators to actively enforce climate transition requirements, requiring firms to demonstrate effective management of transition risks. This timeframe aligns with Tandem's short-term business cycle and planning horizon, supporting decisions on risk management and sustainable lending initiatives.
Medium Term (2030–2039)	The effects of climate change are anticipated to become more noticeable, particularly in the reactive and inactive scenarios for physical risks. Transition risks will intensify during this period, requiring government responses to address evolving challenges. This period aligns with Tandem's 5–year strategic planning, thereby influencing strategy on portfolio management, capital allocation, and the expansion of green finance offerings.
Long Term (2040–2054)	The most substantial threat arises from physical risks, especially in reactive and inactive scenarios. Businesses need comprehensive preparation to navigate and manage the resulting outcomes in these situations. For Tandem, this time horizon corresponds to Tandem's longest term mortgage loans and underlines the importance of integrating climate considerations into strategic planning and long-term portfolio management as well as the Net Zero target.

*Please note that the scenarios and timeframes in the table above were used for all transition and physical risk assessments, except flooding. The flood risk assessment was conducted using two methodologies. Details of the methodology, scenarios, and timeframes used are available in Table 7 on page 48.

We chose the three timeframes to align with the bank's revenue streams and product lifecycles. Portfolio area reflects current offerings as of 2025, with personal loans excluded following their discontinuation. Since our loans have varying Loan-to-Value (LTV) ratios, it was crucial to assess physical climate risk in relation to each product type. This approach ensures a comprehensive understanding of how climate change could impact both the revenue generated from these products and the overall value of the Group's assets.

Each timeframe was assessed under a range of global warming scenarios, shaped by the actions of governments, companies, and the public through policies and mitigation measures. We considered scenarios from best- to worst-case to understand risks and support resilient decision-making.

Each scenario represents a distinct point along the spectrum of climate risk. Tandem has evaluated the potential impacts of the climate scenarios on its business model and strategy, as well as the resilience of that model. The scenarios below inform Tandem's internal capital and liquidity assessments, with transition policy risks assessed within the ICAAP and greenwashing and broader climate-related risks assessed within the ILAAP. Based on this assessment, the Group considers its business model and strategy to be resilient across all three scenarios.

Table 4: Time horizons relative to the portfolio area.

Time Horizons	Portfolio Area
Short Term (2025–2029)	• Motor Finance • Home Improvement Loans • Mortgages (2nd Charge)
Medium Term (2030–2039)	
Long Term (2040–2054)	• Mortgages (1st Charge)

Table 5: Global warming scenarios

Scenario	Description and business implications
Proactive **<2°C by 2100**	In this scenario, strong and coordinated global action limits warming to below 2°C relative to pre-industrial levels, with stringent government policies and widespread alignment with the Paris Agreement target of Net Zero emissions by 2050. While near-term transition risks rise, long-term physical climate risks are significantly reduced. Impact on business model and strategy: Short-term transition risks increase across Motor Finance and mortgage portfolios, while demand grows for green finance and energy efficiency lending. Strategy focuses on reallocating capital to lower-carbon assets and expanding sustainable lending products. Resilience of business model and strategy: The business remains resilient through existing exposure to energy efficiency lending, which supports asset stability, helps manage transition pressures, and reduces long-term physical climate risks.

Scenario	Description and business implications
Reactive **2–3°C by 2100**	In this scenario, global climate action is delayed and uncoordinated, likely leading to warming around 2.7°C. In the short term, business largely continues as usual, but medium-term transitional risks are high as governments scramble to implement policies and regulations. Impact on business model and strategy: For Tandem, this scenario creates uneven pressures: Motor Finance and mortgage portfolios may face sudden regulatory or market changes, while demand for green finance and energy efficiency lending grows more slowly and inconsistently. Resilience of business model and strategy: Overall, the business remains resilient, as its diversified lending portfolio provides short-term stability, and proactive risk management, combined with continued support for low-carbon lending, helps navigate medium-term challenges. However, regulatory and market risks increase uncertainty and short-term shocks, impacting resilience.
Inactive **>3°C by 2100**	This scenario occurs if limited climate action is taken and business continues as usual. Global emissions continue to rise until 2040, leading to temperatures increasing above 3°C. The rise in temperatures and associated physical risks eventually force governments and organizations to act, introducing policies in the long term, alongside the highest levels of physical risk due to multiple climate tipping points being surpassed. Impact on business model and strategy: Delayed but severe regulatory and physical risks affect Motor Finance and mortgage portfolios, while demand for green finance grows slowly. Strategy focuses on crisis response, adapting lending, and prioritising climate-resilient assets. Resilience of business model and strategy: Resilience is challenged by heightened physical and regulatory risks; however, the business responds by strengthening risk management, strategically reinvesting in climate-resilient assets, and implementing mitigation measures to preserve long-term viability.

Climate scenario uncertainties

In a world of uncertainty, climate scenarios are intended to explore a range of potential futures that may significantly alter the basis for a "business-as-usual" approach. Multiple scenarios should be used to analyse how different variables can yield various outcomes. The climate models used for this analysis include data from the Intergovernmental Panel on Climate Change's (IPCC) Representative Concentration Pathways (RCP), the International Energy Agency's (IEA) World Energy Model (WEM), the Network for Greening the Financial System (NGFS) and other existing models. The CFD recommends using climate scenarios that are plausible and credible. Each scenario should focus on a different combination of key factors. The scenarios used in this year's analysis align with the ISO 14091 standard. Climate scenarios should be used to differentiate a range of possible futures rather than a single theme. Each climate scenario should contribute insight into the future that relates to strategic and/or financial implications of climate-related risks and opportunities. Scenarios provide a common reference point for understanding how climate change could evolve under different futures. Each scenario was chosen to show a range of higher and lower-risk outcomes.

Each climate-related risk is assessed to determine its overall impact on Tandem using risk thresholds. Please see Tables 1 and 2 on page 38 for a detailed description of the threshold and the methodology for determining materiality. The risk thresholds are reached when a certain change from the baseline period is experienced. Each threshold indicates an increase in risk and its potential impacts.It is important to remember that climate scenarios project hypothetical futures and, as such, come with a degree of uncertainty. While some information from existing climate models is highly accurate, there remains some uncertainty. As a result, scenario analysis is used only as a guide to climate-related risks and opportunities.

Our identified climate-related risks and opportunities

Climate resilience refers to our capacity to respond to climate change to better manage the associated risks and capitalise on opportunities, including the ability to respond to transition and physical risks.

Transition risks arise from the shift to a low-carbon economy and are categorised into four key areas: policy and legal risks, which involve changes in government regulations and laws related to climate change; technology risks, which include the development of low-carbon technologies and potential disruptions to existing technologies; market risks, which encompass fluctuations in energy prices, carbon pricing, and changes in consumer preferences; and reputation risks, which relate to potential damage to an organisation's brand image due to climate-related issues.

Physical risks, on the other hand, stem from the direct impacts of climate change and can be either acute or chronic. Acute risks refer to one-off extreme events, such as floods, heatwaves, droughts, wildfires, and storms, while chronic risks are long-term changes, including rising sea levels, resource scarcity, and shifting weather patterns.

Under the three climate scenarios modelled for 2025, a qualitative materiality assessment was carried out using a bottom-up research approach. The financial implications of mitigation actions are considered in planning and decision-making to support long-term resilience, though they are not separately quantified in the financial statements. This process identified a total of 18 risks, of which two were assessed as material to the business at a "significant" level. Two opportunities to capitalise on were also identified. Our analysis provides detailed evaluations of how transition and physical risks affect key business performance indicators.

Of the 12 transition risks assessed at the Group level, ten were rated as ''minor'' or ''moderate,'' while one was assigned a ''significant'' risk rating and deemed material. Transition risks were assessed across operational, strategic, reputational, and credit risks. This is presented in Table 6 below. Physical risks were assessed across sites, and Tandem's first- and second-charge mortgage portfolios. Climate scenario analysis for physical risks was conducted on Tandem's first- and second-charge mortgage data as of 31 July 2025. The analysis covered 98.56% of first-charge mortgages and 95.34% of second-charge mortgages, evaluating the potential impact of climate events across the portfolio. Physical risks were evaluated primarily in terms of their credit and operational impacts. Of the six physical risks considered, five received 'minor' or 'moderate' ratings, and one was rated as 'significant', making it material. Physical risks were evaluated primarily for their credit and operational impacts. This is presented in table 7 below.

Transition risks are assigned a single overall rating reflecting their combined impact across the specific risk categories relevant to each risk, such as credit, operational, strategic or reputational, recognising that not all transition risks affect every category. Physical risks, by contrast, have more direct and quantifiable effects on asset performance and business continuity and are therefore assessed and rated separately for credit and operational impacts, with distinct likelihood, impact and overall ratings applied where relevant.

This reputational and greenwashing risk is assessed as part of the ILAAP, given its potential impact on liquidity, funding access, and stakeholder confidence, while associated transition and policy impacts are considered within the ICAAP for capital adequacy purposes.

In 2025, the Bank identified the increased severity of flooding as a material physical risk to the business. For details on the assessment, please refer to Table 7. A two-stage assessment was undertaken to evaluate this risk. The initial stage involved a regional-level assessment conducted by our external consultants as part of our CFD process. This assessment utilised the Representative Concentration Pathway (RCP) 6.0 scenario from the Met Office HadGEM model and inactive scenario above 3°C, providing insights into the potential impacts on our portfolio.

Table 6: Transitional risk that was rated as significant and deemed material

Risk type by CFD	Reputation: Increased stakeholder concern Risk Statement: Reputational Any perceived inaction, inconsistency, or exaggeration in Tandem's climate performance could undermine its credibility, investor confidence, and ability to attract capital, customers, and talent.
Main financial impact	Higher operating costs due to increased ESG disclosure, stakeholder engagement, third-party assurance, and audit requirements. Increased cost of capital if investor confidence weakens, reducing access to ESG-linked financing or raising funding spreads. Revenue impact if sustainability-driven customers switch to providers perceived as more credible, reducing customer acquisition and loan origination.
Potential impact description	Stakeholders may perceive Tandem's climate disclosures or marketing claims as overstated or unsupported. As a purpose-driven digital bank, Tandem's green reputation is a key driver of customer acquisition and investor trust, meaning any reputational damage could directly affect financial performance and access to capital. Non-compliance with the FCA's Sustainability Disclosure Requirements (SDR) and investment labels (PS23/16) could result in formal sanctions or fines. Regulators, investors, and NGOs increasingly expect clear, quantifiable evidence of emissions reductions, sustainable lending practices, and verified green products.
Actual impact description	As the world shifts toward a decarbonised economy, stakeholders are placing greater emphasis on sustainability credentials. Tandem's perceived or actual failure to take meaningful action to reduce its carbon footprint could harm investor sentiment, credit ratings, and access to capital. As a self-proclaimed sustainable bank, Tandem faces heightened scrutiny from investors, regulators, and customers, who monitor its climate transition plan, targets, and progress to ensure alignment with public claims. To prevent greenwashing, the FCA requires that all sustainability-related claims about products and services be fair, not misleading.

Scenario/ timeframe/ residual ratings	• Scenario: Proactive: <2°C Timeframe: Short - Medium Term: 2025–2039 • Scenario: Reactive: 2–3°C Timeframe: Timeframe: Short - Medium Term: 2025–2039 **Likelihood:** Unlikely **Impact:** Major **Overall Rating:** Significant
Description of risk response (mitigation)	Tandem publishes its Annual CFD report and a standalone ESG report to communicate climate-related actions to stakeholders, including customers. The Bank allocates dedicated internal resources to develop a Net Zero strategy and regularly monitor regulatory developments. Tandem maintains ESG leadership, focusing on sustainability, reporting, and mitigating greenwashing risk. Tandem continues to develop green products and services, apply defined green eligibility criteria aligned with the EU Taxonomy, and review all external communications to ensure compliance with the FCA's anti-greenwashing rules. To prevent greenwashing, the Bank uses objective standards, including Energy Performance Certificate (EPC) data for home lending and, where applicable, zero-emission vehicles for motor finance.
Alignment with our targets	Tandem's near-term and Net Zero targets, a 90% absolute reduction in Scope 1 and 2 (market-based) emissions by 2030 and a 90% reduction across all scopes by 2050 (from FY23) are central to its climate credibility. As of FY25, Tandem has achieved an 88.5% reduction in Scope 1 and 2 (market-based) emissions and an 18.8% reduction across Scope 1, 2, and 3 emissions. Please see Table 9.

Table 7: Physical risk that was rated as significant and deemed material

Risk type by CFD Acute: Increased Severity of Flooding	
I. Regional-level assessment	**Risk Statement:** Credit: More frequent and severe flooding damages customers' mortgaged properties, increasing loan defaults and creating material credit risk for Tandem. Operational: More frequent and severe flooding disrupts access to office facilities, resulting in material operational interruptions and related costs.
II. Property-Level Assessment	The second stage involved a more granular, property-level assessment conducted by Tandem, utilising data provided by CLSQ. This data included coastal flooding, surface water flooding and river flooding at an individual property level.
Main Financial Impact	
I. Regional-level assessment	**Credit:** Flooding may reduce the credit quality of mortgages, mortgage-backed products, and real estate, and depress asset values. Heavy lending in high-risk zones could lower loan repayments, while increased repair and insurance costs may strain cash flows. Limited insurance access could further reduce asset market value.
II. Property-Level Assessment	As above.
Potential Impact Description	
I. Regional-level assessment	**Capital Risk:** Flood-affected customers could drive higher loan impairments, weakening capital buffers. **Operational:** Flooding of data centres or third-party providers poses operational risk, and rising flood insurance premiums are an emerging cost.
II. Property-Level Assessment	As above.

Actual Impact Description	
I. Regional-level assessment	**Credit:** Customers in flood-prone areas may face financial hardship, causing delayed payments, reduced collateral values, and higher defaults, increasing loss given default. Operational: 75% of offices (Cardiff, Durham and London) face indirect flood disruption, while direct property risk is low. Flooding of data centres or third-party providers may cause temporary interruptions, and rising insurance premiums add costs for both borrowers and operations.
II. Property-Level Assessment	As above, plus: Residual flood risk remains; potential insurance gap after 2039; long-term default risk if flooding increases.
Scenario/Timeframe/ Loan Book/Residual Ratings	
I. Regional-level assessment	Scenario: RCP 6.0 HadGEM* Timeframe: Long term (2040–2054) First charge: 4% Second charge: 8% Scenario: Inactive >3°C Timeframe: Medium term (2030–2039) First Charge: 8% Second Charge: 36% Scenario: Inactive >3°C Timeframe: Long term (2040–2054) First Charge: 8% Second Charge: 36% **Credit/Operational Likelihood:** Possible/Unlikely **Impact:** Significant/Moderate **Overall Rating:** Significant/Moderate
II. Property-Level Assessment	**Scenario:** RCP 6.0 (2.8°C) and RCP 8.5 (4.3°C). The temperature pathway used in this scenario is based on the 90th percentile of the projected distribution of warming outcomes conditional on no further policy action. Timeframe: RCP stress horizons are aligned to the average maturity of each loan book, with second charge and first charge legacy loans assessed to 2032–2035 and first charge active loans to 2046–2050.

Description of Risk Response (Mitigation)	
I. Regional-level assessment	In order to manage risk in line with the Bank's Risk Appetite Framework the Bank continues to assess the flood exposure of the mortgage portfolio periodically until the front-end solution is in place. All Tandem mortgage customers are obliged to have home (buildings) insurance, including flood protection.
II. Property-Level Assessment	The assessment shows overall exposure is below UK benchmarks, and most mortgage books are covered by Flood Re until 2039. With low exposure to the highest-risk categories, flood risk is reduced. Tandem will continue to monitor exposure and reassess periodically and develop a front book risk assessment at the appropriate time.
Alignment with our Targets	
I. Regional-level assessment	Tandem's commitment to net-zero addresses flooding through both mitigation and resilience. By 2025, the Bank had reduced Scope 1 and 2 (market-based) emissions by 88.51% towards its 2030 target and achieved an 18.75% reduction across Scope 1, 2, and 3 emissions towards its 2050 target from a 2023 baseline. Please see Table 9. At the same time, this transition enhances resilience, optimising operational emissions reduces exposure to flood risk, while rigorous monitoring of emissions metrics allows better management of flood-related credit risk within the mortgage portfolio.
II. Property-Level Assessment	As above.



Identified climate-related opportunities

Through climate scenario modelling, Tandem identified six opportunities in total, of which two were assessed as material to the business.

Materiality was determined through rigorous evaluation during the climate risk workshop and ongoing internal discussion, ensuring alignment with Tandem's overall strategy and sustainability ambitions.

Table 8: Our material opportunities

Opportunity type CFD/ Opportunity Statement	**Products and Services: New low-emission product and service lines** **Opportunity Statement:** Expanding Tandem's portfolio of green financial products, including mortgages, home improvement loans, and vehicle finance, creates new revenue streams, strengthens competitive positioning, and supports the UK's broader transition to a Net Zero economy.	**Markets: New emerging low-emission markets** **Opportunity Statement:** The global transition to a low-carbon economy presents significant market opportunities for financial institutions. Tandem can capture new and growing demand for sustainable finance products, attract sustainability-oriented customers, and access lower-cost green capital to fund future growth.

Impact Description	Growth in climate-aligned lending offers financial institutions a commercial advantage as regulation, market expectations, and consumer preferences move toward low-carbon choices. Green financial products, such as energy-efficiency loans, EV finance, and green mortgages, enable institutions to diversify revenue, reduce portfolio emissions exposure, and future-proof balance sheets against policy tightening (e.g., EPC minimum standards, heat pump targets, clean transport policies). Lenders that expand into these markets early benefit from increased demand, deeper customer relationships, and access to ESG-linked capital and funding incentives.	As economies decarbonise, demand for sustainable financial products is increasing. Institutions that shift early to low-carbon offerings can secure market share, diversify revenues, reduce exposure to carbon-intensive assets, and benefit from improved access to capital, including lower funding costs and green finance.
Financial Impact	Increased revenue due to an increased demand for products and services. Increased balance sheet volumes for energy efficient homes and reduced balance sheet volume for energy inefficient homes. Decrease in emissions due to customer transition.	Increased balance sheet volumes for products and services that support customer transition. Better customer retention and increased lifetime value per customer. Greater access to green finance and lower funding costs, supporting continued investment and growth.
Scenario/ Timeframe	Scenario: Proactive: <2°C Scenario: Reactive: 2–3°C Timeframe: Short - Medium Term: 2025–2039	Scenario: Proactive: <2°C Scenario: Reactive: 2–3°C Timeframe: Short - Medium Term: 2025–2039

Description of Opportunity Response	Tandem supports the UK transition to low-carbon transport by increasing the proportion of EV loans within its Motor Finance portfolio. Enhanced EPC data collection in the residential and commercial mortgage books will enable Tandem to measure, monitor, and improve portfolio emissions over time. Tandem offers discounted rates for properties with EPC ratings of "A" and "B" and plans to expand EPC data coverage across its residential lending portfolio. Customers are supported and incentivised to improve their home's energy efficiency through targeted retrofit financing.	Tandem is actively enhancing its capacity to manage transition risks by aligning its Net Zero strategy with UK national targets and engaging third-party experts for emissions verification and scenario planning. Efficient capital allocation toward sustainable mortgages, home improvement loans, and EV financing de-risks Tandem's portfolio from high-carbon exposure. Contingency planning considers the potential for slower UK decarbonisation pathways (e.g., delayed electrification or grid decarbonisation), ensuring business continuity and target credibility.
Alignment with our Targets	Tandem's green product expansion directly supports its Net Zero targets. By increasing EV loans in Motor Finance and offering secured lending for energy-efficient home improvements, the Bank helps reduce Scope 3 emissions across its portfolio. Since the FY23 baseline, overall, Scope 1, 2 (market-based), and 3 emissions have decreased by 18.75%, with most of this reduction coming from Scope 3 Category 15 (Investments), which has fallen by 19%. Please see Table 9	Tandem leverages emerging low-emission markets to support its Net Zero strategy and Scope 3 emissions reduction target of 90% by 2050 from the FY23 baseline. Since the baseline, overall, Scope 1, 2 (market-based), and 3 emissions have decreased by 18.75%, with Scope 3 Category 15 (Investments) emissions down 19%. Expanding sustainable finance offerings such as energy-efficient mortgages, home improvement loans, and EV financing allows the Bank to capture ESG-driven demand while directly reducing portfolio emissions. See Table 9.

Metrics and Targets

In recognition of the impact of climate change and to demonstrate our commitment to actively managing climate-related risks and opportunities, we have set absolute Net Zero targets of 2030 for Scope 1 and Scope 2 (market-based) emissions and 2050 for all emissions (Scope 1, Scope 2 (market-based), and Scope 3). The Scope 3 target date is later than the Scope 1 and 2 target date due to the complexities associated with reducing emissions that are beyond our direct operational control.

Tandem's Net Zero targets follow the Science-Based Targets initiative (SBTi) corporate Net Zero standard, which define Net Zero as reducing absolute emissions by at least 90% from the chosen base year, with the remaining 10% or less to being neutralised with permanent carbon removals. Tandem set 2023 as its baseline year due to having a complete dataset for emissions. In 2026, the Bank will continue to enhance its decarbonisation strategy to set a pathway to achieve Net Zero targets. In 2026 Tandem will also review its emissions targets as new guidance for financial institutions continues to be released.

These Net Zero targets help to mitigate the risk of stakeholder concern as it demonstrates that we are taking action to reduce our impact.

Tandem's Net Zero targets and ongoing emissions reductions not only support climate credibility but also help mitigate key risks and capitalise on strategic opportunities. These include mitigating reputational risk (Table 6) and flood risk (Table 7), while enabling growth through low-emission products and services and access to emerging low-emission markets (Table 8).



Table 9: Our progress against targets

Target	Absolute Net Zero (90% reduction) for Scope 1* and Scope 2 (market-based) by 2030 from a 2023 baseline.	Absolute Net Zero (90% reduction) for all scopes (Scope 1*, Scope 2 (market-based) and Scope 3**) by 2050 from a 2023 baseline.
Current year FY25 (tCO_2e)	1.77	196,465.69
Previous year FY24 (tCO_2e)	15.81	204,647.39
Baseline year FY23 (tCO_2e)	15.41	241,805.52
Progress against target	Since the 2023 baseline, there has been an 88.51% reduction in overall Scope 1 and 2 emissions (market-based). Emissions from natural gas and electricity have decreased by 100% and 47.05% respectively. The Bank is currently on track to hit the Net Zero target. To hit the target by 2030, 2025 emissions will need to be reduced by 2.59% per year through 2030.	Since the 2023 baseline, there has been an 18.75% reduction in overall Scope 1, 2 (market-based), and 3 emissions. The majority of this reduction has come from Scope 3 Category 15 emissions (Investments), which has decreased by 19.00% since the baseline. Tandem is currently on track to hit the Net Zero target. To hit the target by 2050, 2025 emissions will need to be reduced by 3.51% per year between 2025 and 2050.

*Refrigerant data in FY25 was not available and therefore emissions from refrigerants have not been included in the FY25 calculations. This lack of data availability is being addressed to include refrigerant emissions in the FY26 calculations.
**FY23 and FY24 Scope 3 emissions have been restated to use updated DEFRA spend conversion factors in the following categories: Category 1 - Purchased Goods and Services, Category 2 - Capital Goods, Category 4 - Upstream Transportation and Distribution, and Category 6 – Business Travel. FY24 Category 15 emissions were restated to reflect the Partnership for Carbon Accounting Financials' (PCAF) new methodology around securitised products and covered bonds. This methodology was not available at the time of the original FY24 calculations.

The Bank reports on energy use and emissions associated with Scope 1, Scope 2, and Scope 3 (grey fleet), in line with the UK Government's SECR requirements (Companies (Directors' Report) and LLP Energy and Carbon Report Regulations 2018). For full transparency, the Bank also voluntarily discloses its full emissions (Table 11). All emissions are calculated using the GHG Protocol, with Scope 3 Category 15 (Investments) additionally following PCAF guidelines. Tandem has been calculating full Scope 1, 2, and 3 emissions since 2022. The scopes are defined by the GHG Protocol as:

Scope 1: Direct GHG emissions occurring from sources that are owned or controlled by the company.

Scope 2: GHG emissions from the generation of purchased electricity consumed by the company.

Scope 3: Emissions that are a consequence of the activities of the company, but occur from sources not owned or controlled by the company.

These are calculated by a third-party using data provided by Tandem. No formal assurance is provided.

Scope 1 & 2

Tandem dual-reports on location-based and market-based emissions. Location-based methods reflect the average emissions intensity of the grid on which energy consumption occurs, whereas market-based methods reflect emissions from the specific energy suppliers contracted. Tandem's market-based emissions demonstrate the carbon reduction achieved through its renewable electricity procurement. As part of the Group's commitment to Net Zero, Tandem has purchased electricity from suppliers that demonstrate green procurement principles, evidenced by Renewable Energy Guarantees of Origin (REGO).

Streamlined energy and carbon reporting

The tables and information below present Tandem's energy usage, associated emissions, energy efficiency actions and energy performance under the government's Streamlined Energy & Carbon Reporting (SECR). Tandem's reported location-based Scope 1, Scope 2 and Scope 3 (Grey Fleet) emissions have increased by 7.07% year-on-year, driven by the 64.53% increase in grey fleet emissions relating to the recruitment of a new team that frequently drive to client sites. Conversely, moving into a more efficient Cardiff office in 2024 has allowed Tandem to recognise the emissions benefit for the entire 2025 reporting period. This has resulted in a 100% decrease in Scope 1 emissions and a 28.21% decrease in Scope 2 (market-based) emissions compared to the previous year. Total energy consumption increased from 497,345 kWh in 2024 to 545,332 kWh in 2025, driven primarily by the increase in grey fleet transportation mentioned above.

Table 10: Our total energy consumption (kWh)

	FY25 Consumption (kWh)	FY24 Consumption (kWh)
Utility and Scope	**UK**	**UK**
Scope 1 Total	**0**	**40,836**
Natural Gas (Scope 1)	0	40,836
Scope 2 Total	**213,317**	**254,028**
Grid-Supplied Electricity (Scope 2)	213,317	254,028
Scope 3 Total	**332,014**	**202,482**
Transportation (Scope 3)	332,014	202,482
Total	**545,331**	**497,346**

Table 11: Our total UK market and location-based emissions (tCO_2e).

	FY25 Emissions		FY24 Emissions	
Utility and Scope	**UK market-based** (tCO_2e)**	**UK location-based (tCO_2e)**	**UK market-based** (tCO_2e)**	**UK location-based (tCO_2e)**
Scope 1* Total	**0.00**	**0.00**	**7.47**	**7.47**
Natural Gas (Scope 1)	0.00	0.00	7.47	7.47
Scope 2 Total	**1.77**	**37.76**	**8.34**	**52.60**
Grid-Supplied Electricity (Scope 2)	1.77	37.76	8.34	52.60
Scope 3 Total	**76.05**	**76.05**	**46.22**	**46.22**
Transportation (Scope 3)	76.05	76.05	46.22	46.22
Total	**77.82**	**113.81**	**62.03**	**106.29**

*Refrigerant data in FY25 was not available, and therefore emissions from refrigerants have not been included in the FY25 calculations. This data availability issue is being addressed to include refrigerant emissions in the FY26 calculations.
**Market-based emissions are reported in tCO_2 only and reflect the specific emissions associated with a supplier-specific fuel mix.

Table 12: Our total emissions intensity metric*.

Intensity Metrics	Market-based (tCO_2e)		Location-based (tCO_2e)	
	FY25	FY24	FY25	FY24
Total Number of full-time equivalents (FTE)	490	484	490	484
All Scopes tCO_2e per FTE	0.16	0.13	0.23	0.22
YoY Percentage Change	**+24.10%**		**+5.91%**	

*The reported Scope 1, 2 and 3 emissions have been rounded to two decimal places. Any year-on-year comparison calculations have been conducted using complete, unrounded figures.

Energy efficiency narrative

Measures undertaken in 2025:

Tandem managed the use of space in the Blackpool office to ensure most energy efficient use of heating and cooling.

Cardiff office move: Tandem moved to new serviced offices in Cardiff, powered solely by renewable electricity.

London Office Engagement: Tandem attended webinars about sustainability hosted by the London office management company. These webinars work as an avenue to discuss and report ideas and feedback for energy efficiency improvements.

Next steps for 2026:

Review Office Area Occupancies: Tandem will monitor and review office area occupancies to optimise employee placement within the office and reduce energy consumption.

Scope 3 (carbon balance sheet)

Table 13 contains Tandem's Scope 1, 2 and 3 emissions for 2025. After conducting an applicability review of the business and its operations, nine Scope 3 categories are applicable and have all been reported below. The following categories are not applicable to Tandem are:

Category 8: Upstream Leased Assets - All energy consumption in leased offices has been included in Scope 1 and 2 emissions.

Category 9: Downstream Transportation and Distribution - Tandem pays for all postage.

Categories 10 and 11: Processing of Sold Products and Use of Sold Products - Tandem does not sell any physical products.

Category 13: Downstream Leased Assets - Tandem has no assets where they are the lessor.

Category 14: Franchises - Tandem do not have any franchises.

Total Scope 3 emissions decreased by 3.99% in 2025 compared to 2024. The decrease in emissions was mainly driven by a decrease in Category 15 (Investments) and Category 1 (Purchased Goods & Services) emissions, which decreased by 4.01% and 2.04%, respectively. While there were other Scope 3 categories that had larger percentage reductions in 2025 than Category 15 or Category 1, the absolute emissions savings on the total Scope 3 were less significant. The largest year-on-year increases in absolute emissions were in Category 4 (Upstream Transportation and Distribution) and Category 7 (Employee Commuting).

Table 13: Carbon balance sheet

Emissions Scope & Category	FY25 (tCO_2e)	FY24 (tCO_2e)	% Change
Scope 1	**n/a**	**7**	-100%
Natural Gas	n/a	7	-100%
Transportation (excluding grey fleet)	n/a	n/a	-
Other Fuels & Refrigerants*	n/a	n/a	-
Scope 2 (location-based)	**38**	**53**	**-28%**
Scope 2 (market-based)	**2**	**8**	**-79%**
Scope 3	**196,464**	**204,632**	**-4%**
1. Purchased Goods & Services**	2,204	2,250	-2%
2. Capital Goods**	80	107	-25%
3. Fuel- and energy-related Activities	15	19	-21%
4. Upstream Transportation and Distribution**	90	77	17%
5. Waste Generated in Operations	6	20	-71%
6. Business Travel**	157	175	-10%
7. Employee Commuting	372	362	3%
8. Upstream Leased Assets	n/a	n/a	-
9. Downstream Transportation and Distribution	n/a	n/a	-
10. Processing of Sold Products	n/a	n/a	-
11. Use of Sold Products	n/a	n/a	-
12. End-of-life Treatment of Sold Products	35	30	17%
13. Downstream Leased Assets	n/a	n/a	-
14. Franchises	n/a	n/a	-
15. Investments***	193,505	201,592	-4%
Total Emissions (location-based)	**196,502**	**204,692**	**-4%**
Total Emissions (market-based)	**196,466**	**204,647**	**-4%**
All tCO_2e (market-based) per FTE	**401**	**423**	**-5%**

*Refrigerant data in FY25 was not available and therefore emissions from refrigerants have not been included in the FY25 calculations. This lack of data availability is being addressed to include refrigerant emissions in the FY26 calculations

**FY24 Scope 3 emissions have been restated to use updated DEFRA spend conversion factors

*** FY24 Category 15 emissions were restated to reflect the Partnership for Carbon Accounting Financials' (PCAF) new methodology around securitised products and covered bonds. This methodology was not available at the time of the original FY24 calculations.

SECR methodology

SECR (including the Scope 1, 2 and 3 kWh consumption and CO_2e emissions data) has been developed and calculated using the GHG Protocol – A Corporate Accounting and Reporting Standard (World Resources Institute and World Business Council for Sustainable Development, 2004); Greenhouse Gas Protocol – Scope 2 Guidance (World Resources Institute, 2015);ISO 14064–1 and ISO 14064–2 (ISO, 2018; ISO, 2019); Environmental Reporting Guidelines: Including Streamlined Energy and Carbon Reporting Guidance (HM Government, 2019).

Government Emissions Factor Database 2025 version 1.0 has been used, utilising the published kWh gross Calorific Value (CV) and kgCO_2e emissions factors relevant for the reporting period 1st January 2025 to 31st December 2025.

Estimations were undertaken to cover missing billing periods. These were calculated on a kWh/day pro-rata basis.

For the London office, where no data was available, an average kWh/m² consumption was calculated using the floor area and energy benchmarks from the Chartered Institution of Building Services Engineers (CIBSE). These full-year estimations were applied for the electricity at the London site. All estimations equated to 11.28% of reported consumption.

Market-based emissions have been calculated using the supplier-specific fuel mix from Tandem's electricity suppliers, along with contracts backed by REGOs. All supplier emission intensities are zero except for Total Energies: 0.000292 tCO_2/kWh.

Intensity metrics have been calculated using total tCO_2e figures and the selected performance indicator for the relevant report period: FTE 2025: 490 (2024: 484)

Scope 3 methodology

Tandem's emissions are reported using a consolidation, operational control approach defined by the GHG Protocol. All emissions have been calculated following the GHG Protocol's Corporate Accounting and Reporting Standard. All seven greenhouse gases defined by the Kyoto Protocol have been accounted for and reported on a tonne of carbon dioxide equivalent (tCO_2e) basis.

Category 15 (Investments) emissions, referred to as financed emissions, have been calculated following the PCAF guidance for the relevant financial activity. All our financial activities are covered in our emissions, including emissions from home improvement loans, mortgages, motor vehicle loans, and our bond and securitised mortgage portfolio.

Emissions from home improvement loans were estimated based on the number of loans for each type of product being loaned. Only products that directly consume energy were included, and energy use was estimated based on averages. Energy consumption was converted to emissions using the Government Emissions Factor Database 2025 version 1.0, which utilises published kWh gross calorific values (CV) and kg CO_2e emissions factors.

Energy use for properties in the First Charge Portfolio was estimated based on the property type and region, using energy averages

from DESNZ. Energy use for properties in the Second Charge Portfolio emissions was estimated based on region and EPC rating, using energy averages from DESNZ. Energy consumption was converted to emissions using Government Emissions Factor Database 2025 version 1.0 was used, utilising the published kWh gross calorific value (CV) and kg CO_2e emissions factors.

Distances were estimated for vehicles within the Motor Finance Portfolio using vehicle mileage averages based on fuel-type from the Department for Transport. Distances were converted to emissions using DESNZ 2025 emissions factors.

Emissions from bonds were estimated based on the type of bond and using the emissions of the bond issuer. Covered bonds, backed by mortgages, used the securitisation of mortgages as a proxy.

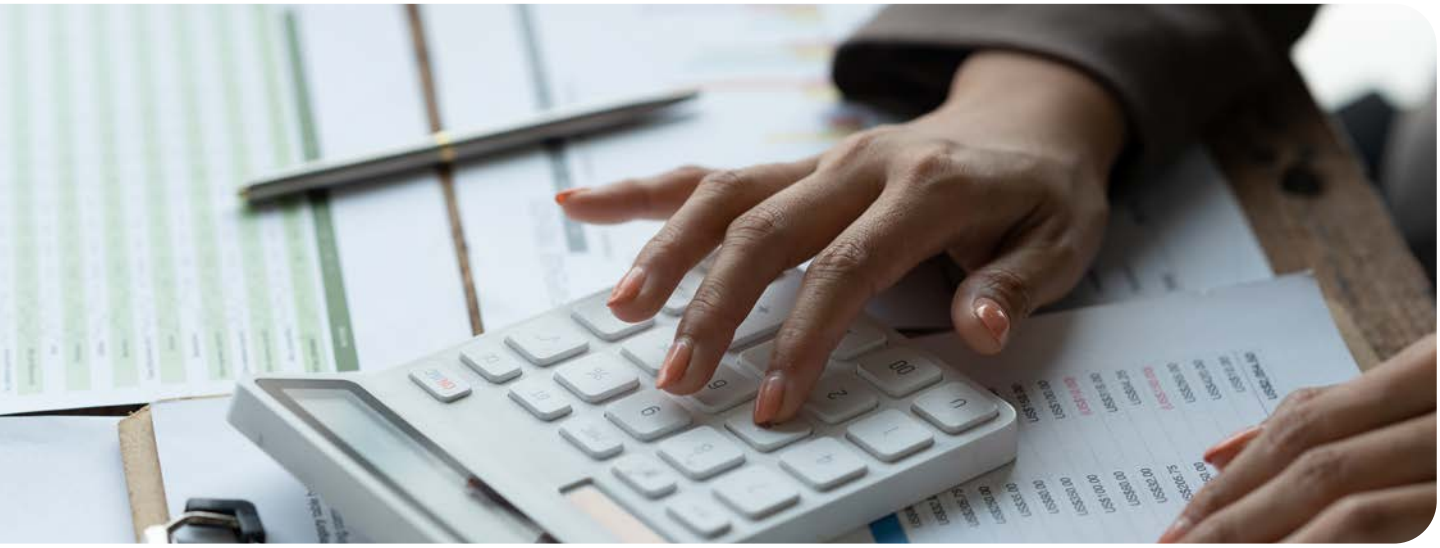
Emissions from the securitised mortgages were estimated using the estimated energy consumption based on the region and property type. Energy estimations were made using energy averages from DESNZ. Energy consumption was converted to emissions using Government Emissions Factor Database 2025 version 1.0 was used, utilising the published kWh gross calorific value (CV) and kg CO_2e emissions factors.

The Strategic Report has been approved by the Board of Directors and signed on its behalf by:

Neil Chandler
Chief Executive Officer

Ryan Heaps
Chief Financial Officer

30 April 2026





Corporate Governance Review

Chair Introduction

On behalf of the Board, I am pleased to present the Corporate Governance Report for the year ended 31 December 2025.

Stephen Jones, Chair

Our commitment to good corporate governance

We remain committed to maintaining high standards of corporate governance within the Group. There are a comprehensive range of policies and procedures in place designed to help ensure that it is well managed with effective oversight and controls. This report explains how the Board and its committees have dealt with ensuring that the Group's corporate governance is effective and continues to help support the creation of long-term sustainable value for our shareholders and wider stakeholders.

Succession planning and board changes

The Nomination Committee regularly considers the Board's balance of skills and expertise, structure, size, and composition. It ensures that appropriate succession plans are in place for appointments to the Board and the Committee is satisfied that the succession planning structure in place is appropriate for the size and nature of the Group.

Details of Board changes can be found on page 90.

Board meetings and activity

In 2025, the Board considered several key areas, which can broadly be categorised into the following themes: strategy and execution, financial performance, risk management, regulatory and corporate governance.

The Board's committees also continued to play a critical role in the governance and oversight of the Group by ensuring adherence to strong governance practice and principles. This section contains a summary from the Board's principal committees, which sets out their approach and considerations.

Effectiveness and solutions

The annual review of the effectiveness of the Group's Board was carried out by external corporate governance consultants. The review analysed the workings of the Board Committee, the Nomination Committee, the Risk Committee, the Audit Committee, the Remuneration Committee and the Transaction Committee. The consultants produced a report which noted that key strengths of the Board and Committees include having strong expertise and high calibre of individuals who proactively engage with each other and the business. By drawing from their cross-industry experience, the consultants included some helpful recommendations in the report which the Board and the Company Secretary are implementing into its processes going forward.

Purpose, culture, and experience principles

The Group's success depends on our commitment to high corporate governance standards, as well as a strong purpose and healthy culture both in the boardroom and across the Group. The Board is committed to promoting a strong purpose and positive culture as central pillars in the delivery of the strategic plan.

The Board receives updates throughout the year regarding stakeholder issues and concerns including details of our Group-wide employee engagement surveys, so that informed decisions are made with consideration of the interests of the Group and its stakeholders.

Board of Directors



Stephen Jones – Chair and Independent Non-Executive Director

Stephen joined the Tandem Board as a Non-Executive Director and Chair in January 2026. An industry veteran, he is also Executive Chair of Investment Banking at Panmure Liberum, where he advises clients across UK and international markets. He brings decades of senior leadership experience from the UK banking sector, including executive roles at Santander and Barclays, and inaugural Chief Executive of UK Finance, leading the organisation through a period of significant industry change. He serves as Chair of the Board and Nominations Committee and is a member of the Remuneration and Risk Committees.



Neil Chandler – Chief Executive Officer

Neil joined Tandem Bank as CEO on 30 June 2025. He brings extensive leadership experience across banking and financial services. Prior to joining Tandem, Neil served as CEO of Aion Bank – a leading European digital bank and Banking-as-a-Service (BaaS) provider backed by private equity. He has also held CEO roles at Vanquis Bank and Shop Direct Financial Services, where he was additionally responsible for group technology and legal services. Earlier in his career, Neil was CEO of Sainsbury's Bank, CEO of Personal Loans at HBoS, COO for Credit Cards at HBoS, and Chief Technology Officer at Royal & Sun Alliance.



Ryan Heaps – Chief Financial Officer

Ryan is a chartered accountant with over 15 years' experience covering Executive and Senior Management roles in Finance. Ryan joined Tandem in 2022 as Finance Director, before being appointed as Tandem's CFO in June 2025. He has previously held similar roles at Furness Building Society and Oplo, contributing to periods of significant business development and financial growth.



Aileen Wallace – Senior Independent Non-Executive Director and Chair of Risk Committee and Remuneration Committee

Aileen is an experienced Non-Executive Director and fintech advisor with more than 30 years' experience in consumer and digital service businesses with roles at Virgin Money, Co-Operative Bank and Cognizant. Qualified in Digital Strategy from Insead, Aileen's expertise is in business transformation, technology enabled customer innovation and corporate governance in highly regulated environments. Aileen is currently Non-Executive Director at International Personal Finance PLC and Chair of Risk Committee at Target Tech Mahindra.



Malcolm McCaig – Chair of Audit Committee and Non-Executive Director

Malcolm is a highly experienced Non-Executive Director in financial services, with various roles on the boards of Tandem, QBE, Ageas, Randall and Quilter, and Hampden Agencies Limited. He is the Chair of United Response, one of the UK 's largest charities. In addition, he is on the Court of the Worshipful Company of Management Consultants, the Chair of the Chair's Forum, and a member of the Association of Audit Committee Chairs Independent Forum. He was formerly a partner with three of the Big 4 accountancy firms, and he has held executive management positions for several years in global banking and insurance firms.



Imran Gulamhuseinwala OBE – Independent Non-Executive Director

Imran is a highly experienced advisor to governments, financial institutions and investors. He was formerly the global leader of EY's fintech practice and went on to deliver the UK's world-leading open banking initiative as Chief Executive and Chair of the Open Banking Implementation Entity. He also co-founded FinTech50 startup CommuterClub, which gave commuters access to savings for annual travel season tickets. Imran now serves as a Senior Advisor to a VC fund in the Middle East and several fintechs in the areas of digital banking, payments, and fraud. Imran holds a master's degree in Engineering from Cambridge University, is a CFA holder, and was awarded an OBE for services to fintech in 2017.



Patrick Carey – Shareholder Non-Executive Director

Patrick has been a Non-Executive Director at Tandem since March 2024. He joined Pollen Street Capital in 2021 as an Investment Director, having spent the previous 15 years as an investor in or advisor to the financial services industry. Prior to Pollen Street, he worked at Toscafund Asset Management as a Principal in the Private Equity team, at Jacobs Asset Management as Director of Private Investments, and at Deutsche Bank as an Investment Banking Analyst and Associate in the Financial Institutions Group. Patrick is also a member of Tandem's Audit, Remuneration, Risk and Nominations Committees.



Matthew Potter – Shareholder Non-Executive Director

Matthew has been a Non-Executive Director at Tandem since March 2022. He holds expertise in the field of private equity, asset management and corporate finance. He is also a qualified Chartered Accountant. Matthew has been a Partner of Pollen Street Capital Ltd since 2013 with responsibility for clients including Shawbrook. He has also held Non-Executive Director seats on the boards of Capitalflow since 2016. Matthew is also a member of Tandem's Remuneration and Nominations Committees.



Clive Kornitzer – Independent Non-Executive Director

Clive brings over 30 years' experience in financial services, including more than 20 years at Board and executive level. He has a strong track record of driving value creation across specialist lending, FTSE 250 retail banking, and private wealth, with deep expertise in transformation, digital, operations, and M&A. Clive previously served as Group Chief Operating Officer at OSB Group for 13 years.

S.172 Statement

In accordance with the Companies Act 2006 (the 'Act'), the Directors provide this statement describing how they have had regard to the matters set out in section 172(1) of the Act, when performing their duty to act in good faith to promote the success of the Company for the benefit of its members as a whole.

At Tandem, we have a track record of creating value and delivering positive outcomes for all of our stakeholders. We are committed to understanding and meeting the needs of these various groups, engaging with them and adapting our approach to create value for them. We look to engage with our stakeholders and consider the feedback provided, which in turn is embedded in the decision-making process throughout Tandem.

As a PRA and FCA regulated Group, the Board is also considerate to the risk and control environment during discussions and decision-making. Customer outcomes are at the forefront of Directors' minds when considering the management of risks and controls and the Board are clear on ensuring that customer interests are protected.

The Board supports Tandem's overall performance by assessing portfolio metrics, capital and liquidity levels, stress testing results, and monitoring the wider business and economic landscape. The Board also authorises strategic plans and exercised close oversight of acquisition efforts, product launches, and the governance frameworks connected to these initiatives.

Directors acknowledge that having due regard to all stakeholder perspectives may not always result in the decision-making which achieves a positive outcome for all stakeholders. Dependent on the decisions and topics in question, the relevance of each stakeholder may differ, and equally the Directors shall seek to adopt various methods of engagement with stakeholders.

The Board will often engage directly with some stakeholders on certain issues, but given the breadth of the Group's stakeholders direct engagement will not always be practical. Thus, Directors receive reports from across the organisation to enhance their understanding of the impact of Tandem's operations on, and the interests and views of, its key stakeholders.

The Directors remain mindful in all their discussions of the long-term consequences of their decisions, as well as the importance of the Group maintaining a reputation for high standards of business conduct and the Board engaging with, and taking account of the views of, key stakeholders. The Directors confirm they have acted, in good faith, to promote the success of the Group for the benefit of its members as a whole and in doing so considering all relevant stakeholders.

An overview of how the Board has considered stakeholder interests during 2025 is described on the following pages.

Customers

Customers are at the heart of our business, and everything that we do. As a customer-centric organisation, we seek to create products and services that provide more people with the opportunity to access sound financial services products. Further, as Tandem's mission states, 'we're here to make it easier for more people to choose sustainable lifestyles'. We do this by helping hard working people save, borrow and spend in ways that are a little bit greener.

The Board remains committed to understanding and addressing our customers' needs, which is vital to setting and achieving the Group's goals.

During 2025, the Board oversaw several activities that impacted Tandem's customer base and as such Directors ensured customer interests remained at the forefront of minds during these processes. Foremost amongst these activities was the Board's response to the Supreme Court ruling on Motor Finance commissions. The Board has overseen Tandem's comprehensive plan to implement the FCA's Motor Finance commission redress scheme in 2026, which is expected to be delivered successfully to the benefit of customers.

Examples of Board engagement with customers are evidenced via frequent updates received from across the Group, identifying key areas of customer concern, covering a range of both internal and external measures. These updates provide valuable insight into the Group's performance in delivering on customer-related objectives, on improving customer outcomes and in determining where further action is required.

There are opportunities for the Group to communicate and engage with our customers, and vice versa, throughout the different points in the customer life cycle. Some of the mechanisms throughout our customer journeys, specifically in the digital customer journey, help us to understand what matters most to them.

The Board receives regular updates from management on the treatment of customers and on ensuring fair outcomes throughout the customer journey. Customer, broker and employee feedback is incorporated into Board discussions which ultimately influences strategic decision-making, such as plans related to digital investment. The Board also receives feedback on Conduct Risk through the Group Risk Committee. During 2025, the Board continued to spend significant time ensuring the implementation of the FCA's Consumer Duty across Tandem's product base. The Group targets continuous improvement in all areas affecting its customers, including complaints handling, product architecture, policies and governance, outcome monitoring, and communications.

We use metrics to assess the impact of our actions and the strength of our relationship with our customer. These metrics include customer satisfaction scores, complaints, ombudsman feedback, Trustpilot reviews and social media.

The Audit and Risk Committees respectively have continued to monitor customer related risks and controls throughout the year through reports from management and internal audit. The Board continues to be committed to ensuring that the Group's products and offerings remain appropriate and fit for purpose for customers.

Our People

Our people are central to the delivery of the Group's strategy and ambitions. This is recognised by the Board in its engagement with colleagues throughout the year. Positive engagement with colleagues helps to attract, build and retain a high calibre talent pool and ensure that our people are enthusiastic about their individual contribution and Tandem as a whole.

Engagement takes place regularly through line managers, with senior management regularly speaking at various Group-wide forums.

Listening to our colleagues and acting upon their feedback is essential to maintaining employee engagement, whether this is through undertaking quarterly employee opinion surveys, or management leading engagement activities, to provide updates on business performance. Training and development programmes are also in place to support the development of all employees.

Tandem has over 500 employees, who take pride in working for an inclusive and diverse Group and, with their support and input, we are developing a culture in which everyone can feel included, empowered, accountable and inspired to ensure that we are able to build a greener bank. The contributions of Tandem's people and their commitment to the Group is acknowledged by the Board.

During the year, the Remuneration Committee reviewed workforce management information and considered levels of attrition, incentive schemes and bonus structure.

Examples of Board engagement included:

- Consideration of the outcomes of surveys completed by colleagues across the Group, including annual and adhoc surveys, and review of progress in addressing the matters colleagues raised.
- Board member attendance at a range of business area leadership meetings and colleague network events.
- Bank-wide Townhall sessions hosted by the CEO, complemented by engagement sessions led by other senior leaders, with feedback shared with the wider Board.

2025 saw Tandem's strong culture recognised yet again in The Sunday Times Best Place to Work Top 100 Big organisations category, Great Place to Work Certified, Sunday Times Tech 100, and Investors in Customers Gold Standard.

The Board continues to consider its engagement and inclusive culture with the Group's workforce, ensuring they remain effective and continue to give a meaningful understanding of the views of the workforce. We encourage dialogue between the Board and the workforce. Building a strong and diverse culture programme, Tandem published its first Gender Pay Gap report and continues its work as a signatory of the HM Treasury's Women in Finance Charter, promoting equity across the workforce.

Regulators and Government

The Board continues to maintain strong and open relationships with our regulators and government authorities, including the FCA, PRA and HMRC. As a Group it is important that we maintain a culture that is focused on high standards in all our business activities, regulatory compliance and a transparent relationship with our regulators. We engage proactively with the regulators to update them on our business and operational performance, strategic initiatives, and any material risks.

Active engagement with the relevant regulators and associations helps to ensure the business is aware of and adapting to the evolving regulatory framework. Further, we regularly interact with the trade bodies and business associations we are affiliated with to ensure we are engaged with issues impacting our industry.

The Board are committed to complying with all relevant legislation, with regulatory compliance considered in decision-making and are mindful of the regulators' approach and consideration of the Group's activities and strategy. Tandem has zero appetite for deliberate breaches of conduct rules and regulations or from failure to have adequate systems and controls. The Risk and Audit Committees receive frequent updates on the performance of the Group's systems and controls providing a view of key areas of focus, alongside progress made in addressing any associated remediation activities.

Suppliers and Investors

The Group relies on several partners for important aspects of our operations and service provision.

Engagement with our suppliers enables the Group to develop and maintain long term and sustainable relationships and ensures our suppliers can better understand and align to our risk management requirements and operate responsibly. Our key supplier relationships are owned by relationship managers and are supported by our central procurement function who provide specialist expertise and support. Engagement with suppliers includes regular meetings, with strategic meetings taking place at least quarterly with our tier 1 suppliers, as well as an annual review to seek feedback on the overall partnership.

The Group's Compliance Framework sets out the rules and guidance for management on how Tandem engages with outsourcing partners to ensure that good governance, systems and controls are in place so that the Group does not breach conduct rules or regulations due to third party failures.

It is important to the Board that suppliers uphold the same values as the Group. This is considered at the procurement stage and throughout other business relationships.

Regular reviews are carried out on the controls and performance of suppliers which cover a range of issues such as data security, bribery and corruption.

Investors

The Group engages with its shareholders and understands that investor engagement fosters long-term strategic understanding of Tandem's strategy. This engagement keeps investors informed on the Group's progress, strategy and financial performance.

The Board remains committed to pursuing the key strategic priorities of Tandem to ensure we deliver business growth to investors.

The Board regularly holds meetings which lead to beneficial outcomes for Tandem's investors. These meetings focus on areas such as growth initiatives, business strategy, and acquisitions.



Corporate Governance Report

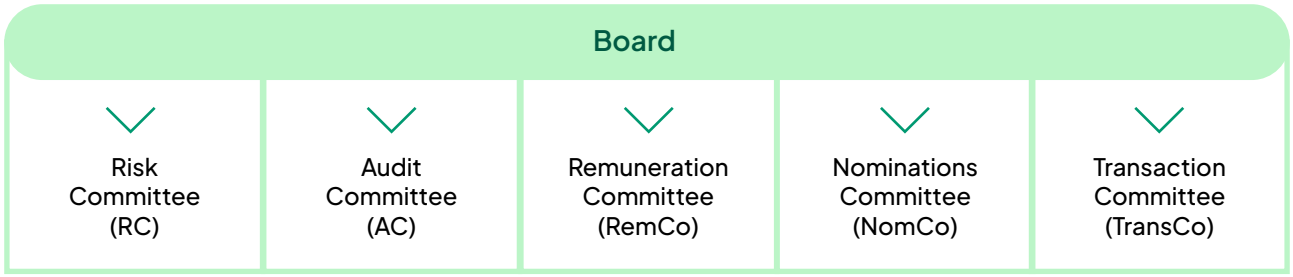
A robust corporate governance framework supports Tandem's operations, functions and performance of responsibilities. Tandem is not required to fully adopt the UK Corporate Governance Code ('Code'). It does however recognise the benefits of the Code and refers to the guiding principles of the Code along with the guidance set out by the PRA. Aligned to this, a governance framework has been constructed that ensures that the Group is supported by a framework which facilitates efficient and effective decision-making whilst also providing protection for our shareholders, customers, employees and other key stakeholders.

Tandem's governance structure, split between the Board of Directors and the Executive Management Team, strives to support the executive in their oversight of performance and delegations from the Board for the day-to-day management of the business.

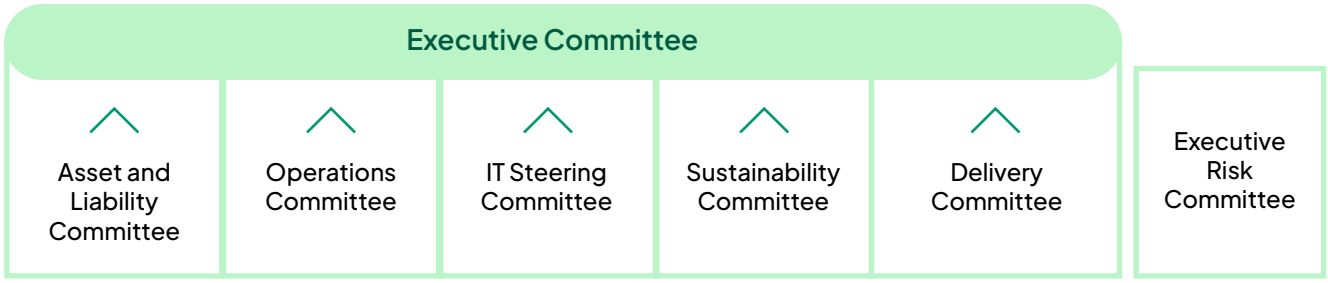
Board composition

- The Chairperson helps set the tone for the Group and supports effective communication with other Directors and Executive Management. Further, the Chairperson provides leadership and facilitates relationships with shareholders, regulators and other key stakeholders;
- Senior Independent Director (SID) provides a sounding board for the Chairperson and other Directors on the Board. The SID is also a channel for communication when other normal channels (through the Chairperson or Executive Management) have failed.

Board level committees



Executive level committees



Board Governance

Board responsibilities

The Board of Directors are collectively responsible for the leadership, culture and long term sustainable success of Tandem Money Limited and its subsidiaries. The Board is accountable for setting the strategic direction of the Group whilst also ensuring its obligations to its customers, employees, regulators, shareholders and other key stakeholders are met.

The Board is also responsible for providing oversight and monitoring the business against the approved strategy, risk appetite and Budget, providing challenge and advice to Executive Management as required to enable Tandem to meet its strategic objectives and goals.

The Board's responsibilities include:

- Review and approval of the Annual Budget and strategic objectives;
- Regular review of the Group's financial and operational performance against Budget and key performance measures (aligned to strategic objectives), including monthly review of capital management, funding, liquidity and cost of risk;
- Review and approval of the Group's principal risk types, risk appetite and RMF;
- Ensuring that appropriate governance processes are in place to provide that the Board has sufficient access to information, and that the business complies with all relevant regulations and legal requirements;

The Board delegates certain matters to Board Committees, with outputs from each Board Committee reported to the Board regularly, ensuring that the Board maintains appropriate oversight. A summary of each of these committee activities has been included in this report (see below).

Tandem maintains a terms of reference for all committees which set out the remit and authority of each committee.

Audit committee

The Audit Committee has been delegated responsibility for the oversight of financial reporting processes, internal controls, compliance, external and internal audit and whistleblowing. The Audit Committee is chaired by an INED with recent and relevant financial experience. During 2025, the Audit Committee has considered and made recommendations to the Board on some of the following matters:

- Oversight of the preparations of the Annual Report and Accounts, including associated accounting judgements and provisions;
- Review of the internal audit reports monitoring the effectiveness of its work. During 2025 Internal Audit presented reports covering topics of effectiveness of the risk management framework, securitisation, operational resilience, treasury wholesale credit risk, senior managers regime, model risk framework, cyber and information security, financial crime, data quality, arrears management and responsible lending;

- Carry out an annual assessment of the effectiveness of the internal audit function
- Monitor and review the effectiveness of its work, and annually approve the internal audit charter.
- Oversight of regulatory reporting (including Pillar III);
- Oversight of ESG metrics and Tandem's carbon footprint and climate impact.

Risk committee

The Risk Committee has been delegated responsibility for the oversight of risk management with particular focus on Tandem's principal risk types and associated frameworks, risk appetites and risk assessment methodology and process.

The Risk Committee is chaired by the Senior Independent Director. The Risk Committee provides oversight and advice to the Board on current risk exposures and future risk strategy of the Group. During 2025, the Risk Committee considered and made recommendations to the Board which included the following matters:

- Oversight of the Group's Risk Appetite, recommending any changes to the Board;
- Review of the Risk Management Framework (RMF) including key underlying frameworks and policies;
- Review and challenge of the overall strategic and commercial priorities for Tandem, including the assessment of risks inherent in the Budget and longer-term plans, capital requirements and the robustness of stress testing; and
- Review and recommendation of the Group's Principal Risks.

Nomination committee

The Nomination Committee (NomCo) has delegated responsibility for the oversight of the Board's governance arrangements, composition, skills, independence and succession planning. The NomCo is chaired by the Chairperson. During 2025, the NomCo considered some of the following matters:

- Recruitment and recommendation of the appointment of new INEDs to the Board;
- Approval of the recommendations for recruitment to the Senior Management Team, including the CFO;
- Board succession planning.

Remuneration committee

The Remuneration Committee (RemCo) has been delegated responsibility for the development and review of the Remuneration Policy for the Group and level of remuneration for INEDs, Executive Directors and Senior Management, as well as reviewing / challenging proposals for employee incentive schemes.

Transaction committee

The Transaction Committee (TransCo) has delegated responsibility to provide the Board with oversight of significant transactions and provide guidance and challenge on transactions that are being contemplated by a Group company. The TransCo is chaired by the Board's Chairperson.

Executive Governance

The CEO is supported in their role primarily through the establishment of a Senior Management team supported by sub-committees to focus on specific matters and have a robust oversight of the business performance and the management of risk across the Group.

A summary of the scope of the Senior Management team and its associated sub-committees is included below:

Executive committee

The Senior Management team provides day-to-day oversight and monitoring of the operational and financial performance of Tandem. Ensuring appropriate responsibility for quarterly reviews of executive objectives, risk considerations and fulfilment of strategic objectives. The Senior Management team also reviews and recommends matters to the Board and Board Committees in line with established Terms of Reference. Decisions are also made by the Senior Management team in line with delegated authorities from the Board.

Executive risk committee

The Executive Risk Committee (ERC) is responsible for the monitoring and management of the Group's risk management arrangements and practices. Further, the committee provides particular oversight of principal risk types against risk appetite and in line with the Group's RMF. The ERC recommends matters to the Board Risk Committee, where appropriate.

Asset and liability committee

The Asset and Liability Committee (ALCo) is responsible for ensuring Tandem's balance sheet is managed effectively with consideration to liquidity, funding and capital risk. ALCo determines the appropriate use of debt and derivatives in pursuit of managing these risks in line with the Treasury Policy and risk appetite.

Transformation committee

The Transformation Committee (TC) is responsible for the oversight of key strategic projects and performance. The TC seeks to ensure the capabilities needed for the Bank to deliver effective transformation to all key stakeholders (customers, colleagues, regulators, and shareholders) are defined, measured, reviewed and, where appropriate, improved.

IT steering committee

The IT Steering Committee (ITSC) is responsible for oversight of the operational aspects of technology in Tandem. This covers key aspects of service, cyber security, total cost of ownership of technology estate, IT policy and Tandem's data and architecture controls.

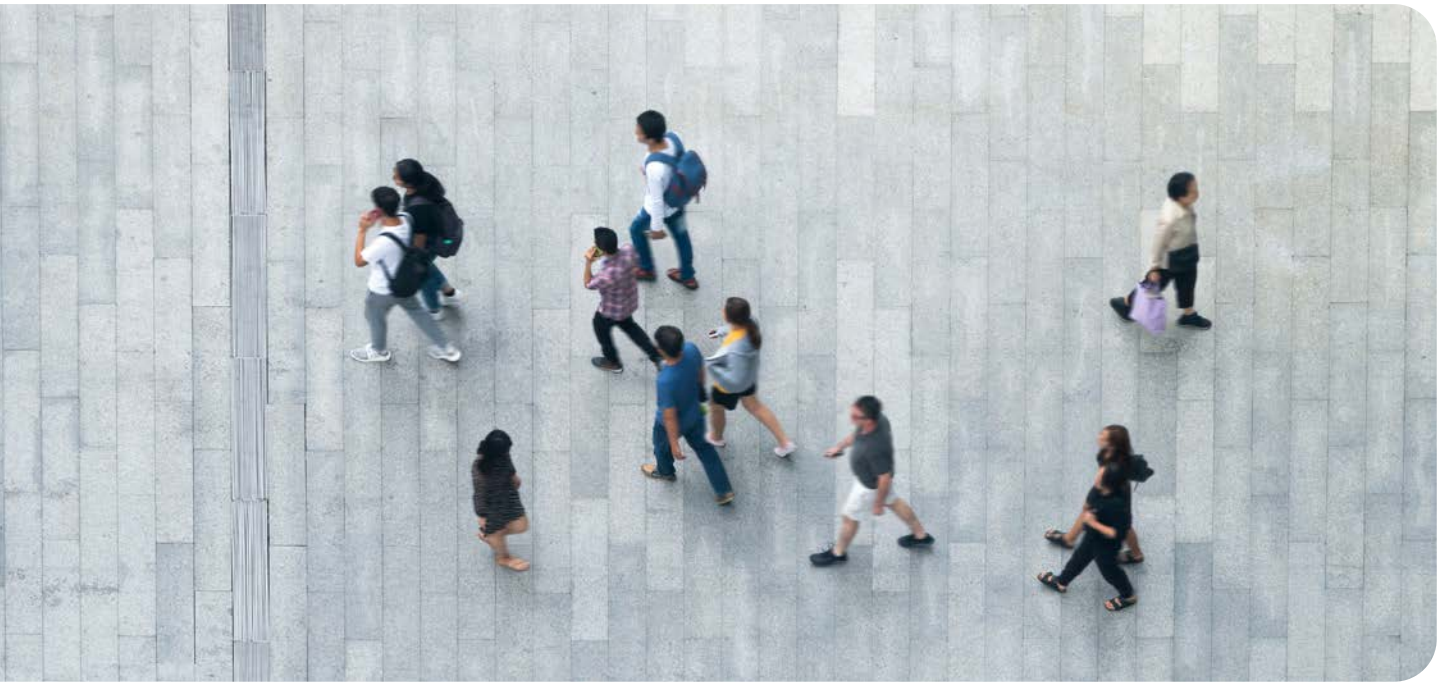
Sustainability committee

Previously named ESG Committee, Sustainability Committee (SusCo) is responsible for the provision of advice, guidance, and direction on the objectives for the Group's vision and strategy for Environmental, Social and Governance matters.

Operations committee

The Operations Committee (OpCo) is responsible for the monitoring of the operational performance and risk of the Group. The OpCo is responsible for the appropriate resourcing to ensure that the Group has the capabilities to deliver operational excellence to all key stakeholders.





Risk Report

Effective risk management is a key element of the Group's sustainable performance, overall value creation and its long-term success.

Tandem established an Enterprise-wide Risk Management Framework ('RMF') in 2023 to support the Group's strategy and business plan. The RMF ensures that the Group's risk management is tailored to the size, nature, complexity and strategy of the Group through appropriate governance, policies, risk objectives, risk appetite, risk identification processes, and operating models.

Throughout 2024 and 2025 Tandem made significant progress in embedding its Enterprise-wide Risk Management Framework and capability. This has included improvements in the implementation of the frameworks and policies across the risk disciplines including managing credit risk, financial crime risk and climate risk. Tandem will continue to embed, review, refine and evolve its approach to risk management in recognition of changes in the scope and scale of the business, and in line with the changing regulatory landscape.

The Board considers that as at 31 December 2025, it had in place adequate systems and controls with regards to Tandem's risk profile and strategy. Whilst risk cannot be eliminated, the Board is satisfied that the systems of internal control embedded within the Bank have worked effectively during the last financial year to identify, monitor, manage and control relevant risks.

Risk Governance and Oversight

The Tandem Board, as the governing body of TML and its underlying entities, is responsible for ensuring that effective systems and controls are in place to manage risks, and for exercising oversight to ensure that these are effective over time. The Board delegates authority for day-to-day risk management to Senior Management, and exercises oversight of these arrangements through appropriate systems of governance and reporting.

The Board operates a Risk Committee comprising Independent Non-Executive Directors. The role of the Risk Committee is to support the Board in the oversight of risk management systems and controls and the monitoring of Tandem's Risk Profile relative to the Board-approved Risk Appetite.

Management operates an Executive Risk Committee (ERC) responsible for the monitoring and management of the Group's risk management arrangements and practices, including oversight of principal risk types against Risk Appetite and in line with the Group's RMF. The ERC recommends matters to the Board Risk Committee, where appropriate. Further information on the Group's committees is outlined in the Corporate Governance Report on page 72.

The Chief Risk Officer (CRO) is responsible for overseeing the RMF on behalf of the Board, and reports to the Chief Executive Officer. The CRO is also provided with unfettered access to the Chair of the Board and the Chair of the Board Risk Committee.

Risk strategy and culture

The Board has set five strategic risk objectives:

1. Good customer outcomes at the heart of everything we do.
2. Support business strategy through independent advice and challenge to facilitate a sustainable business model.
3. A positive risk aware culture throughout the bank.
4. Support stakeholder and regulatory confidence.
5. Create a control environment fit for the current business requirements and future ambitions.

Tandem's Risk Appetite and RMF, as summarised below, ensure that Tandem always adheres to these objectives in delivering the Board strategy and business plan.

The Board are committed to promoting a risk aware culture where appropriate decision making and behaviours are modelled by the Board of Directors and Senior Management, and thereby sets the standard, "Tone from the Top", across the organisation.

Tandem's risk culture is supported by Tandem's Conduct Risk Framework, which supports and enables the management of risks, the realisation of good customer outcomes, and ongoing compliance with all regulatory and legal requirements.

The Board and Senior Management encourage a culture of transparency and openness to ensure that issues are escalated promptly, where required. The Chair of the Audit Committee is the appointed Whistleblower Champion, with the MLRO assigned as the point of contact on whistleblowing matters.

Risk management framework

The Board-approved Group RMF outlines Tandem's approach to risk management and how the key risk exposures of the Group are identified, assessed and managed, ensuring that risk exposure does not exceed Risk Appetite.

The framework is periodically reviewed, updated and approved by the Board to reflect any changes to the business, its external environment, and regulations, law, corporate governance and industry best practice.

Risk appetite

The Board-approved Risk Appetite defines the type and level of risks that the Group is prepared to manage in pursuit of its strategic objectives, both under normal and stressed business conditions.

Risk appetite is expressed within the Consolidated Statement of Risk Appetite, which comprises tolerances for managing each of the principal risk types with a limit structure in place to ensure delivery against appetite.

Three lines of defence

Tandem's approach to risk management follows industry practice of the 'Three Lines of Defence' model:

- First line of defence represents all business units, including the core business units and operational functions, which are all individually responsible for understanding and managing the risks in their respective areas. It contains all staff responsible for identifying and managing risk, as part of their accountability for achieving their objectives.
- Second line of defence comprises the central and independent Risk and Compliance Function, led by the CRO. The function provides independent oversight and challenge of the first line of defence, the frameworks, tools and techniques to enable risk and compliance to be managed in the first line. It also conducts monitoring to judge how effectively the first line are operating, and helps to ensure consistency of definitions and measurement of risk across the Group.
- Third line of defence is provided by the internal audit function. This sits outside of the risk management processes of the first and second line, with its main role being to ensure that the first two lines are operating effectively. Tasked by (and reporting to) the Audit Committee, it provides an evaluation on the effectiveness of governance, risk management and internal controls to the Board and Senior Management.

Stress testing

Stress testing is an important risk management tool to assist the Board's understanding of the key risks, scenarios and sensitivities that may adversely impact the financial or operational position of the Group. Stress testing is integrated in the Group's annual assessments, including the Internal Capital Adequacy Assessment Process ('ICAAP'), Internal Liquidity Adequacy Assessment Process ('ILAAP') and the Recovery and Solvent Exit Plan ('RP').

The Board reviews and approves the ICAAP, ILAAP and the RP in line with regulatory expectations, and maintains a Stress testing Policy, which is subject to regular review.



Principal Risks

The Group, in the execution of its strategy, is exposed to risks, some of which have been described in Note 31 of the Financial Statements.

Principal Risks represent the overarching risks that the Group faces which could materially impact the achievement of its strategic objectives.

The Directors are satisfied that there are reasonable systems and controls in place to manage risks and for exercising oversight.

Capital risk

Risk that Tandem's capital resources are inadequate in relation to its assets, current liabilities and regulatory expectations, bearing no or limited capacity to absorb unexpected losses.

Where Tandem is exposed

Tandem holds capital against any risk it is, or might be, exposed to in pursuit of its corporate objectives.

Key mitigation actions

Ongoing monitoring of capital resources and comprehensive assessment of capital requirements through the ICAAP, business plan and scenario analysis.

Credit risk

Definition

Risk of financial losses to the Group resulting from borrower or counterparty failure to repay a debt or meet their contractual obligation.

Where Tandem is exposed

The Group faces this risk from lending to customers in either its secured or unsecured lending portfolios and through transacting with wholesale counterparties for the purposes of treasury management.

Key mitigation actions

Credit policies, incorporating prudent lending, collection and underwriting criteria, and ongoing portfolio management, monitoring and stress testing of credit risk exposures.

Liquidity and funding risk

Definition

Risk that the Group is unable to meet its obligations as they are expected to fall or can do so only at exceptional cost.

Where Tandem is exposed

Tandem faces this risk in the management of its liquidity and funding portfolios.

Key mitigation actions

Ongoing management and monitoring of liquidity resources and comprehensive assessment as part of the ILAAP.

Market risk

Definition

Risk of losses arising from adverse movements in market prices.

Where Tandem is exposed

Market risk arises in the form of interest rate risk management of operational, financing and investment activities.

Key mitigation actions

Ongoing management and monitoring of interest rate movements and their impact on the balance sheet and profitability, and comprehensive assessment as part of the ICAAP.

Operational risk

Definition

Risk of losses or impact on customers, reputation or resilience, resulting from inadequate or failed procedures, systems and controls, including those resulting from disruption or damage to technology, poor implementation of software or cyber / data breaches.

Where Tandem is exposed

Tandem faces this risk in the day-to-day management of legal and regulatory activities, people, information security, cyber, IT, transformation, business continuity, data, financial crime and financial reporting risks.

Key mitigation actions

Regular assessment and updating of Risk and Control Self Assessments, and ongoing implementation of Incident and Event management and Action Management processes. Operational Risk scenarios are also subject to comprehensive assessment as part of the ICAAP.

Business model risk

Definition

Risk that the business strategy is unachievable, due to errors in underlying assumptions, changes in the external environment and / or inadequate financial resources.

Where Tandem is exposed

Tandem faces business risk from revenue volatility due to factors including macroeconomic conditions, inflexible cost base, competitors with lower cost bases and/or innovative customer propositions, and failure to respond effectively to changes in customer behaviour.

Key mitigation actions

Board approved strategy and business plan, embedded through appropriate operational plans and management communication and monitored via KPIs, reporting and management information (MI).

Climate risk

Definition

Risk that changes in climate conditions, or adjustments to support the transition to a low carbon economy, will impact Tandem's ability to achieve its business plan or strategy and / or affect the value of Tandem's assets or liabilities.

Where Tandem is exposed

Tandem is exposed to Climate Risk through physical, transition or greenwashing risks for the Group.

Key mitigation actions

Board approved strategy focused on transition to a lower carbon lifestyle, supported by Board approved Climate Risk management framework, utilising the principal of identify, assess, monitor, and report.

Conduct, compliance and financial crime risk

Definition

Risk of detriment to customers, markets or Tandem due to inappropriate, negligent or wilful misconduct, financial crime and / or failure to comply with applicable laws, regulations, principles and standards, (including second order losses relating to conduct failures of retail partners).

Where Tandem is exposed

As a PRA and FCA regulated institution that is entrusted to help consumers reach their financial objectives, the way in which Tandem offers its products and services, and conducts and controls its business, can give rise to Conduct, Compliance and Financial Crime Risks.

Key mitigation actions

Implementation of appropriate policies, processes, systems, and controls, that are subject to ongoing challenge, assurance and review, including appropriate reporting and management information up to and including the Board.



Key and Emerging Risks

Macroeconomic risk

Rationale

Macroeconomic conditions remained challenging given uncertainties over growth, inflation and interest rates, and ongoing geopolitical tensions.

Key mitigations

Oversight and monitoring of actual and forecasted impacts across Tandem's loan exposures, operations, including risk modelling and collection policy and process enhancements.

Cyber risk

Rationale

The risk of cybercrime continues to remain heightened in the financial sector.

Key mitigations

Ongoing and continuous enhancements to the Group-wide cybersecurity framework considering an evolving threat landscape.

Regulatory risk

Rationale

Changing legislation, regulation, policies, and their interpretations in the markets in which Tandem operates has the potential to impact on the Group's operations, business prospects, structure, costs, financial resource requirements, and ability to enforce contractual obligations.

Expected changes to the UK's prudential policy framework (e.g. Basel 3.1 and Small Domestic Deposit Taker regime) are likely to lead to changes in Tandem's financial resource requirements in the future.

The Group is impacted by the FCA's Motor Finance commission redress scheme ('the Scheme') which came into effect on 31 March 2026 following the consultation on FCA's proposals which were released on 7 October 2025.

Key mitigations

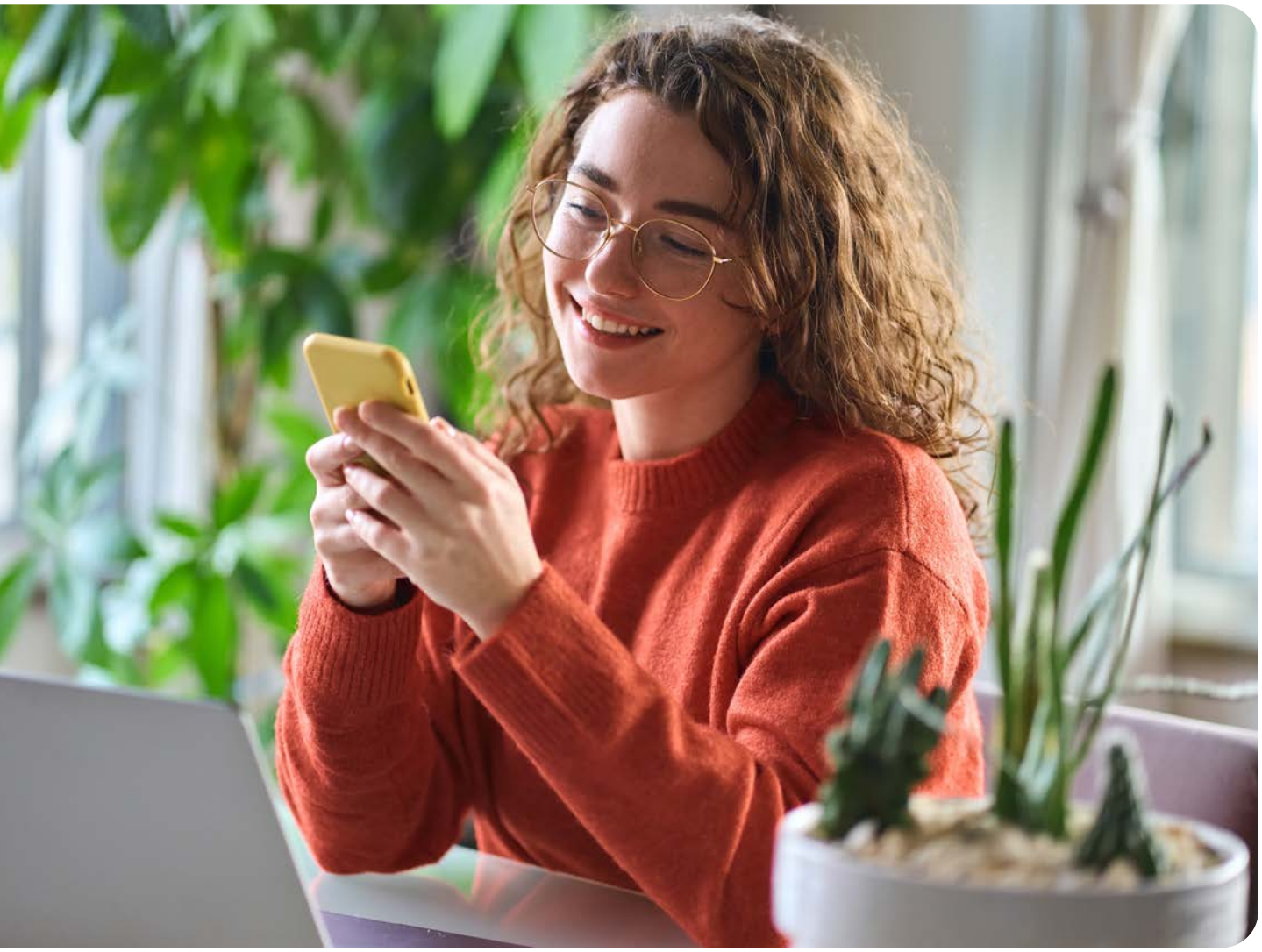
Maintained focus on these horizon risks, both in terms of changing landscape and changes to Tandem's business and associated legal and regulatory impacts, including through ongoing engagement with the Group's regulators.

In relation to the Motor Finance commission redress scheme, the Group is not required to issue final responses to affected complaints until after 30 June 2026. Complaints will continue to be handled in accordance with FCA requirements and prescribed timelines, with outcomes communicated in line with the FCA's redress framework. Further information is available on the FCA's website.

The Board has worked closely with management to ensure Tandem's response to the Scheme is transparent, customer-focused, and aligned with regulatory requirements. We take our responsibilities to customers seriously and are taking steps to ensure that there are appropriate governance, controls, and processes are in place to meet the requirements of the Scheme.

Consumer Duty

Tandem continues to have a strong focus on customer outcomes. This has seen continued development and evolution of outcome metrics and governance processes to ensure that good customer outcomes are achieved and potential customer harm avoided in helping customers achieve their financial objectives. This has included Board approval of the Annual Consumer Duty Report, and the establishment of a Customer Committee chaired by the COO. In line with our values and culture, we see the customer at the heart of our business and our focus is to ensure both our new and existing products always meet their needs, are provided at a suitable price with appropriate value, and that our customers have the right understanding and support to continue to meet their needs; especially if their circumstances change during their time with Tandem.



Capital management

Tandem's approach to capital management is driven by strategic and organisational requirements, while also considering the regulatory environment in which it operates. The Group's principal objectives when managing capital are to:

- Address the expectation of regulators as well as shareholders and optimise business activities to ensure return on capital targets are achieved through efficient capital management;
- Ensure that the Group holds sufficient capital to cater for unexpected losses that may arise, to protect depositors and thereby support the sustainability of the Group through business cycles; and
- Comply with capital supervisory requirements and related regulations. The PRA supervises the Group and receives information on the capital adequacy and sets the Group's capital requirements.

The aim of the capital adequacy regime is to promote safety and soundness in the financial system. The Group completes a self-assessment of risks known as the Internal Capital Adequacy Assessment Process ('ICAAP'). The ICAAP is reviewed by the PRA, feeding into the Total Capital Requirement on a level of capital that the Group is required to hold.

The Group maintains an adequate capital base with the aim of supporting the development of the business and to ensure it always meets the Total Capital Requirement. As a result, Tandem maintains capital adequacy ratios above minimum regulatory requirements. Tandem publishes a set of disclosures which allow market participants to assess information on that firm's capital, risk exposures and risk assessment process as at 31 December 2025. These disclosures (known as Pillar 3 disclosures) can be viewed on Tandem's website (www.tandem.co.uk).





Directors' Report

The Directors of the Group present their report together with the audited consolidated Financial Statements for the year ended 31 December 2025. Other information which is relevant to the Directors Report has been referenced where relevant and have been highlighted in the below table:

Topic	Reference
Capital management	Page 88
Future developments	Note 34 of the Financial Statements
Events subsequent to the reporting date	Note 34 of the Financial Statements
Board consideration of Section 172 duties	Page 67

Appointment and replacement of directors

The Company's Articles of Association set out the rules for the appointment and replacement of Directors. The Directors who served during the year and up to the date of signing the Financial Statements were:

Director	Role	Date
Stephen Jones	Chair and Independent Non-Executive Director	Appointed 06/01/2026
Paul Pester	Chair	Appointed 15/06/2022; Resigned 01/03/2026
Aileen Wallace	Senior Independent Non-Executive Director	Appointed 01/11/2023
Matthew Donaldson	Independent Non-Executive Director	Appointed 31/03/2022; Resigned 28/02/2026
Imran Gulamhuseinwala	Independent Non-Executive Director	Appointed 30/05/2024
Malcolm McCaig	Independent Non-Executive Director	Appointed 29/06/2023
Clive Kornitzer	Independent Non-Executive Director	Appointed 16/02/2026
Matthew Potter	Shareholder Non-Executive Director	Appointed 31/03/2022
Patrick Carey	Shareholder Non-Executive Director	Appointed 28/03/2024
Neil Chandler	Chief Executive Officer and Executive Director	Appointed 30/06/2025
Alex Mollart	Chief Executive Officer and Executive Director	Appointed 24/01/2022; Resigned 30/06/2025
Ryan Heaps	Chief Financial Officer and Executive Director	Appointed 26/06/2025
Matthew Dobson	Chief Financial Officer and Executive Director	Appointed 07/02/2025 Resigned 30/06/2025

Corporate governance statement

Tandem has built on its existing corporate governance framework to ensure that the Group is supported by good practice standards in line with banking best practice, considering both the UK Corporate Governance Code and the guidance set out by the PRA.

The Board has specifically considered the areas of importance highlighted in the PRA Supervisory Statement 5/16 - Corporate Governance: Board Responsibilities. The Board is accountable for, amongst other items, the setting of strategy, guiding and influencing culture as well as setting and overseeing the Risk Appetite of the firm.

Directors' interests

The following Directors in office held an interest in the shares of the Group as at 31 December 2025:

- Ryan Heaps

Directors' indemnities

The Company's Articles of Association provide that, subject to the provisions of the Companies Act 2006, the Company may indemnify any Director or former Director of the Company or any associated company against any liability and may purchase and maintain for any Director or former Director of the Company or any associated company insurance against any liability.

The Group has made qualifying third-party indemnity provisions for the benefit of its Directors during the year in accordance with s234 of the Companies Act 2006, and these remain in force at the date of this report.

The Group has maintained appropriate Directors' and Officers' liability insurance in place throughout 2025.

Company secretary

All Directors have access to the services of the Company Secretary in relation to the discharge of their duties. Marriam Malik is the Company Secretary of Tandem. The Company Secretary can be contacted at the Company's registered office, details of which are on page 4.

Going concern

In preparing the consolidated Financial Statements, the Directors must satisfy themselves that it is reasonable to adopt the going concern basis.

As part of the Directors' consideration of the appropriateness of adopting the going concern basis, various financial projections have been considered, including a severe but plausible downside scenario. The Directors have subsequently concluded that no material changes to the Company or Group's activities will be required beyond a controlled and targeted reduction of new lending in the severe but plausible downside scenario.

Therefore, the Company and Group can operate with adequate financial resources for the foreseeable future (which has been taken up to December 2027 from the date of approval of the financial statements), with both capital ratios and liquidity in excess of minimum regulatory requirements. Thus, after making the necessary enquiries, the Directors have a reasonable expectation that the Company and Group has sufficient resources to continue in operational existence for a period of at least 12 months from the signing of these Financial Statements.

Political and charitable donations

The Group made charitable donations of c£28k during 2025.

Share capital

Tandem Money Limited is a private company limited by shares.

Details of the Company's issued share capital, together with details of any movements in the Company's issued share capital during the year, are shown in Note 25 of the Financial Statements.

Regulation

The Group complies with all the requirements of its regulatory authorities, given its status of being authorised and regulated by the PRA and FCA.

Qualifying deposits held by the Group are covered by the Financial Services Compensation Scheme (FSCS) and any complaints made by customers may be referred to the Financial Ombudsman Service. The Group is a member of UK Finance.

Auditor

In accordance with s487 of the Companies Act 2006, a resolution is to be proposed at Board for reappointment of PricewaterhouseCoopers LLP as auditors of the Company.

Disclosure of information to the auditor

The Directors confirm that in accordance with s418 of the Companies Act 2006:

- So far as each of the Directors is aware, there is no relevant audit information of which the auditor is unaware; and
- The Directors have taken all the steps that they ought to have taken as Directors to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of the Companies Act 2006.

Statement of directors' responsibilities in respect of the financial statements

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

Company law requires the Directors to prepare financial statements for each financial year.

Under that law the directors have prepared the Group and the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', and applicable law).

Under company law, Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period. In preparing the financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- State whether applicable United Kingdom Accounting Standards, comprising FRS 102 have been followed, subject to any material

departures disclosed and explained in the financial statements;
- Make judgements and accounting estimates that are reasonable and prudent; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

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

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

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

Neil Chandler

Chief Executive Officer

Ryan Heaps

Chief Financial Officer

30 April 2026



Independent Auditors' Report to the Members of Tandem Money Limited

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2025 and of the group's loss and the group's cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

- the Consolidated Statement of Financial Position as at 31 December 2025;
- the Company Statement of Financial Position as at 31 December 2025;
- the Consolidated Income Statement and Statement of Other Comprehensive Income for the year then ended;
- the Consolidated Statement of Changes in Equity for the year then ended;
- the Company Statement of Changes in Equity for the year then ended;
- the Consolidated Statement of Cash Flow for the year then ended; and
- the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

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

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

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

Reporting on other information

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

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

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

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

Strategic report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 December 2025 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' responsibilities in respect of the Financial Statements, the directors are

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

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

Auditors' responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations.

We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to the relevant Financial Conduct Authority ("FCA") and the Prudential Regulation Authority ("PRA") regulations, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as Companies Act 2006 and UK tax legislation. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting of inappropriate manual journal entries to manipulate financial performance and the application of management bias in the assumptions underpinning significant accounting estimates. Audit procedures performed by the engagement team included:

- Enquiries with management and those charged with governance in relation to known or suspected instances of non-compliance with laws and regulation and fraud;
- Reading PRA and FCA correspondence;
- Reading minutes of the Board and Board Audit Committee meetings to identify any matters of audit relevance;

- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to goodwill impairment;
- Incorporating unpredictability into the nature, timing and/or extent of our testing; and
- Identified and tested selected manual journal entries that we considered to represent a heightened risk of fraud, including journals with unexpected (unusual) account combinations.

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

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

Use of this report

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

Other required reporting

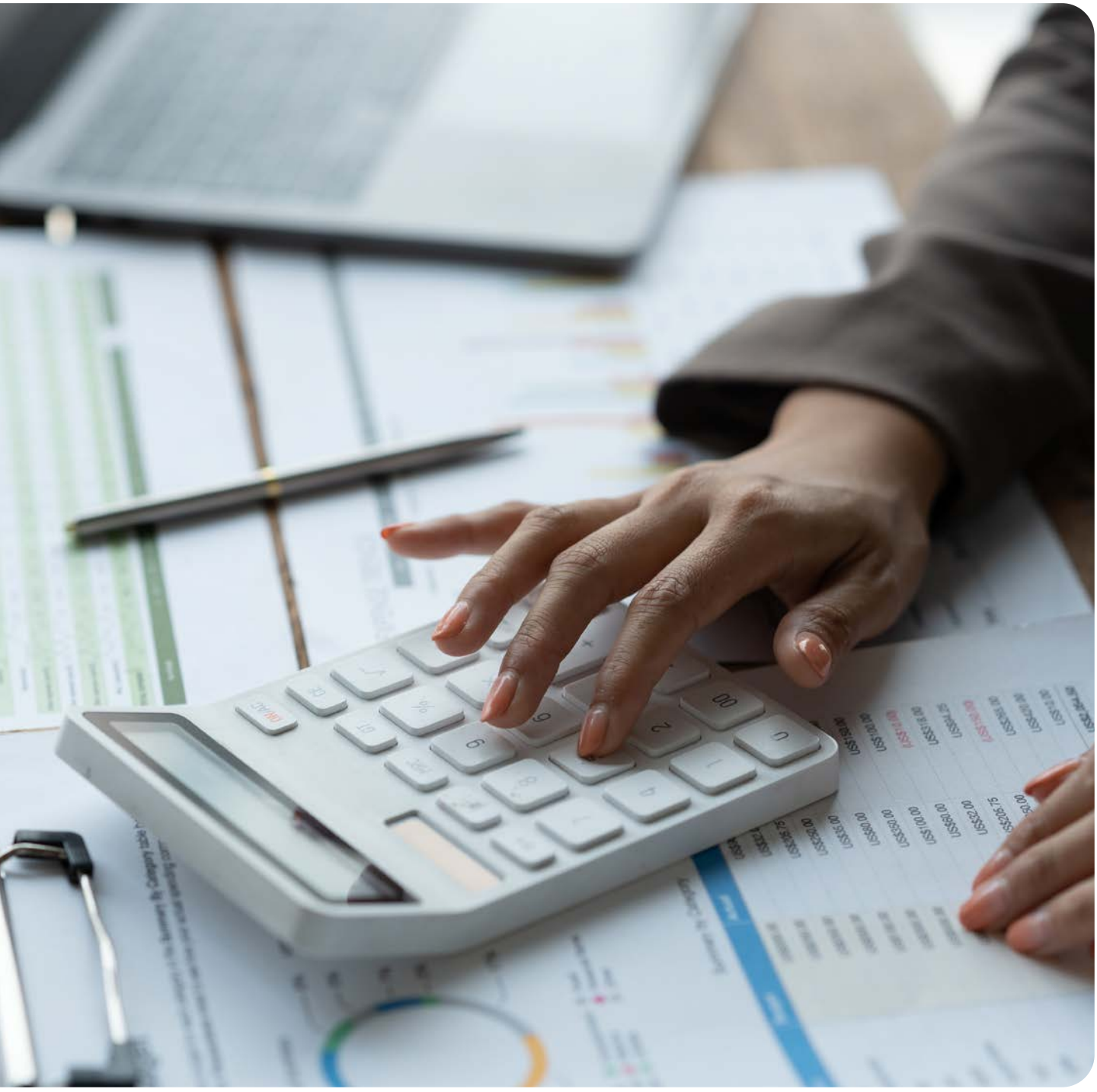
Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Ajay Kabra (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
30 April 2026



Financial Statements

Consolidated Income Statement and Statement of Other Comprehensive Income

	Note	For the year ended 31 December 2025 Total £'000	2024 Total £'000
Interest income	3	200,281	250,296
Interest expense	4	(112,364)	(164,776)
Net Interest Income		**87,917**	85,520
Fees and commissions income		802	451
Fees and commissions expense		(212)	(98)
Net (loss)/gain on derivatives and hedge ineffectiveness	5	(547)	1,608
Other operating income		41	20
Total Income		**88,001**	87,501
Administrative expenses		(62,569)	(62,297)
Regulatory provisions		(3,422)	-
Depreciation and amortization		(2,078)	(2,259)
Operating Expenses	6	**(68,069)**	(64,556)
Provision for bad and doubtful debts	12	(25,420)	(17,525)
Gain on sale of financial assets	10	8,887	11,194
Gain on Operating Activities before amortisation of Goodwill and Intangible Assets on Acquisition		**3,399**	16,614
Amortisation of goodwill and intangible assets on acquisition	17	(12,066)	(12,167)
(Loss)/Profit on Operating Activities before Tax		**(8,667)**	4,447
Tax charge on (loss)/profit	11	(1,524)	(1,439)
(Loss)/Profit for the Year		**(10,191)**	3,008
Other Comprehensive Income/(Expense)			
Items that may be reclassified subsequently to consolidated income statement:			
Available for sale investments			
- Fair value gain/(loss) on debt securities		246	(59)
- Fair value gain on equity shares		134	775
- Deferred income tax debited to equity	11	(33)	(194)
Other comprehensive income for the year, net of tax		**347**	522
Total Comprehensive (Loss)/Profit for the Year		**(9,844)**	3,530

Consolidated Statement of Financial Position

	Note	As at 31 December 2025 £'000	2024 £'000
Assets			
Cash and balances at central banks	29	584,887	1,497,095
Loans and advances to banks	29	42,709	41,256
Loans and advances to customers	12	1,282,213	1,213,929
Debt securities	13	554,658	370,151
Derivative financial instruments	14	6,383	11,304
Equity shares	15	3,667	3,533
Intangible fixed assets	17	79,044	88,897
Tangible fixed assets	18	476	696
Other assets	19	8,573	6,725
Deferred tax asset	11	17,613	19,148
Total Assets		**2,580,223**	3,252,734
Liabilities			
Borrowings from banks	20	10,113	23,789
Customer accounts	21	2,260,738	2,916,365
Derivative financial instruments	14	6,120	3,654
Other liabilities	22	18,585	14,781
Subordinated liabilities	23	19,323	18,947
Total Liabilities		**2,314,879**	2,977,536
Equity			
Called-up share capital	25	3,431	3,332
Share premium account	25	422,699	422,699
Warrants	25	1,391	1,391
Other reserves	25	10,191	11,032
Retained reserves	25	(172,368)	(163,256)
Total Equity		**265,344**	275,198
Total Liabilities and Equity		**2,580,223**	3,252,734

The Consolidated Statement of Financial Position is presented in accordance with Schedule 2, The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008.

The notes on pages 106 to 155 are an integral part of these financial statements.

The financial statements on pages 99 to 155 were authorised for issue by the Board of Directors on 30 April 2026 and were signed on its behalf by,

Neil Chandler

Chief Executive Officer

30 April 2026

Ryan Heaps

Chief Financial Officer

Registered Number: 08628614

Consolidated Statement of Changes in Equity

	Call-up Share Capital £'000	Share Premium Account £'000	Warrants £'000	Other Reserves £'000	Retained reserves: Available for Sale Reserve £'000	Retained reserves: Accumulated Losses £'000	Total Share Capital and Reserves £'000
At 1 January 2025	**3,332**	**422,699**	**1,391**	**11,032**	**2,441**	**(165,697)**	**275,198**
Loss for the year	-	-	-	-	-	(10,191)	(10,191)
Gain relating to available for sale investments	-	-	-	-	380	-	380
Deferred tax on items of other comprehensive income	-	-	-	-	(33)	-	(33)
Total Comprehensive Loss for the Year	-	-	-	-	347	(10,191)	(9,844)
Shares issued, net of expenses	99	-	-	-	-	-	99
Share-based payments	-	-	-	(841)	-	732	(109)
As at 31 December 2025	**3,431**	**422,699**	**1,391**	**10,191**	**2,788**	**(175,156)**	**265,344**
At 1 January 2024	3,332	422,699	1,391	10,474	1,919	(168,705)	271,110
Profit for the year	-	-	-	-	-	3,008	3,008
Gain relating to available for sale investments	-	-	-	-	716	-	716
Deferred tax on items of other comprehensive income	-	-	-	-	(194)	-	(194)
Total Comprehensive Profit for the Year	-	-	-	-	522	3,008	3,530
Share-based payments	-	-	-	558	-	-	558
As at 31 December 2024	3,332	422,699	1,391	11,032	2,441	(165,697)	275,198

Consolidated Statement of Cash Flow

	Note	Year ended 31 December 2025 £'000	2024 £'000
Cash Flows from Operating Activities			
(Loss)/Profit on operating activities before tax		(8,667)	4,447
Non-cash items included in (loss)/profit on operating activities Before tax		31,566	20,727
Change in operating assets and liabilities		(954,199)	(838,041)
Corporation tax paid		(1,937)	(1,868)
Net Cash Used in Operating Activities	**29**	**(933,237)**	(814,735)
Cash Flows from Investing Activities			
Purchase and/or cost of intangible assets		(4,238)	(2,425)
Purchase of tangible assets		(176)	(233)
Sale of loan portfolios from securitization		202,944	277,783
Purchase of debt securities at amortised cost		(167,254)	(210,801)
Redemption of debt securities at amortised cost		80,087	-
Purchase of debt securities at fair value		(140,600)	(121,175)
Maturity/sale of debt securities at fair value		43,639	21,244
Net Cash Generated from/(Used in) Investing Activities		**14,402**	(35,607)
Cash Flows from Financing Activities			
Repayment of debt securities in issue		-	(75,772)
Net Cash used in Financing Activities		**-**	(75,772)
Net Decrease in Cash and Cash Equivalents		**(918,835)**	(926,114)
Cash and cash equivalents at beginning of year		1,536,241	2,462,355
Cash and Cash Equivalents at the end of the year	**29**	**617,406**	1,536,241

Company Statement of Financial Position

	Note	As at 31 December 2025 £'000	2024 £'000
Non-Current Assets			
Intangible fixed assets	17	8,347	5,803
Tangible fixed assets	18	395	437
Investments in subsidiaries	16	241,927	244,330
Deferred tax asset	11	8,496	8,601
		259,165	259,171
Current Assets			
Loans and advances to banks	29	901	1,384
Other assets	19	4,436	4,821
		5,337	6,205
Creditors: Amounts Falling Due Within One Year			
Other liabilities	22	(13,967)	(12,236)
		(13,967)	(12,236)
Net Current Liabilities		**(8,630)**	(6,031)
Total Assets Less Current Liabilities		**250,535**	253,140
Creditors: Amounts Falling Due After More Than One Year			
Derivative financial instruments	14	(1,132)	(1,151)
Other liabilities	22	(472)	(480)
		(1,604)	(1,631)
Net assets		**248,931**	251,509
Equity			
Called-up share capital	25	3,431	3,332
Share premium account	25	422,699	422,699
Warrants	25	1,391	1,391
Other reserves	25	10,191	11,032
Accumulated losses	25	(188,781)	(186,945)
Total Equity		**248,931**	251,509

The Company's Total Comprehensive Loss for the year ended 31 December 2025 was £2,568k (2024: £8,283).

The Company Statement of Financial Position is presented in accordance with Schedule 1, The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, adapted under FRS 102 section 4.2C.

The notes on pages 106 to 155 are an integral part of these financial statements. The financial statements on pages 100 to 155 were authorised for issue by the Board of Directors on 30 April 2026 and were signed on its behalf by,

Neil Chandler

Chief Executive Officer

Ryan Heaps

Chief Financial Officer

30 April 2026

Registered Number: 08628614

Company Statement of Changes in Equity

	Call-up Share Capital £'000	Share Premium Account £'000	Warrants £'000	Other Reserves £'000	Accumulated Losses £'000	Total Share Capital and Reserves £'000
At 1 January 2025	**3,332**	**422,699**	**1,391**	**11,032**	**(186,945)**	**251,509**
Total comprehensive income for the year	-	-	-	-	(2,568)	(2,568)
Share issued, net of expenses	99	-	-	-	-	99
Share-based payments	-	-	-	(841)	732	(109)
As at 31 December 2025	**3,431**	**422,699**	**1,391**	**10,191**	**(188,781)**	**248,931**
At 1 January 2024	3,332	422,699	1,391	10,474	(178,662)	259,234
Total comprehensive loss for the year	-	-	-	-	(8,283)	(8,283)
Share-based payments	-	-	-	558	-	558
As at 31 December 2024	3,332	422,699	1,391	11,032	(186,945)	251,509

Notes to the Financial Statements

1. Significant Accounting Policies

This section describes the Group's significant accounting policies and critical accounting estimates. All policies have been consistently applied to all the years presented unless otherwise stated.

1.1. General Information

Tandem Money Limited ('TML' or 'the Company') together with its subsidiaries ('the Group') are private companies, limited by shares and incorporated in the United Kingdom under the Companies Act. The address of the registered office is Viscount Court, Sir Frank Whittle Way, Blackpool, England, FY4 2FB.

1.2. Basis of Preparation

The Group and individual Financial Statements of TML have been prepared on a going concern basis, under the historical cost convention as modified by the recognition of certain financial assets and liabilities measured at fair value, and in compliance with the Companies Act 2006, Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' ('FRS 102') and the provisions of Statutory Instrument 410 ('Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008').

The Company has taken advantage of the exemptions in section 408 of the Companies Act from presenting its individual profit and loss account and in FRS 102 section 33.1A to not disclose transactions with its subsidiaries that are wholly owned.

The Financial Statements are prepared in sterling which is the functional and presentational currency of the Group and rounded to the nearest thousand.

Future accounting developments that have not been early adopted by the Group in 2025

The FRC issued Amendments to FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland and other FRSs – Periodic Review 2024 in March 2024. The amendments focus on updating accounting requirements to reflect changes in IFRS Accounting Standards, particularly with respect to revenue and leases, and making other incremental improvements and clarifications.

FRS 102 Revenue from Contracts with Customers

Revenue reflects the transfer of goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled. The recognition of such revenue is in accordance with five steps to: identify the contract; identify the performance obligations; determine the transaction price; allocate the transaction price to the performance obligations; and recognise revenue when the performance obligations are satisfied. The application of this new standard from 1 January 2026 onward will not have a material impact on the Group's financial statements.

FRS 102 Leases

Significant changes to lessee accounting are introduced, with the distinction between operating and finance leases removed. The lessee will recognise and measure the corresponding "right-of-use" assets and lease liabilities at the inception of the lease by discounting the total future lease payment. Subsequently, the lessee will recognise interest expense through the unwinding of the lease liability, and the expense on the depreciation of the right-of-use asset, instead of recognising as rental expenses under operating leases. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term.

Notes to the Financial Statements

1. Significant Accounting Policies (continued)

1.2. Basis of Preparation (continued)

Future accounting developments that have not been early adopted by the Group in 2025 (continued)

FRS 102 Leases (continued)

The Group is considering to elect to use the modified retrospective approach and will recognise the cumulative effect of the initial application as an adjustment to the opening balances at 1 January 2026 with no restatement of the comparative information. As a reference, at 31 December 2025, the Group's future minimum lease payments under non-cancellable operating leases as shown in Note 28 amounted to £1,777k, the majority of which are payable between 1 and 5 years after the reporting date. Upon the initial adoption of FRS 102 Leases, the opening balances of lease liabilities and the corresponding right-of-use assets are estimated to be adjusted by approximately £1,600k as at 1 January 2026. The above overall financial impact is subject to change of assumptions, judgements and estimates to be finalised in the financial statements of 2026.

1.3. Going Concern

The consolidated and individual Financial Statements continue to be prepared on a going concern basis as the Directors are satisfied that the Group and the Company have the resources to continue in business for the foreseeable future (which has been taken up to December 2027 from the date of approval of the financial statements). In making this assessment, the Directors have considered various financial projections including the achievement of revenue and growth targets in line with current business plans and market conditions and sufficiency of capital resources to sustain the Group and Company's existing and planned business activities and maintain compliance with regulatory requirements.

Having considered the impact of a number of different scenarios on the Group and Company's capital and liquidity positions, a "severe but plausible" stressed forecast scenario was selected for use in the going concern assessment. This includes a requirement to maintain additional regulatory capital and inability to achieve the projected operational efficiencies. Tandem can continue to trade in this scenario, however it will require a controlled and targeted reduction of new lending activities to maintain a surplus to minimum regulatory capital requirement. After considering the review of the Bank's operations and having made suitable enquiries, the directors have a reasonable expectation that the Bank has adequate resources, even under a stress scenario to continue in operations up to December 2027 from the date of approval of these financial Statements. Thus, the Bank continues to adopt the going concern basis of accounting in preparing the Financial Statements.

1.4. Basis of Consolidation

The statutory consolidated Financial Statements comprise the Financial Statements of the Group and its subsidiaries as at 31 December 2025. The subsidiaries are listed in Note 16. The Financial Statements of the Group and its subsidiaries are prepared using consistent accounting policies.

Subsidiaries are fully consolidated from the date of their acquisition, being the date on which the Group obtains control and continue to be consolidated until the date that such control ceases. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Where the group owns less than 50% of the voting powers of an entity but controls the entity by virtue of an agreement with other investors which give it control of the financial and operating policies of the entity, it accounts for that entity as a subsidiary.

All intra-Group balances, transactions, income and expenses are eliminated on consolidation.

Notes to the Financial Statements

1. Significant Accounting Policies (continued)

1.4. Basis of Consolidation (continued)

Structured entities and Special Purpose Entities ("SPEs")

Structured entities are entities that are designed so that their activities are not governed by way of voting rights. The Group enters into securitisation arrangements with SPEs from time to time. In assessing whether the Group has power over such SPEs in which it has an interest, the Group considers factors such as the purpose and design of the SPE; its practical ability to direct the relevant activities of the SPE; the nature of the relationship with the entity; and the size of its exposure to the variability of returns of the SPE.

Employee Benefit Trusts ('EBTs')

The Group has also established and is the sponsoring entity of two EBTs that meet the definition of an intermediate payment arrangement. Notwithstanding the legal duties of the trustees, the Group considers that it has 'de facto' control of these entities and as an intermediate payment arrangement, the assets and liabilities are accounted for by the Company as an extension of its own business. The Company's equity instruments held by an EBT are accounted for as if they were the Company's own equity and are treated as treasury shares (accounted for in share premium). No gain or loss is recognised in profit or loss or other comprehensive income on the purchase, sale or cancellation of the company's own equity held by the EBT.

1.5. Net Interest Income

Interest income and expense are recognised in the Consolidated Income Statement using the effective interest rate method for all financial instruments measured at amortised cost (excluding finance leases) and available for sale reserve. The effective interest rate is the rate that exactly discounts the expected future cash flows over the expected life of the financial instrument to the net carrying amount. This calculation takes into account all amounts that are integral to the yield. Cash flows are estimated considering all contractual terms and expected customer behaviour (where applicable) but does not consider future credit losses. Interest income and expense not recognised using the effective interest rate method relates to financial instruments at fair value through profit or loss and derivatives not in qualifying hedge relationship.

(i) Finance Leases

Finance lease income is recognised over the lease term using the net investment method so as to reflect a constant periodic rate of return on the net investment in the lease. Initial direct incremental costs attributed to originating the lease are included in the initial measurement of the finance lease receivable thus reducing the amount of income recognised over the lease term.

1.6. Fees and Commissions

Fees and commissions that are not integral to the effective interest rate calculation are recognised in the Consolidated Income Statement as services are provided, where there is no obligation to provide any ongoing services as a result.

1.7. Administrative Expenses

Administrative expenses are recognised in the Consolidated Income Statement on an accruals basis. Administrative expenses incurred by entities in the Tandem Group for the benefit of other entities in the Tandem Group are recharged to the entity which receives the benefit of the services, with a mark-up applied where appropriate. All intercompany recharges and related balances are eliminated in full on consolidation in preparing the consolidated financial statements.

1. Significant Accounting Policies (continued)

1.8. Share-based Incentive Schemes

The Company provides share-based payment arrangements to certain employees. Equity-settled arrangements are measured at fair value (excluding the effect of non-market based vesting conditions) at the date of grant. The fair value is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity. Where equity-settled arrangements are modified, and are of benefit to the employee, the incremental fair value is recognised over the vesting period from the date of modification. Where a modification is not beneficial to the employee there is no change to the charge. The amount recognised as an expense is adjusted to reflect the actual number of shares or options that will vest. There are shares in relation to an equity-settled arrangements held in EBTs which jointly own the shares with the participant. As special purpose entities that are classified as an intermediary payment arrangement, the EBTs are accounted for as an extension of TML's business and consolidated in the results of TML. See Note 1.4 for further details.

The Company also has share-based payment arrangements that are classified as cash-settled. The fair value (excluding the effect of non-market based vesting conditions) is measured at each reporting date and expensed on a straight-line basis over the vesting period, with a corresponding increase in other liability. As with the equity-settled arrangements, the amount recognised as an expense is adjusted to reflect the actual number of shares or options that will vest and the current proportion of the vesting period.

1.9. Pensions

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations. The contributions are recognised as an expense within Administrative expenses in the Consolidated Income Statement 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 Company in independently administered funds.

1.10. Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

(i) Operating Leases

The Group is party to operating leases as a lessee. Payments under operating leases are charged to Administrative expenses within the Consolidated Income Statement on a straight-line basis over the lease term.

(ii) Finance Leases

The Group is party to finance leases as a lessor through its motor finance hire purchase product. Finance leases are recognised in the Consolidated Statement of Financial Position within Loans and Advances to Customers at an amount equal to the gross investment in the lease discounted at its implicit interest rate. The gross investment in the lease is the aggregate of a) the minimum lease payments receivable by the lessor under a finance lease; and b) any unguaranteed residual value accruing to the lessor.

1. Significant Accounting Policies (continued)

1.11. Taxation

Taxation charges or credits comprise current and deferred tax recognised in the financial year. Taxation charges and credits are recognised in the Consolidated Income Statement, except for charges or credits attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity which are therefore recognised in Other Comprehensive Income or directly in equity respectively.

Current or deferred taxation assets and liabilities are not discounted.

(i) Current Tax

Current tax is the amount of corporation tax payable in respect of taxable profit for the year or prior years. The tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(ii) Deferred Tax

Deferred tax arises from timing differences that are 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.

Deferred tax is recognised on all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is calculated using tax rates and laws that have been enacted or substantively enacted at the reporting date and are expected to apply on the reversal of the timing difference.

1.12. Financial Instruments Recognition and De-recognition

The Group has chosen to apply the recognition and de-recognition provisions of IAS 39 Financial Instruments: Recognition and Measurement, as permitted per Section 11.2 of FRS 102.

(i) Recognition

All financial assets and liabilities are initially recognised on the date the Group becomes a party to the contractual provisions of the instrument.

(ii) De-recognition

Financial assets are derecognised when, and only when, contractual rights to the cash flows from the asset have expired or have been transferred.

Notes to the Financial Statements

1. Significant Accounting Policies (continued)

1.12. Financial Instruments Recognition and De-recognition (continued)

(ii) De-recognition (continued)

An asset is transferred if either the entity has transferred the contractual rights to receive the cash flows, or the Group has retained the contractual rights to receive the cash flows from the asset, but has assumed a contractual obligation to pass those cash flows on under an arrangement that meets the following three conditions:

- the Group has no obligation to pay amounts to the eventual recipient unless it collects equivalent amounts on the original asset;
- the Group is prohibited from selling or pledging the original asset (other than as security to the eventual recipient); and
- the Group has an obligation to remit those cash flows without material delay.

Once the Group has determined that the asset has been transferred, it then determines whether or not it has transferred substantially all of the risks and rewards of ownership of the asset. If substantially all the risks and rewards have been transferred, the asset is derecognised. If substantially all the risks and rewards have been retained, derecognition of the asset is precluded.

If the Group has neither retained nor transferred substantially all of the risks and rewards of the asset, then the Group assesses whether it has relinquished control of the asset or not. If the Group does not control the asset then the asset is derecognised; however if the Group has retained control of the asset, then the Group continues to recognise the asset to the extent to which it has a continuing involvement in the asset. Any gain or loss on derecognition is recognised within Gain/(Loss) on Sale of Financial Assets in the Consolidated Income Statement.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

1.13. Financial Instruments Classification and Measurement

The Group has chosen to apply the classification and measurement provisions of IAS 39 Financial Instruments: Recognition and Measurement, as permitted per Section 11.2 of FRS 102.

(i) Loans and Receivables

Loans and receivables comprise cash and balances at central banks, loans and advance to banks, loans and advances to customers, trade receivables, sundry debtors and amounts owed by group undertakings. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and the Group does not intend to sell immediately or in the near term. These are initially measured at fair value plus transaction costs that are directly attributable to the financial asset. Subsequently they are held at amortised cost using the effective interest rate method, less provision for impairment.

(ii) Available for Sale

Available for sale assets comprise debt securities and equity shares. They are initially measured at fair value plus transaction costs that are directly attributable to the financial asset. Subsequently, they are measured at fair value based on current quoted prices in active markets. For investments not traded in an active market, the fair value is determined using appropriate valuation techniques. Valuation techniques include the discounted cash flow method, comparison with similar instruments for which market observable prices exist, option pricing models and other relevant valuation models. See Note 1.15 for further details on fair value measurement.

Available for sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

1. Significant Accounting Policies (continued)

1.13. Financial Instruments Classification and Measurement (continued)

(ii) Available for Sale (continued)

Interest income is recognised in the Consolidated Income Statement using the effective interest rate method. Impairment losses are recognised in the Consolidated Income Statement. Other fair value changes are recognised in Other Comprehensive Income with the cumulative fair value changes recognised in the Available for sale reserve within Retained reserves. On disposal, the gain or loss accumulated in equity is reclassified to Gain on sale of financial assets in the Consolidated Income Statement.

(iii) Fair Value Through Profit or Loss

Financial assets and liabilities at fair value through profit or loss comprise derivative financial instruments. This includes a liability classified warrant instrument, as well as interest rate swaps that have been acquired with the intention of significantly reducing interest rate risk for certain loans and advances and customer accounts with fixed rates of interest (see Note 1.16 for further details). All derivative financial instruments are initially measured at fair value on the contract date and are also measured at fair value at subsequent reporting dates. Changes in fair value of derivative financial instruments are recognised immediately within net gain/(loss) on derivatives and hedge ineffectiveness in the Consolidated Income Statement (see Note 5 for further details).

(iv) Financial Liabilities

Financial liabilities comprise borrowings from banks, customer accounts, other liabilities, accruals and subordinated liabilities. Financial liabilities are contractual obligations to deliver cash or another financial asset. All financial liabilities are recognised initially at fair value (net of directly attributable transaction costs) and are subsequently measured at amortised cost using the effective interest rate method.

1.14. Impairment of Financial Assets

The Group assesses at each reporting date its financial assets not at fair value through profit or loss as to whether there is any objective evidence that a financial asset is impaired. If any such indication exists, the Group estimates the recoverable amount of the asset versus the exposure.

Impairment losses are recognised within Provision for bad and doubtful debts in the Consolidated Income Statement and measured as the difference between the asset's carrying value and the present value of estimated cash flows (excluding future credit losses that have not been incurred), discounted at the current average interest rate at portfolio level.

(i) Loans and Advances

The allowance for impairment losses on loans and receivables is Management's best estimate of losses incurred in the portfolio at the Balance Sheet date. A financial asset or group of assets is impaired, and impairment losses are recognised, only if there is objective evidence as a result of one or more events that occurred after the initial recognition of the asset – typically where an account is past due.

In determining the required level of impairment provisions, the Group assesses these both individually and on a portfolio level basis. In addition, post model adjustments may also be included where it is determined that the credit models do not capture all incurred losses.

For loans which are assessed collectively, loan losses are incurred as balances fall past due. The level of provisioning applied to past due balances increases the further the balances fall into arrears. This is based on historic portfolio performance which is reviewed on a bi-annual basis. High Net Worth/Complex Income mortgages ('HNW/CI') and certain second charge mortgages which are past due are individually assessed. Loans losses are incurred where the collateral less collection costs are not sufficient to cover the customer's outstanding balance.

Notes to the Financial Statements

1. Significant Accounting Policies (continued)

1.14. Impairment of Financial Assets (continued)

(i) Loans and Advances (continued)

For loans which are up to date and losses have yet to be identified, the provisioning methodology aims to capture that customers may fall into arrears following an incurred loss event not yet reflected in the Group's books. For example, customers may have an unsecured loan at another provider, and a secured loan with the Group and prioritise payments on the secured loan over the unsecured loan. They may fall into arrears on the unsecured book in the first instance (this indicates an incurred loss event) but still be up to date on the secured loan but will subsequently fall into arrears. To capture this, the Group uses a statistical model which looks at the likelihood of balances moving into arrears status within a defined period, multiplying the probability of default ('PD') by the loss given default ('LGD') and then applying an emergence period. PDs and LGDs are calculated by looking at historic internal data.

Where the Group's portfolios of assets are predominantly made up of relatively new loans with limited arrears data, the Group has also looked at other relevant external data to calculate its impairment provision. The methodology and assumptions used are regularly reviewed to reduce any differences between estimates and actual results and to refine the methodology as more appropriate data becomes available.

The aggregate impairment provisions which are made during the year (less amounts released and recoveries of bad debts previously written-off) are charged against operating profit and are deducted from loans and advances to customers. Loans and advances to customers are written-off when there is no realistic prospect of recovery.

(ii) Financial Assets Classified as Available for Sale

The Group assesses at each reporting date whether there is objective evidence that an available for sale financial asset is impaired. In addition to the criteria for loans and advances, the assessment involves reviewing the financial circumstances (including credit worthiness), assessing the future cash flows expected to be realised and, in the case of equity shares, considering whether there has been a significant or prolonged decline in the fair value of the security below its cost.

Impairment losses on available for sale financial assets are recognised by reclassifying the losses accumulated in the available for sale reserve in equity to the Consolidated Income Statement. The cumulative loss that is reclassified from equity to the Consolidated Income Statement is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss.

1.15. Fair Value Measurement

All financial instruments are initially recognised at fair value on the date of initial recognition and, depending on the classification of the asset or liability, may continue to be held at fair value either through the Consolidated Income Statement or Other Comprehensive Income. The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

When independent prices are not available or if the market for a financial instrument is not active, fair values are determined by using valuation techniques. These may refer to observable market data, comparison with similar instruments where market observable prices exist, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants. However, some of the inputs to the techniques may be based on unobservable data (e.g. in case of unlisted securities) if there is minimal or no current market data available, in which case valuation adjustments are done to reflect uncertainties in fair values resulting from lack of market inputs.

1. Significant Accounting Policies (continued)

1.16. Derivative Financial Instruments

The Group has entered into derivative transactions for the purpose of reducing exposures to fluctuations in interest rates. Derivatives are carried at fair value with movements in fair values recorded within Net (loss)/gain in derivatives and hedge ineffectiveness in the Consolidated Income Statement. Derivative financial instruments are principally valued by discounted cash flow models using yield curves that are based on observable market data as well as valuations obtained from counterparties. As the Group's derivatives are covered by master netting agreements with the Group's counterparties, with any net exposures then being further covered by the payment or receipt of periodic cash margins, the Group has used a risk-free discount rate for the determination of their fair values.

All derivatives are classified as assets where the fair value is positive and liabilities where the fair value is negative. Where cash collateral is given to counterparties to mitigate the risk inherent in amounts due from the Group, it is included in loans and advances to banks. Where cash collateral is received from counterparties to mitigate the risk inherent in amounts due from the counterparty, it is included in borrowings from banks.

1.17. Hedge Accounting

The Group designates certain derivatives held for risk management as hedging instruments in qualifying fair value hedge relationships with fixed rate financial instruments. At the inception of the hedge relationship, the entity documents its risk management objective and strategy for undertaking the hedge, including clear identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how it will assess the hedging effectiveness. The hedge is demonstrated to be highly effective by comparing fair value movements in the hedged item and instrument and showing they fall within the required range of 80%-125%. This is assessed on an ongoing basis during the period for which the hedge is designated.

The Group's hedging strategy is divided into micro hedges, where the hedged item is an identifiable asset, and portfolio hedges where the hedged item is a portfolio of assets or liabilities with similar repricing characteristics. The portfolio hedges comprise of loans and advances to customers and customer accounts. The micro hedges comprise of just loans and advances to customers, where the Group has used amortising swaps to hedge the risk. The Group then analyses each portfolio into repricing time periods based on expected repricing dates, by scheduling cash flows into the periods in which they are expected to occur. The hedging instruments are designated appropriately to those repricing time buckets.

Provided that the hedge has been highly effective, changes in the fair value of derivatives are recorded within hedge ineffectiveness in the Consolidated Income Statement together with the changes in the fair value of the hedged portfolios that are attributable to the hedged risk. The aggregated fair value changes due to interest rate risk in the hedged portfolios are recognised on the Statement of Financial Position along with portfolio to which they relate.

If the hedge no longer meets the criteria for hedge accounting, changes in the fair value of the hedged item attributable to the hedged risk are no longer recognised in the Consolidated Income Statement. For the hedged items, the cumulative fair value adjustment is amortised to the Consolidated Income Statement over the remaining life of the hedged item.

Notes to the Financial Statements

1. Significant Accounting Policies (continued)

1.18. Business Combinations and Goodwill

Business combinations are accounted for by applying the purchase method.

The cost of a business combination is the fair value of the consideration given, liabilities incurred or assumed and of equity instruments issued plus the costs directly attributable to the business combination.

On acquisition of a business, fair values are attributed to the identifiable assets and liabilities unless the fair value cannot be measured reliably, in which case the value is incorporated in goodwill. Intangible assets are only recognised separately from goodwill where they are separable and arise from contractual or other legal rights.

Goodwill recognised represents the excess of the fair value and directly attributable costs of the purchase consideration over the fair values to the Group's interest in the identifiable net assets and liabilities.

On acquisition, goodwill is allocated to cash generating units ('CGU's') that are expected to benefit from the synergies of the combination.

Goodwill is amortised over its expected useful life which is estimated to be 10 years. Goodwill is assessed at each reporting date for any indication of impairment. An impairment loss is recognised when the carrying amount of a CGU, or a group of CGUs, including the goodwill, exceeds the applicable recoverable amount. The recoverable amount of a CGU or CGU group is the higher of the CGU's or CGU group's fair value less cost to sell and its value-in-use. An impairment loss on goodwill is recognised in the income statement and cannot be reversed in subsequent periods.

1.19. Investments in Subsidiaries

Investments in subsidiaries are held at cost less any accumulated impairment losses.

1.20. Intangible Assets

Intangible assets are identifiable assets controlled by the Group and from which it expects to derive future economic benefits, and which have no physical substance.

Intangible assets that are acquired or built are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over the assets' estimated useful lives, and recorded within operating expenses in the Consolidated Income Statement once the asset is available for use. The estimated useful life and amortisation method are reviewed at the end of each financial year, with the effect of any changes in estimate being accounted for on a prospective basis. The useful life has been assessed based on either the length of the licence or expected code obsolescence.

The useful life for each class of intangible asset is as follows:

Third party software licences	-	Between 1 and 5 years
Software development costs	-	Between 3 and 4 years
Regulatory licences	-	10 years

Software development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use;
- Management intends to complete the software and use or sell it;
- there is an ability to use or sell the software;
- it can be demonstrated how the software will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software are available; and
- the expenditure attributable to the software during its development can be reliably measured

Notes to the Financial Statements

1. Significant Accounting Policies (continued)

1.20. Intangible Assets (continued)

Research and development expenditure that do not meet these criteria above are recognised as expenses as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent year.

1.21. Tangible Fixed Assets

Items of property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the cost of the assets.

Depreciation is provided on all property, plant and equipment, and calculated using the straight-line method to allocate their cost, net of residual values, over their estimated useful life, which for all items of property, plant and equipment is four years.

1.22. Impairment of Non-Financial Assets

The Group assesses at each reporting date whether there are any indicators of impairment. If any such indication exists, the Group estimates the recoverable amount of the asset as well as assesses the remaining useful life and residual value. If it is not possible to estimate the recoverable amount of the individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. The recoverable amount of an asset or cash-generating unit is the higher of its fair value less costs to sell and its value in use. If the recoverable amount is less than its carrying amount, the carrying amount of the asset is impaired and it is reduced to its recoverable amount through an impairment in the Consolidated Income Statement.

If an impairment loss is subsequently reversed, the carrying amount of the asset (or the asset's cash generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised in previous years. A reversal of an impairment loss is recognised in the Consolidated Income Statement.

1.23. Subordinated Liabilities

Subordinated liabilities are recorded initially at fair value and subsequently at amortised cost using the effective interest method.

1.24. Equity

Equity comprises:

- Called-up share capital which represents the nominal value of shares issued
- Share premium account which represents the premium arising on shares issued, net of incremental costs directly attributable to the issuance
- Warrants (see Note 25)
- Available for sale reserve which contains fair value gains or losses on available for sale assets
- Other reserves which represent capital contributions and reserves relating to share-based incentive schemes
- Retained reserves which represent cumulative comprehensive profit or loss, net of dividends paid and other adjustments

1.25. Cash and Cash Equivalents

Cash and cash equivalents in the Statement of Cashflows comprises unrestricted balances at central banks and loans and advances to banks with original maturities of three months or less. It therefore excludes mandatory deposit balances at the Bank of England and cash collateral on derivatives placed with banking counterparties under the contractual terms of the derivative agreements.

2. Critical Accounting Judgements and Estimation Uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(i) Critical Judgements in Applying Accounting Policies

The Group does not make any critical judgements in applying accounting policies.

(ii) Key Accounting Estimates and Assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are as follows:

- Deferred Tax Assets: calculating the deferred tax asset requires significant estimation when determining the probability weightings applied to future forecast profits. See Note 11 for further information.
- Goodwill Impairment: calculating the recoverable amount of the cash generating units to assess whether there is impairment is a source of significant estimation uncertainty and determining this requires the use of significant assumptions including the terminal value and discount rate applied. See Note 17 for further information.
- Impairment Losses on Loans and Advances to Customers: significant estimation is used when determining the loss given default and the emergence period. See Note 1.14 (i) and Note 12 for further information.
- Regulatory Provisions – Motor Finance commission redress: quantifying the regulatory provision in respect of potential customer redress arising from historical motor finance commission arrangements is a key accounting estimate. This includes assumptions over expected customer response rates and associated costs. The provision has been determined using multiple scenarios and assumptions where judgement has been applied for the scenario weights. As such, future redress payments may vary significantly from the amount provided. See Note 22 for further information on the provision.

3. Interest Income

Group	2025 £'000	2024 £'000
Interest income recognised under the effective interest rate method from loans and receivables at amortised cost:		
- Cash and balances at central banks	**43,415**	97,259
- Loans and advances to banks	**888**	1,458
- Loans and advances to customers	**96,969**	109,990
- Debt securities	**10,731**	2,869
Interest income from finance leases:		
- Loans and advances to customers	**33,073**	18,193
Interest income recognised under the effective interest rate method from available for sale financial assets:		
- Debt securities	**10,026**	5,715
Interest income from financial instruments at fair value through profit or loss:		
- Net interest income on interest rate swaps hedging loans and advances to customers	**4,980**	14,812
- Net interest income on interest rate swaps hedging customer accounts	**194**	-
- Net interest income on interest rate swaps hedging debt securities	**5**	-
	200,281	250,296

4. Interest Expense

Group	2025 £'000	2024 £'000
Interest expense recognised under the effective interest rate method from financial liabilities at amortised cost:		
- Borrowings from banks	**392**	1,461
- Customer accounts	**108,397**	153,597
- Subordinated liabilities	**3,566**	3,714
- Debt securities in issue	**-**	3,780
- Other	**9**	5
Interest expense from financial instruments at fair value through profit or loss:		
- Net interest expense on interest rate swaps hedging customer accounts	**-**	2,219
	112,364	164,776

5. Net (Loss)/Gain on Derivatives and Hedge Ineffectiveness

Group	2025 £'000	2024 £'000
Net (loss)/gain on derivatives not in a hedging relationship	**(1,035)**	893
Net gain from hedge ineffectiveness	**488**	715
	(547)	1,608
Net gain from hedge ineffectiveness:		
Change in fair value of the hedging instruments	**(6,672)**	(7,307)
Change in fair value of the hedged items	**7,160**	8,022
	488	715

See Note 14 for further details on hedge accounting.

6. Operating Expenses

Group	2025 £'000	Restated 2024 £'000
Staff costs (Note 8)	**34,288**	32,944
Information technology costs	**13,792**	13,010
Rent	**1,066**	1,018
Underwriting and collection costs	**3,544**	3,701
Other administrative costs	**7,761**	8,700 [1]
Regulatory provisions (see Note 22)	**3,422**	-
Other staff costs	**635**	520
Fees payable to the Group's auditors	**1,166**	1,394 [1]
Amortisation of intangible fixed assets	**1,704**	1,805
Impairment of intangible assets	**317**	928
Write off of tangible and intangible fixed assets	**-**	82
Depreciation of tangible fixed assets	**374**	454
	68,069	64,556

Operating expenses included provisions raised in respect of the FCA motor finance commissions redress scheme (see Note 22 for details). Excluding this, operating expenses for 2025 was £64,647k.

7. Auditors' Remuneration

During the year, the Group (including its subsidiaries) obtained the following services from the Company's auditors:

	2025 £'000	Restated 2024 £'000
Fees payable to the Company's auditors for the audit of the Company and consolidated financial statements	**235**	326 [2]
Fees payable to the Company's auditors for other services		
- Audit of the financial statements of the company's subsidiaries	**906**	1,041
- Other non-audit services	**25**	27 [2]
	1,166	1,394

The 2025 total remuneration payable to the Company's auditors does not contain any costs relating to the 2024 audit (2024: £130k relating to the 2023 audit) which have been borne by the Company on behalf of the Group.

The auditors' remuneration disclosed above is stated exclusive of VAT.

[1] The prior year comparative for non-audit services has been reclassified from other administrative costs to fees payable to the Group's auditors, for consistency with the current year presentation.

[2] Prior year has been restated to include the amount of other non-audit services.

8. Staff Costs

Group	2025 £'000	2024 £'000
Wages and salaries	**29,659**	28,261
Social security costs	**3,863**	3,283
Pension costs	**882**	852
Share-based payments	**(116)**	548
	34,288	32,944

Company	2025 £'000	2024 £'000
Wages and salaries	**29,659**	28,261
Social security costs	**3,854**	3,283
Pension costs	**882**	852
Share-based payments	**(116)**	548
	34,279	32,944

The average number of employees employed by the Group and the Company during the year, including Directors, was 513 (2024: 500) and is analysed below:

Group	2025 Average No.	2024 Average No.
Lending	**168**	188
Savings	**13**	19
Digital, Data and Technology	**103**	130
Central Functions	**229**	163
	513	500

The Company has contracts with all employees. Staff costs are subject to cost recharge arrangements between the Company and various entities within the Tandem Group whereby those entities incur employees and overhead costs and recharge these expenses accordingly for the provision of employee time.

9. Directors' Remuneration

Total Directors' Emoluments	2025 £'000	2024 £'000
Salaries and other short-term benefits	**1,396**	1,639
Post-employment benefits	**23**	33
Share-based payments	**9**	109
	1,428	1,781

During the year, 3 Directors were participants in the Group's long-term share incentive schemes (2024: 2). No share-based payment awards were issued to Directors in 2025 (2024: nil). To cover the subscription cost to incentive schemes, Directors have been issued with interest free loans. The balance outstanding on interest free loans to Directors is £4k (2024: £75k). No Directors exercised share options in the parent's shares during the year (2024: nil). Further details of the relevant incentive plans are outlined in Note 27.

9. Directors' Remuneration (continued)

Highest Paid Director Emoluments	2025 £'000	2024 £'000
Remuneration	**395**	444
Pension contributions	**4**	14
Share-based payments	**0**	109
	399	567

No share-based payment awards were issued during the year, to the highest paid Director (2024: nil).

10. Gain on Sale of Financial Assets

Group	2025 £'000	2024 £'000
Loss on sale of loan portfolios	**(448)**	(128)
Gain on sale of loan portfolios from securitisation	**9,326**	11,311
Gain on sale of debt securities	**9**	11
	8,887	11,194

During the year, Tandem Bank Limited ('TBL') securitised a portfolio of second charge mortgages amounting to £203m (2024: £268m), resulting in a gain on sale of £9.3m (2024: £11.3m) (see Note 13 for further details).

11. Tax Charge on (Loss)/Profit

Group	2025 £'000	2024 £'000
The tax charge based on the (loss)/profit for the year comprises:		
Current tax:		
- UK corporation tax	**42**	3,102
- Adjustments in respect of prior years	**(19)**	(339)
Total current tax	**23**	2,763
Deferred tax:		
- Current year	**1,222**	(1,797)
- Adjustments in respect of prior years	**279**	473
Total deferred tax	**1,501**	(1,324)
Total tax charge relating to income statement	**1,524**	1,439
Total tax charge relating to other comprehensive income	**33**	194
Factors affecting tax charge for the current year:		
(Loss)/Profit on ordinary activities before taxation	**(8,667)**	4,447
(Loss)/Profit on ordinary activities before taxation multiplied by the standard rate of corporation tax of 25% (2024: 25%)	**(2,167)**	1,112
Adjustments in respect of prior years	**261**	134
Expenses not deductible for tax purposes	**2,865**	4,231
Income not taxable	**-**	(75)
Deferred tax asset recognised	**599**	(3,963)
Rate effects	**(34)**	-
Total tax charge for the year	**1,524**	1,439
Standard rate of corporation tax:	**25%**	25%

11. Tax Charge on (Loss)/Profit (continued)

Analysis of deferred tax asset

Group	2025 £'000	2024 £'000
Losses	**18,011**	19,492
Short-term timing differences	**(199)**	(200)
Fixed assets	**(199)**	(144)
Total deferred tax asset	**17,613**	19,148

Company	2025 £'000	2024 £'000
Losses	**8,257**	8,257
Short-term timing differences	**821**	840
Fixed assets	**(582)**	(496)
Total deferred tax asset	**8,496**	8,601

The corporation tax rate has remained at 25% and this enacted rate has been used to determine the deferred tax balances as at 31 December 2025.

The Group has been generating taxable profits since 2023 and is expecting that it will continue to do so into the future. Based on the current 5-year Medium Term Plan ('MTP') extrapolated for an additional 3 years the carried forward losses would be utilised within a 6-year forecast period.

As a result of additional funding, acquisitions and restructuring in the Group within the last 5 years, Tandem continues to monitor the impact of tax rules governing the utilisation of brought forward losses on the eligibility of these brought forward losses going forward. This includes whether there has been a change in scale in the business. Tandem has concluded that its brought forward losses continue to be available for use, a decision approved by Board, but will continue to monitor any developments in this space.

Tandem has used the board approved 5 year Medium Term Plan ('MTP') as a starting point for the deferred tax asset ('DTA') calculation noting this is consistent with the forecast used when carrying out the going concern review and the goodwill impairment testing. It has extrapolated it for an additional 3 years (consistent with the methodology applied in the goodwill impairment testing).

When assessing how much deferred tax asset to recognise management also reviewed plausible downside scenarios (including but not limited to reduction in originations, increase to credit risk and increase in cost/income ratio) and in doing so the forecast remains profitable but reduced. Management have therefore applied a probability weighting to the forecast profits for future years to reflect that the forecast is inherently sensitive to the assumptions which underpin it, including macroeconomic conditions and is dependent on the Group's ability to successfully execute its strategy. Significant judgement is applied when estimating the probability weightings and any change in these weightings can alter the expected utilisation of the deferred tax asset significantly. The Group has chosen to fully recognise the carried-forward losses in Tandem Money Limited as DTA before utilising the losses in the Bank. A 10% increase/decrease in year's 2 to 8 probability weightings would result in a £2,869k increase/£2,869k decrease in deferred tax asset recognition (2024: £2,988k).

11. Tax Charge on (Loss)/Profit (continued)

Deferred tax assets not recognized Group	2025 £'000		2024 £'000	
	Gross Amount	**Tax Effected**	Gross Amount	Tax Effected
Tax losses	**32,092**	**8,023**	24,008	6,002
Fixed assets	**491**	**123**	598	150

There are no deferred tax assets not recognised at a Company level.

12. Loans and Advances to Customers

Group	2025 £'000	2024 £'000
Gross loans and advances to customers	**1,333,330**	1,261,764
Provision for impairment	**(53,848)**	(40,875)
Accumulated amount of fair value adjustments in relation to hedge accounting	**2,731**	(6,960)
	1,282,213	1,213,929

(i) Gross Loans and Advances to Customers

The Group's gross lending exposure by contractual maturity is analysed below:

	2025 £'000	2024 £'000
Repayable on demand	**5,978**	6,159
3 months or less	**21,465**	17,394
Between 3 months and 1 year	**25,850**	27,940
Between 1 year and 5 years	**471,045**	423,691
Over 5 years	**808,992**	786,580
	1,333,330	1,261,764

The Group's gross lending exposure before deduction of impairment provisions is analysed below:

	2025 £'000	2024 £'000
Secured lending		
First charge mortgages	**126,826**	156,358
Second charge mortgages	**517,559**	508,626
Motor finance hire purchase receivables	**323,027**	223,688
	967,412	888,672
Unsecured lending	**365,918**	373,092
	1,333,330	1,261,764

The Group's unsecured lending consists of home improvement lending and other legacy unsecured lending products.

(ii) Hire Purchase Receivables

The Group provides hire purchase products for financing of motor vehicles, which are accounted for as finance leases. The Group holds legal title to the motor vehicles however substantially all the risks and rewards incidental to ownership of the motor vehicle are transferred to the customer during the term of the agreement. At the end of the term of the agreement or upon early settlement the customer has the option to purchase the motor vehicle for a nominal fee.

12. Loans and Advances to Customers (continued)

(ii) Hire Purchase Receivables (continued)

The Group's gross investment in finance leases falling due is set out below:

	2025 £'000	2024 £'000
Within 1 year	**131,396**	84,726
Between 1 year and 5 years	**301,988**	218,182
Over 5 years	**365**	127
Gross investment in finance leases	**433,749**	303,035
Unearned finance income	**(110,722)**	(79,347)
Net investment in finance leases	**323,027**	223,688

The Group's net investment in finance leases falling due is set out below:

	2025 £'000	2024 £'000
Within 1 year	**83,381**	51,829
Between 1 year and 5 years	**239,296**	171,737
Over 5 years	**350**	122
Net investment in finance leases	**323,027**	223,688

(iii) Impairment Losses on Loans and Advances to Customers

The Group's reconciliation of provision for impairment on loans and advances by class is set out below:

Year ended 31 December 2025	**First charge mortgages £'000**	**Second charge mortgages £'000**	**Motor finance hire purchase receivables £'000**	**Unsecured lending £'000**	**Total £'000**
Opening balance	**586**	**20,770**	**8,414**	**11,105**	**40,875**
Provisions on acquired portfolios	**-**	**184**	**-**	**-**	**184**
Provisions on sold portfolios	**-**	**(1,063)**	**(2,645)**	**(4,632)**	**(8,340)**
Interest provision reclassification	**971**	**-**	**-**	**-**	**971**
New impairment provisions less releases	**5,359**	**673**	**14,429**	**5,224**	**25,685**
Amounts transferred to write-offs	**(30)**	**(1,209)**	**(2,321)**	**(1,967)**	**(5,527)**
Closing balance	**6,886**	**19,355**	**17,877**	**9,730**	**53,848**
Year ended 31 December 2024					
Opening balance	62	19,028	3,012	14,571	36,673
Provisions on sold portfolios	-	(720)	(59)	(6,829)	(7,608)
New impairment provisions less releases	534	3,705	6,927	6,525	17,691
Amounts transferred to write-offs	(10)	(1,243)	(1,466)	(3,162)	(5,881)
Closing balance	586	20,770	8,414	11,105	40,875

The provision for impairment includes £1,428k (2024: £864k) in respect of voluntary terminations within the Group's Motor Finance business.

A reconciliation of provision for bad and doubtful debts per the Consolidated Income Statement is set out below:

	2025 £'000	2024 £'000
Provisions raised	**20,158**	11,810
Write-offs	**5,527**	5,881
Recoveries of amounts previously written-off	**(265)**	(166)
Provision for bad and doubtful debts per Income Statement	**25,420**	17,525

12. Loans and Advances to Customers (continued)

(iii) Impairment Losses on Loans and Advances to Customers (continued)

The provision for impairment losses includes a £564k charge (2024: £864k) in respect of voluntary terminations within the Group's Motor Finance business.

The provision for impairment losses on loans and advances is Management's best estimate of losses incurred in the portfolio at the Balance Sheet date. A financial asset or group of assets is impaired, and impairment losses are recognised, only if there is objective evidence as a result of one or more events that occurred after the initial recognition of the asset – typically where an account is past due.

In determining the required level of impairment provisions, the Group assesses these both individually and on a portfolio level basis. In addition, post model adjustments may also be included where it is determined that the credit models do not capture all incurred losses.

Individually assessed

For High Net Worth/Complex Income ('HNW/CI') first charge mortgages and certain second charge mortgages, loans are assessed for impairment on a case-by-case basis to determine whether recovery is doubtful. Judgement is required by Management to assess matters such as the financial status of the customer and the realisable value of the security held. The actual amount of the future cash flows and their timing may differ from the assumptions made for the purposes of determining the impairment allowances and consequently there may be adjustments to these allowances over time as the circumstances of the customer become clearer.

Portfolio/collectively assessed

All financial assets that are not individually assessed are collectively assessed for impairment using the Group's methodology for calculating credit losses. Assets are grouped into homogenous portfolios, being the Group's motor finance hire purchase receivables, unsecured retail, second charge mortgage and first charge specialist residential mortgage portfolios. The collective impairment allowance is subject to estimation uncertainty and in particular judgement is required to determine the methodology and assumptions used to calculate the provision, taking into account data from the portfolio such as levels of arrears and historic defaults, all of which are sensitive to changes in economic and credit conditions (including the interdependency of unemployment rates, interest rates, borrowers' behaviour and consumer bankruptcy trends). For further detail on loan losses and sensitivity see Note 31.1.

Post model adjustments

Post-Model Adjustments ('PMAs') are judgment-based adjustments to the impairment model output made to reflect risks, data issues or model limitations not fully captured by the impairment model and supported by documented rationale and governance. In 2025, the following PMAs are included:

- Second charge litigation PMA – (£1,645k) (2024: (£1,024)) – Model LGD data does not factor into account the value of collateral. Accounts subject to litigation or letters before action have been individually assessed, and where the collateral and associated costs is greater than the outstanding balance, the provision is adjusted.
- Default probation period PMA – £918k (2024: £nil) – Loans that have recently cured from charge off (arrears bucket 4+) present an adverse risk profile relative to the rest of the population. A PMA has been raised for these loans which takes their PD to 100% for 3 months following their return to non-charge-off status (i.e. Up-to-date or arrears bucket 1, 2 or 3). After this time, they will be provisioned against their actual month-end arrears bucket.
- Motor LGDs segmentation PMA – £756k (2024: £nil) – In the current model (pre-Dec-25 change), impairment provisions are held flat for all accounts in charge off until write off. As accounts progress through the recoveries process post charge-off, updated loss assumptions have been modelled based on 4 segments depending on i) possession event or not and ii) payments being made or not– this additional segmentation is a more accurate reflection of expected losses for accounts currently post charge-off.
- LGD cure PMA – (£175k) (2024: £nil) – the existing model methodology takes into account historic cash recoveries in the 60 months window following charge off. This does not factor in all potential future cashflows. A PMA has been raised which adjusts for the impacts on cures (non-cash movement) into the LGD.

12. Loans and Advances to Customers (continued)

Capital treatment

From a capital perspective, credit risk provisions can be considered either specific or general. General provisions can be included in Tier 2 capital, whereas specific provisions are deducted from related exposure values. Irrespective of whether impairments have been assessed on an individual or collective/portfolio basis, the Group treats provisions held against loans and advances which are past due as specific, and any provision held against loans and advances not past due as general provisions as credit losses have yet to materialise.

Conduct Claim

Also included in losses and provisions are historic claims relating to an element of the unsecured lending portfolio which are provided for based on past complaint acceptance rates, expected complaint flows and reduction value in claim amounts. In terms of the potential to make a contractual recovery in respect of such claims, Management has applied judgement with regards to its interpretation of the likelihood of success in such a recovery.

13. Debt Securities

Group	**2025**	2024
	£'000	£'000
Debt Securities at fair value		
United Kingdom Government	**31,269**	-
Supranational Financial Institutions	**28,748**	8,175
United Kingdom Financial Institutions	**193,671**	148,306
	253,688	156,481
Debt Securities at amortised cost		
Mortgage Backed Loan Notes – Class A ('Class A Notes')	**280,028**	199,380
Vertical Risk Retention Loan Notes ('VRR Notes')	**20,942**	14,290
	300,970	213,670
Total Debt securities	**554,658**	370,151

Debt securities held for liquidity purposes are classified as available for sale assets at market value. Included in the carrying value of debt securities are unamortised premiums of £333k (2024: £321k). These debt securities are transferable and listed on exchanges.

During the year, the Group securitised a portfolio of a second charge mortgage loans of £210m. A newly incorporated, bankruptcy remote SPE, Fylde Funding 2025-1 PLC acquired the beneficial title to a portfolio from Tandem Bank Limited. As part of the transaction, TBL acquired the class A notes of £156m, and retained 5% interest through a vertical tranche of £11m. The Group remained the legal title holder and servicer of the loans, but substantially all the risks and rewards were transferred to the issuer. As such the SPE is an unconsolidated structured entity and the underlying mortgages were derecognised, the acquired notes recognised and the SPE is unconsolidated. Upon the completion of the securitisation, the Bank recorded a gain of sale of financial assets amounted to £9.3m.

As at 31 December 2025, the Group held £280m (2024: £197m) or 100% (2024: 100%) Class A Notes at amortised cost and £21m (2024: £14m) or 100% (2024: 100%) VRR Notes at amortised cost of the unconsolidated structured company. During the year ended 31 December 2025, interest income of £11m (2024: £3m) was recognised on these Notes.

	2025	2024
Remaining Maturity	**£'000**	£'000
Maturing in 3 months or less	**5,010**	3,033
Maturing between 3 months and 1 year	**-**	-
Maturing between 1 and 5 years	**549,648**	367,118
	554,658	370,151

14. Derivative Financial Instruments

Group	2025 £'000	2024 £'000
Derivative assets		
- Interest rate swaps	**6,383**	11,304
Derivative liabilities		
- Interest rate swaps	**(4,988)**	(2,503)
- Warrant	**(1,132)**	(1,151)
	(6,120)	(3,654)
Company		
Derivative liabilities		
- Warrant	**(1,132)**	(1,151)

Interest rate swaps

As part of its risk management strategy, the Group holds interest rate swaps to hedge its interest rate risk arising from fixed rate loans and advances to customers and customer accounts (see below). The interest rate swaps are valued using a discount curve based on the Sterling Overnight Index Average Rate ('SONIA').

Warrant

In conjunction with the £20,000k Tier 2 subordinated liability issued in June 2023 by TBL (see Note 23 for further details), TML issued a warrant instrument, exercisable only upon an exit event. This has been classified as a derivative liability with initial recognition at fair value and subsequent changes in fair value to be recognised in the Income Statement. The fair value has been calculated as £1,132k (2024: £1,151k) using an option pricing model.

Hedge accounting

The Group where possible, designates interest rate swaps held for risk management as hedging instruments in qualifying fair value hedge relationships with fixed rate financial instruments. The Group's hedging strategy is divided into micro hedges, where the hedged item is an identifiable asset, and portfolio hedges where the hedged item is a portfolio of assets or liabilities with similar repricing characteristics.

Micro fair value hedges:

The micro hedges comprise of individual bonds that have been hedged with an individual swap mirroring the terms of the bond, as well as loans and advances to customers on portfolios where the Group has used amortising swaps to hedge the risk.

Portfolio fair value hedges:

The portfolio hedges comprise of both loans and advances to customers and customer accounts. The Group analyses each portfolio into repricing time periods based on expected repricing dates, by scheduling cash flows into the periods in which they are expected to occur. The hedging instruments are designated appropriately to those repricing time buckets.

The hedge relationship is tested for effectiveness prospectively at the designation date, and then subsequently prospectively and retrospectively on a monthly basis. This is done by comparing fair value movements of the designated portion of the hedged item, against the fair value movements of the derivative designated in the hedge relationship, to ensure they are within the 80%-125% range.

The aggregated fair value changes due to interest rate risk in the hedged portfolios are recognised on the Statement of Financial Position along with portfolio to which they relate.

See Note 5 for an additional breakdown of net gain/(loss) on derivatives and hedge ineffectiveness in the Consolidated Income Statement.

14. Derivative Financial Instruments (continued)

Summary of interest rate swaps:

	2025		2024	
	£'000		£'000	
	Notional contract amount	**Fair value (liability)/ asset**	Notional contract amount	Fair value asset
Pay fixed/receive variable	**665,719**	**(2,264)**	723,899	7,421
Receive fixed/pay variable	**551,000**	**3,659**	571,700	1,380
	1,216,719	**1,395**	1,295,599	8,801

Summary of hedged items in designated hedge relationships:

Group	**Carrying amount**	**Accumulated fair value adjustment included in the carrying amount**	
2025	**Asset/(liability)**	**Asset/(liability)**	**Of which: accumulated fair value adjustment on items no longer in a hedge relationship**
	£'000	**£'000**	**£'000**
Loan and advances to customers	**579,487**	**2,730**	**318**
Debt securities	**29,053**	**199**	**-**
Customer accounts	**(606,755)**	**(4,323)**	**-**
Total hedged items	**1,785**	**(1,394)**	**318**
2024			
Loan and advances to customers	574,830	(6,962)	(2,990)
Customer accounts	(516,969)	(1,808)	-
Total hedged items	57,861	(8,770)	(2,990)

15. Equity Shares

Group	**2025 £'000**	2024 £'000
Visa Inc.	**3,667**	3,533

Equity shares are classified as available for sale financial assets and measured at fair value.

The shares in Visa Inc. consist of series A and B Convertible Preference stock and the fair value reflects a variety of conditions and provisions including a discount for the lack of marketability and litigation risk. There has been an increase in fair value of £134k recognised in other comprehensive income during the year (2024: £775k). The total dividend income recognised in the year in relation to the Visa Inc. shares is £41k (2024: £20k).

16. Investments in Subsidiaries

Company	**2025 £'000**	2024 £'000
At cost		
Tandem Bank Limited	**240,650**	232,650
Oplo Holdings Ltd	**1,277**	11,680
	241,927	244,330

16. Investments in Subsidiaries (continued)

Company	2025	2024
	£'000	£'000
At 1 January	**244,330**	252,565
Capital injections during the year	**8,000**	5,000
Impairment charge for the year	**(10,403)**	(13,235)
At 31 December	**241,927**	244,330

No impairment loss or reversal relating to the investment in TBL was recognised during the year (2024: £nil). During the year, TML invested £8,000k (2024: £5,000k) into TBL via the subscription and allotment of shares. No capital contribution was made by TML to TBL during the year (2024: nil in relation to a warrant instrument issued by TML but relating to subordinated liabilities issued by TBL (see Note 23 for further details)).

During the year, Oplo Holdings Ltd paid dividends of £8,000k (2024: £5,000k) which was recognised as dividend income by TML. The impairment loss to the investment in Oplo Holdings Ltd of £10,403k was recognised during the year (2024: £13,235k).

The investment in Allium Lending Group Limited was impaired to £nil in 2020. No impairment or reversal relating to the investment in Allium Lending Group Limited was recognised during the year (2024: £nil).

Wholly owned subsidiary companies

As at 31 December 2025, the Group includes the following subsidiary companies whose results are included in the consolidated Financial Statements:

Name	Holding	Ownership	Nature of business
Tandem Bank Limited	100%	Direct	Providing loans and deposits to customers
Oplo Holdings Ltd	100%	Direct	Holding company
Allium Lending Group Limited	100%	Direct	Holding company
Tandem Home Loans Limited	100%	Indirect	Providing loans to customers
Tandem Motor Finance Limited	100%	Indirect	Providing loans to customers
Tandem Personal Loans Limited	100%	Indirect	Non-trading
Oplo Group Ltd	100%	Indirect	Loan servicing and administration
Allium Money Limited	100%	Indirect	Loan servicing and administration
GDFC Assets Limited	100%	Indirect	Providing loans to customers
GDFC HoldCo Limited	100%	Indirect	Holding company
GDFC Services PLC	100%	Indirect	Loan servicing and administration
Green Deal Finance Company Limited^	100%	Indirect	Dormant
Polo Funding 2021-1 (Holdings) Limited*	0%	SPE	Special purpose funding vehicle
Polo Funding 2021-1 PLC#	0%	SPE	Special purpose funding vehicle

All subsidiaries were incorporated in the United Kingdom. All subsidiaries have a registered office address of Viscount Court, Sir Frank Whittle Way, Blackpool, England, FY4 2FB and have a 31 December year end date unless noted otherwise. For more information relating to the consolidation of SPE's, see Note 1.4.

During 2025, the Group's material subsidiaries did not experience any significant restrictions on paying dividends. Also, there are no foreseen restrictions envisaged with regard to planned dividends or payments from material subsidiaries.

^ Green Deal Finance Company Limited had a registered office address of 18a Capricorn Centre Cranes Farm Road, Basildon, Essex, SS14 3JJ and was dissolved on 29 October 2025.

* Polo Funding 2021-1 (Holdings) Limited had a registered office address of Duo, Level 6, 280 Bishopsgate, London, United Kingdom, EC2M 4RB with a year-end date of 31 March and was dissolved on 3 February 2026.

Polo Funding 2021-1 PLC had a registered office address of 18a Capricorn Centre Cranes Farm Road, Basildon, Essex, SS14 3JJ with a year-end date of 31 March and was dissolved on 15 December 2025.

17. Intangible Fixed Assets

Group	Internally Generated Software £'000	Brand & Trademark £'000	Computer Software £'000	Regulatory Licences £'000	Work in Progress £'000	Goodwill £'000	Total £'000
Cost							
As at 1 January 2025	**2,994**	**67**	**5,571**	**2,072**	**4,849**	**118,520**	**134,073**
Additions	-	-	-	-	4,238	-	4,238
Transfer from work in progress	7,228	-	-	-	(7,228)	-	-
Disposals	-	-	(1,305)	-	-	-	(1,305)
As at 31 December 2025	**10,222**	**67**	**4,266**	**2,072**	**1,859**	**118,520**	**137,006**
Accumulated Amortisation and impairment							
As at 1 January 2025	**2,052**	**55**	**5,233**	**1,450**	**-**	**36,386**	**45,176**
Charge	1,370	7	334	207	-	11,852	13,770
Disposals	-	-	(1,301)	-	-	-	(1,301)
Impairment charge	-	-	-	-	317	-	317
As at 31 December 2025	**3,422**	**62**	**4,266**	**1,657**	**317**	**48,238**	**57,962**
Net book value as at 31 December 2025	**6,800**	**5**	**-**	**415**	**1,542**	**70,282**	**79,044**

Group	Internally Generated Software £'000	Brand & Trademark £'000	Computer Software £'000	Regulatory Licences £'000	Work in Progress £'000	Goodwill £'000	Total £'000
Cost							
As at 1 January 2024	2,368	67	5,628	2,072	3,081	118,520	131,736
Additions	474	-	2	-	1,949	-	2,425
Transfer from work in progress	152	-	-	-	(152)	-	-
Write-offs	-	-	(59)	-	(29)	-	(88)
As at 31 December 2024	**2,994**	**67**	**5,571**	**2,072**	**4,849**	**118,520**	**134,073**
Accumulated Amortisation and impairment							
As at 1 January 2024	1,653	48	2,804	1,243	-	24,535	30,283
Charge	399	7	1,507	207	-	11,851	13,971
Impairment charge	-	-	928	-	-	-	928
Write-offs	-	-	(6)	-	-	-	(6)
As at 31 December 2024	**2,052**	**55**	**5,233**	**1,450**	**-**	**36,386**	**45,176**
Net book value as at 31 December 2024	**942**	**12**	**338**	**622**	**4,849**	**82,134**	**88,897**

17. Intangible Fixed Assets (continued)

Company	Internally Generated Software £'000	Trademark £'000	Computer Software £'000	Work in Progress £'000	Total £'000
Cost					
As at 1 January 2025	**2,994**	**67**	**2,079**	**4,849**	**9,989**
Additions	-	-	-	4,238	4,238
Transfer from work in progress	7,228	-	-	(7,228)	-
As at 31 December 2025	**10,222**	**67**	**2,079**	**1,859**	**14,227**
Accumulated Amortisation and impairment					
As at 1 January 2025	**2,052**	**55**	**2,079**	**-**	**4,186**
Charge	1,370	7	-	-	1,377
Impairment charge	-	-	-	317	317
As at 31 December 2025	**3,422**	**62**	**2,079**	**317**	**5,880**
Net book value as at 31 December 2025	**6,800**	**5**	**-**	**1,542**	**8,347**

Company	Internally Generated Software £'000	Trademark £'000	Computer Software £'000	Work in Progress £'000	Total £'000
Cost					
As at 1 January 2024	2,368	67	2,130	3,081	7,646
Additions	474	-	-	1,949	2,423
Transfer from work in progress	152	-	-	(152)	-
Write-offs	-	-	(51)	(29)	(80)
As at 31 December 2024	**2,994**	**67**	**2,079**	**4,849**	**9,989**
Accumulated Amortisation and impairment					
As at 1 January 2024	1,653	48	516	-	2,217
Charge	399	7	635	-	1,041
Impairment charge	-	-	928	-	928
As at 31 December 2024	**2,052**	**55**	**2,079**	**-**	**4,186**
Net book value as at 31 December 2024	**942**	**12**	**-**	**4,849**	**5,803**

(i) Amortisation of Goodwill and Intangible Assets on Acquisition

The amortisation of goodwill and intangible assets on acquisition totalled £12,066k (2024: £12,167k) and consists of the amortisation of goodwill £11,852k (2024: £11,851k), fair value adjustment to technology acquired of £7k (2024: £109k) and regulatory licences of £207k (2024: £207k).

17. Intangible Fixed Assets (continued)

(ii) Goodwill Impairment

Significant judgement is applied when determining the expected useful life of goodwill and when considering whether goodwill is impaired.

The expected useful life of goodwill is 10 years and any change in this estimate will have an impact on the period over which the capitalised expenditure is amortised.

The Group has 2 main cash generating units ('CGU') with associated goodwill and has carried out a review for indicators of impairment for both. The first is in relation to the acquisition of Allium Lending Group Limited ('Allium) in August 2020, with a goodwill balance of £5,191k (2024: £6,309k), and the second is in relation to the acquisition of Oplo Holdings Ltd ('Oplo') in January 2022, with a goodwill balance of £65,091k held on the balance sheet at year end (2024: £75,825k). Whilst the performance of each CGU has been strong, the Group continuously assesses the recoverable amounts to be evaluated of the goodwill to determine whether an impairment is required.

The recoverable amount is the higher of the value in use ('VIU') and the fair value less costs to sell. For Oplo the VIU was determined to be the higher value, whereas for Allium the fair value less costs to sell was determined to be higher. In both cases the recoverable amount was higher than the carrying value and therefore no impairment charge has been recognised. In addition, the latest forecasts remain supportive of strong growth and there is no indication that the useful life should be required to be shortened.

The carrying value of each CGU is calculated by taking the outstanding goodwill balance relating to the CGU, and the net assets relating to the CGU as at 31 December 2025. There is significant judgement applied in allocating the net assets to the CGUs. The approach taken reflects the capital and liquidity requirements to support the CGUs.

The VIU calculation is based on the Board approved 5-year plan extrapolated out to 8 years with a perpetuity formula used in the final year to calculate the terminal value. It has then been adjusted for non-cash items, capital expenditure and cash flows as a result of regulatory capital requirements. There is significant judgement applied in determining the allocation of indirect costs to the CGUs. Each cost line has been reviewed to determine a reasonable basis for allocation and all costs have been allocated across the business units.

The fair value has been calculated based on a P/TNAV multiple calculated using a regression analysis with input data multiples referenced from a set of listed peers.

Key assumptions in the VIU calculation are the discount rate used to discount the cash flows back to the net present value ('NPV'), and the terminal value.

The key assumption for the fair value calculation for Allium is the P/TNAV multiple, driven by the return on tangible equity ('RoTE') applied in the regression analysis and the control premium applied as listed share prices reflect company ownership on a minority basis.

For the VIU calculation the discount rate used is 16.5% for Oplo, and 15% for Allium (2024: 17.5% Oplo, 16% Allium). The terminal value has been calculated using a perpetuity formula with 16.5% cost of equity ('CoE') for Oplo, and a 15% CoE for Allium (2024: 17.5% Oplo, 16% Allium), with a 2% terminal growth rate for both CGUs (2024: 2%).

For the fair value calculation, a P/TNAV multiple of 1.44x has been applied based on a RoTE of 9.5% and a control premium of 25%.

Headroom analysis:

2025:	CGU £'000	Recoverable Amount £'000	Headroom £'000
Oplo	146,450	187,619	41,169
Allium	42,799	51,138	8,338
2025 Total	**189,249**	**238,757**	**49,507**
2024 Total	196,923	219,103	22,180

17. Intangible Fixed Assets (continued)

(ii) Goodwill Impairment (continued)

Headroom sensitivity to:

Discount rate used to discount cashflows to NPV (+/- 100 bps)	Oplo £'000	Allium £'000
2025	**(9,511)/10,180**	**N/A**
2024	(10,858)/11,677	(2,774)/2,972
CoE rate (+/- 100bps)		
2025	**(6,870)/7,888**	**(3,339)/4,250**
2024	(9,210)/10,480	(2,145)/2,475
Cashflows (-/+ 10%)		
2025	**(18,762)/18,762**	**N/A**
2024	(16,859)/16,859	(5,051)/5,051
P/TNAV multiple (-/+ 10%)		
2025	**N/A**	**(5,114)/5,114**

The sensitivities for Oplo are based on the VIU calculation and the sensitivities for Allium on the fair value calculation. No prior year comparative sensitivity for P/TNAV multiple has been presented for Allium due to this being a new sensitivity.

(iii) Individual Intangible Assets Material to the Financial Statements

The individual intangible assets, excluding goodwill, which are material to the Financial Statements consist of the following:

Internally Generated Software and work-in-progress (Group & Company)

- A custom built loan origination system that manages applications and onboarding has now been live. The loan origination system has a net book value of £4,101k as at 31 December 2025 (2024: £3,548k).
- The Group developed and launched new deposit product during the year ended 31 December 2025. This new deposit product development has a net book value of £2,678k as at 31 December 2025 (2024: £194k).

Computer Software (Group & Company)

- The Loop money sharing application acquired in April 2023 for £2,079k and was fully impaired in 2024. No reversal of the impairment charge was made during the year (2024: impairment charge of £928k).

Regulatory Licences (Group)

- A licence granted by the FCA and PRA allowing the Group to act as a deposit-taker in the United Kingdom. The licence has a net book value of £415k as at 31 December 2025 (2024: £622k) and a remaining amortisation period of 2 years (2024: 3 years).

(iv) Cost of research and development recognised as an expense

The amount of cost incurred internally on research and development that has been recognised as an expense during the year was £578k (2024: £784k).

Notes to the Financial Statements

18. Tangible Fixed Assets

Group	Leasehold Improvements £'000	Office and IT Equipment £'000	Fixtures and Fittings £'000	Vehicles £'000	Total £'000
Cost					
As at 1 January 2025	**307**	**1,618**	**216**	**61**	**2,202**
Additions	**-**	155	21	3	179
Disposals	**(244)**	(706)	(35)	-	(985)
As at 31 December 2025	**63**	**1,067**	**202**	**64**	**1,396**
Accumulated Depreciation					
As at 1 January 2025	**277**	**1,007**	**176**	**46**	**1,506**
Charge	**21**	313	22	18	374
Disposals	**(244)**	(703)	(13)	-	(960)
As at 31 December 2025	**54**	**617**	**185**	**64**	**920**
Net book Value as at 31 December 2025	**9**	**450**	**17**	**-**	**476**

Group	Leasehold Improvements £'000	Office and IT Equipment £'000	Fixtures and Fittings £'000	Vehicles £'000	Total £'000
Cost					
As at 1 January 2024	307	1,385	216	61	1,969
Additions	-	233	-	-	233
As at 31 December 2024	**307**	**1,618**	**216**	**61**	**2,202**
Accumulated Depreciation					
As at 1 January 2024	201	704	118	29	1,052
Charge	76	303	58	17	454
As at 31 December 2024	**277**	**1,007**	**176**	**46**	**1,506**
Net book Value as at 31 December 2024	**30**	**611**	**40**	**15**	**696**

Company	Leasehold Improvements £'000	Office and IT Equipment £'000	Fixtures and Fittings £'000	Total £'000
Cost				
As at 1 January 2025	**26**	**854**	**72**	**952**
Additions	**-**	155	7	162
Disposals	**(20)**	(299)	(35)	(354)
As at 31 December 2025	**6**	**710**	**44**	**760**
Accumulated Depreciation				
As at 1 January 2025	**22**	**451**	**42**	**515**
Charge	**2**	178	15	195
Disposals	**(19)**	(299)	(27)	(345)
As at 31 December 2025	**5**	**330**	**30**	**365**
Net book Value as at 31 December 2025	**1**	**380**	**14**	**395**

Company	Leasehold Improvements £'000	Office and IT Equipment £'000	Fixtures and Fittings £'000	Total £'000
Cost				
As at 1 January 2024	26	622	72	720
Additions	-	232	-	232
As at 31 December 2024	**26**	**854**	**72**	**952**
Accumulated Depreciation				
As at 1 January 2024	20	314	26	360
Charge	2	137	16	155
As at 31 December 2024	**22**	**451**	**42**	**515**
Net Book Value as at 31 December 2024	**4**	**403**	**30**	**437**

19. Other Assets

Group	2025 £'000	2024 £'000
Trade receivables	**1,991**	1,443
Refundable deposits	**118**	191
Research and development tax credit	**183**	322
Sundry debtors	**1,492**	1,318
Prepayments and Accrued income	**3,936**	3,451
Corporate tax receivable	**853**	-
	8,573	6,725
Company		
Refundable deposits	**118**	191
Research and development tax credit	**183**	321
Sundry debtors	**103**	89
Group taxation relief receivable	**1,087**	1,464
Prepayments and Accrued income	**2,945**	2,756
	4,436	4,821

Included in the Group's other assets are balances of £8,230k (2024: £6,397k) failing due within one year.

The Company's other assets are all classified as current assets as they are falling due within one year.

20. Borrowings from Banks

Group	2025 £'000	2024 £'000
Bank of England Term Funding Scheme	**-**	23,789
Sale and Repurchase Agreements	**10,113**	-
	10,113	23,789

See Note 31.2 for further details on derivative collateral received.

The amounts drawn under the Bank of England Term Funding Scheme were paid in October 2025 with interest charged at Bank of England base rate plus a margin of 0.18% (2024: 0.18%) per annum.

21. Customer Accounts

Group	2025 £'000	2024 £'000
Customer accounts	**2,256,415**	2,914,557
Fair value adjustment for portfolio hedged risk	**4,323**	1,808
	2,260,738	2,916,365

See Note 31.2 for the contractual maturity profile of customer accounts.

22. Other Liabilities

Group	2025 £'000	2024 £'000
Trade creditors	**3,789**	3,210
Other taxation and social security	**879**	804
Cash settled share-based payment	**472**	480
Other liabilities	**2,363**	2,145
Corporation tax payable	**-**	1,062
Regulatory provisions	**3,422**	-
Accruals	**7,660**	7,080
	18,585	14,781
Company		
Amounts owed to group undertakings	**5,524**	4,710
Trade creditors	**332**	245
Other taxation and social security	**879**	804
Cash settled share-based payments	**472**	480
Other liabilities	**369**	287
Accruals and deferred income	**6,863**	6,190
	14,439	12,716

Regulatory provisions – Motor finance consumer redress

In 2024, the FCA announced that it was conducting reviews into historical use of discretionary commission arrangements ('DCAs') and how such commissions were disclosed to customers across the motor finance industry. Following a series of court decisions and its own supervisory work, the FCA has signalled that where customers were not given appropriate disclosure about commission arrangements, there may have been unfair treatment under the Consumer Credit Act, potentially leading to customer loss and the need for redress. As disclosed in the prior year, the Group's motor finance lending is primarily originated through independent credit brokers rather than dealer-brokers, and management concluded at that time that the Group's commission structures were not discretionary in nature and that appropriate disclosure of commission arrangements had been made in customer contracts. Accordingly, as at 31 December 2024 the risk of an outflow of economic resources was considered remote and no provision was recognised.

During 2025, regulatory developments progressed further. On 7 October 2025, the FCA published a consultation paper (CP25/27) setting out proposals for a Motor Finance Consumer Redress Scheme taking into account the Supreme Court's consideration of motor finance commission, which would apply to regulated motor finance agreements entered into between 2007 and 2024 and where commission or other arrangements were arguably not adequately disclosed. Subsequently, the FCA released its final scheme rules on 30 March 2026 in its Policy Statement (PS26/3) which sets out the requirement to contact customers due redress or who have complained from 1 July 2026.

Management has considered the requirements detailed in the Policy Statement, and the Group has recognised a regulatory provision of £3,422k in the current year in respect of motor finance commissions redress. The provision reflects a range of reasonably possible outcomes and includes estimates for operational costs, as well as potential consumer redress. The provision has been determined using multiple scenarios and assumptions, including customer response rates, volumes of complaints, FOS referral rates, and operational costs.

Given that there remains inherent uncertainty in the above assumptions, the ultimate financial impact could differ significantly from the amount provided. The Group will continue to assess and update its estimate in future reporting periods as it starts to work through cases, and more information becomes available.

22. Other Liabilities (continued)

Others

Included in the Group's other liabilities are balances of £18,113k (2024: £13,894k) falling due within one year.

The Company's other liabilities are all falling due within one year, except for cash settled share-based payments which are falling due after more than one year.

Included within the Company's amounts owed to group undertakings is a balance of £4,887k (2024: £4,054k) related to borrowing under an unsecured revolving credit facility from TBL. Interest is charged on the revolving credit facilities at Bank of England base rate plus a margin of 0.1% per annum and matures in October 2026. Also included in amounts owed to group undertakings are unsecured on demand payables of £637k (2024: £656k) for which no interest is charged.

23. Subordinated Liabilities

Group	**2025 £'000**	2024 £'000
Tier 2 subordinated liability	**19,323**	18,947

Subordinated liabilities represent a £20,000k Tier 2 subordinated liability bearing interest at Term SONIA plus a margin of 11% per annum and maturing in June 2033. The subordinated liability qualifies as Tier 2 Capital. The subordinated liability ranks at least *pari passu* with the claims of the holders of any other Tier 2 Capital instruments, and in priority to the claims of the holders of any Tier 1 Capital instruments. The loan is subordinated to the rights and claims of all senior secured and unsecured creditors.

The subordinated liability was issued in TBL in conjunction with a warrant instrument issued in TML (classified as a derivative financial liability) and has been recognised initially at its fair value and then subsequently at amortised cost. The substance of the transaction is such that the £20,000k consideration received is for both the subordinated liability and warrant instrument and therefore the fair value of the subordinated liability has been calculated as the residual amount after taking into account the fair value of the warrant (see Note 14 for further details).

24. Commitments and Contingent Liabilities

The Group had the following future commitments in relation to offers made to lend to customers which have yet to be accepted by the customer or have yet to be drawn down by the customer:

Group	**2025 £'000**	2024 £'000
Unsecured lending commitments	**37,012**	38,272
Secured lending commitments	**5,110**	5,711
	42,122	43,983

The Company had the following future commitments in relation to an unsecured revolving credit facility with TBL maturing in October 2026:

Company	**2025 £'000**	2024 £'000
Intercompany unsecured revolving credit facility	**3,000**	3,000

25. Equity

	2025 £'000	2024 £'000
Group and Company		
Called-up share capital		
Ordinary shares	**28**	28
Ordinary B shares	**3,403**	3,304
	3,431	3,332
Share premium account		
Ordinary shares	**3,712**	3,712
Ordinary B shares	**425,916**	425,916
Share issuance expenses	**(6,929)**	(6,929)
	422,699	422,699
Warrants	**1,391**	1,391
Other reserves		
Share options reserve	**6,855**	7,696
Reserves from employee benefit trusts	**781**	781
Capital contribution	**2,555**	2,555
	10,191	11,032

	2025 £'000	2024 £'000
Group		
Retained reserves	**(172,368)**	(163,256)

	2025 £'000	2024 £'000
Company		
Accumulated losses	**(188,781)**	(186,945)

Share capital

As at 31 December 2025, the Company had 13,775k ordinary shares of £0.002 authorised, fully paid up and in issue (2024: 13,775k). No ordinary shares were issued during the year (2024: nil).

As at 31 December 2025, the Company had 1,701,588k ordinary B shares of £0.002 authorised, fully paid up and in issue (2024: 1,652,046k). During the year ended 31 December 2025, the Company issued 49,543k ordinary B shares of £0.002 nominal value for the exercise of warrants with a deemed value of £99k.

Holders of ordinary shares and ordinary B shares have the following rights:

- Entitled to attend, speak and vote at all general meetings of the Company and to receive and vote on proposed written resolutions: and,
- Entitled to participate in a dividend or distribution of assets pro rata to their respective holdings of shares (as if the ordinary and ordinary B shares constituted one class).

There are no restrictions on the distribution of dividends and the repayment of capital.

Warrants

On 4 July 2019, Allium Lending Group Limited ('ALG') entered into a warrant instrument entitling the holders of such warrants to subscribe for 671.4k B Ordinary Shares in the capital of ALG. The acquisition of the entire issued share capital of ALG by the Company constitutes a Share-for-Share Sale which, in accordance with the provisions of the Original Warrant Instrument, results in the cancellation of the Original Warrants and the issue of replacement warrants in respect of shares in the Company to the holders of the Original Warrants. Accordingly, the Company agreed to issue warrants to subscribe for 5,506.8k Ordinary Shares of the Company on the terms set out in this Instrument.

25. Equity (continued)

Share based payments

The total number of share awards outstanding under share-based payment schemes is 15,998k (2024: 16,024k). No awards were issued in 2025 (2024: nil) and no share options were exercised (2024: nil). 18k vested awards were repurchased from employees that have left the business (2024: nil). There are shares held in EBTs in relation to share-based award schemes. The EBTs are consolidated in the Company results and the reserves form part of other reserves. See Note 27 for further details on share-based payments.

26. Dividends

No dividends have been paid or are payable for the years ended 31 December 2025 or 31 December 2024.

27. Share-based Payments

As at 31 December 2025, Tandem has 4 employee incentive schemes in operation: a Growth Share Plan ('GSP'), which remains open to new entrants, and then 3 historical schemes that are closed to new entrants, the Joint Share Ownership Plan ('JSOP'), an Unapproved Share Option Plan ('USOP') and an Employee Share Scheme ('ESS'). The (income)/expense charged to the Income Statement during the year for the schemes was as follows:

	2025 £'000	2024 £'000
Growth Share Plan	**(108)**	558
Joint Share Ownership Plan	**(8)**	(10)
	(116)	548

Tandem is unable to directly measure the fair value of employee services received and as there are not currently open market conditions for these awards given they are privately held, Tandem uses an option pricing model to value all awards. The significant inputs are the share price and the volatility rates. The share price is based on the prevailing share price from the latest capital raises at the date of the valuation. The expected volatility is determined by assessing the historical volatility of listed peers to obtain an estimated 'implied' volatility at this date. Other inputs included the risk-free rate and length of hold.

Growth Share Plan

In 2025 Tandem did not issue any new GSP awards to employees (2024: nil). Participants subscribe to C share awards (a new class of share) at a subscription price calculated based on the unrestricted market value ('UMV') as at the grant date of the award. The participants will receive 10% of equity proceeds in excess of a predetermined hurdle value. The awards can be redeemed at the option of the employee only in the event of an asset or share sale for a controlling interest in the Company or an Initial Public Offering ('IPO'). Tandem has the option to buy back awards from employees that have left the Company at a value determined by the Company Articles.

	2025 No. of awards '000	2024 No. of awards '000
Outstanding as at 1 January	**74**	84
Buyback of vested awards from Leavers	**(18)**	-
Forfeited during the year	**(9)**	(10)
Outstanding as at 31 December	**47**	74

27. Share-based Payments (continued)

Joint Share Ownership Plan

The JSOP has been closed to new entrants since 2019. All awards are either fully vested or have lapsed, with 7,670k outstanding as at 31 December 2025 (2024: 7,670k).

The participants of the JSOP were required to make a payment up front, the subscription price of £0.06 per option, for the right to the future growth in the company's value above a predetermined hurdle price. The shares are held in an EBT which jointly own the shares. As with the GSP, awards can be redeemed only in the event of an asset or share sale for a controlling interest in the Company or an IPO, at which point the participant will receive the value above the hurdle price and the value below the hurdle price will remain in the EBT to distribute at the discretion of the RemCo.

There is an Employee JSOP scheme and a Founder JSOP scheme, both of which had a 5-year vesting schedule with 40% of the award vesting after 2 years and then a further 10% vesting every 6 months thereafter. They are classified as equity settled and the fair value of the awards calculated as at the date of grant and are not remeasured.

In 2021 a separate award was issued that is not part of the JSOP management incentive plan but uses the potential value in the EBTs representing the 'below the hurdle' value of the shares. Under the terms, the participant will receive the value from £0 to £1.55 based on a notional of 4,700k shares, providing a predetermined hurdle price is achieved in the event of an asset or share sale for a controlling interest in the Company or an IPO. The award has been classified as a cash settled share-based payment and the fair value of the award is calculated at each reporting date with the fair value movement in 2025 being an £8k reduction in liability (2024: £10k reduction in liability).

Unapproved Share Option Scheme

The USOP has also been closed to new entrants since 2020. All awards are either fully vested or have lapsed.

The number and weighted average exercise price of options outstanding as at the Balance Sheet date were as follows:

	2025		**2024**	
	No. '000	**Weighted average exercise price £**	No. '000	Weighted average exercise price £
Outstanding as at 1 January	**3,439**	**0.017**	3,439	0.017
Outstanding as at 31 December	**3,439**	**0.017**	3,439	0.017

There were no exercisable options in the year (2024: nil).

The Company granted options on Ordinary B shares in an USOP between the years of 2016 and 2021.These options are equity settled with the option giving the holder the right to acquire shares at a future date at the exercise price of £0.002 or £0.253 (depending on the terms when they were issued).

The USOP had a 4-year vesting period, in equal 6 month tranches of 12.5%, beginning on the date of employment with the Company with the exception of the options granted in 2018 where the vesting commencement date was linked with the acquisition date of TBL for certain employees. As with the other awards, the options can be exercised only in the event of an asset or share sale for a controlling interest in the Company or an IPO.

As an equity settled scheme, the fair value of the options are calculated as at the date of grant and is not re-measured.

27. Share-based Payments (continued)

Employee Share Scheme ('ESS')

From 23 November 2016, the Company closed the ESS to new entrants, following withdrawal by the UK Government of their support for such schemes. On entry into the scheme, ordinary shares were issued to employees following their probation period. The vesting period began from the date of employment with the Company. The fair value was determined at the grant date and is not re-measured. By 2020 all shares were either fully vested or lapsed. There are 141k outstanding awards as at 31 December 2025 (31 December 2024: 141k). There were 296k shares granted in total under the ESS scheme, of which 155k have lapsed.

28. Leases

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

	2025	2024
Group	**£'000**	£'000
Less than 1 year	**455**	742
Between 1 year and 5 years	**1,322**	1,992
	1,777	2,734

	2025	2024
Company	**£'000**	£'000
Less than 1 year	**259**	546
Between 1 year and 5 years	**814**	1,287
	1,073	1,833

Total lease payments made by the Group in 2025 were £1,066k (2024: £1,018k).

29. Notes to the Cash Flow Statement

Reconciliation of (loss)/profit before taxation to new cash flows used in operating activities:

Group	2025 £'000	2024 £'000
(Loss)/Profit on operating activities before tax	**(8,667)**	4,447
Impairment movement on loans and advances to customers	**25,420**	17,525
Amortisation of intangible fixed assets	**1,704**	1,805
Impairment of intangible fixed assets	**317**	928
Amortisation of goodwill and intangible assets on acquisition	**12,066**	12,167
Depreciation	**374**	454
Loss on disposal of intangible assets	**4**	-
Loss on disposal of tangible assets	**22**	-
Write-off of tangible and intangible assets	**-**	81
Share-based payments	**(10)**	558
Fair value adjustments for portfolio hedged assets	**(9,691)**	(1,861)
Fair value adjustments for portfolio hedged liabilities	**2,515**	(6,595)
Fair value loss on derivatives	**7,723**	6,848
Gain on sale of loan portfolio	**(8,878)**	(11,183)
Non-cash items included in (loss)/profit on operating activities before tax	**31,566**	20,727
(Increase)/Decrease in bank balances not available on demand	**(8,080)**	6,806
Increase in loans and advances to customers	**(278,079)**	(122,972)
Increase in debt securities	**(133)**	(2,869)
(Increase)/Decrease in derivative financial instruments	**(90)**	1,315
Increase in other assets	**(995)**	(291)
Decrease in borrowings from banks	**(13,676)**	(7,125)
Decrease in customer accounts	**(658,142)**	(716,447)
Increase in debt securities in issue	**-**	63
Increase in other liabilities	**4,866**	3,334
Increase in subordinated liabilities	**130**	145
Change in operating assets and liabilities	**(954,199)**	(838,041)
Corporation tax paid	**(1,937)**	(1,868)
Cash used in operating activities	**(933,237)**	(814,735)

29. Notes to the Cash Flow Statement (continued)

For the cash flow statement, cash and cash equivalents comprise the following:

Group	2025 £'000	2024 £'000
Cash and balances at central banks	**584,887**	1,497,095
Less mandatory deposit balances	**-**	-
Repayable on demand	**584,887**	1,497,095
Loans and advances to banks	**42,709**	41,256
Less cash collateral on derivatives placed with banks	**(10,190)**	(2,110)
Repayable on demand	**32,519**	39,146
Cash and cash equivalents	**617,406**	1,536,241

Company	2025 £'000	2024 £'000
Loans and advances to banks repayable on demand	**901**	1,384

Analysis of changes in net debt

	As at 1 January 2025	Cash flows	Fair value & exchange movements	Non-cash changes in interest accruals	As at 31 December 2025
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Cash and balances at central banks	1,497,095	(910,531)	-	(1,677)	**584,887**
Loans and advances to banks	39,146	(6,602)	-	(25)	**32,519**
Cash and cash equivalents	**1,536,241**	**(917,133)**	**-**	**(1,702)**	**617,406**
Borrowings from banks	(23,789)	13,387	-	289	**(10,113)**
Customer accounts	(2,916,365)	659,031	(2,515)	(889)	**(2,260,738)**
Derivative financial instruments	(3,654)	-	(2,466)	-	**(6,120)**
Subordinated liabilities	(18,947)	-	(246)	(130)	**(19,323)**
Total	**(1,426,514)**	**(244,715)**	**(5,227)**	**(2,432)**	**(1,678,888)**

	As at 1 January 2024	Cash flows	Fair value & exchange movements	Non-cash changes in interest accruals	As at 31 December 2024
	£'000	£'000	£'000	£'000	£'000
Cash and balances at central banks	2,414,248	(913,496)	-	(3,657)	1,497,095
Loans and advances to banks	48,107	(8,956)	-	(5)	39,146
Cash and cash equivalents	2,462,355	(922,452)	-	(3,662)	1,536,241
Borrowings from banks	(30,914)	7,070	-	55	(23,789)
Customer accounts	(3,639,407)	707,714	6,595	8,733	(2,916,365)
Debt securities in issue	(75,709)	75,772	-	(63)	-
Derivative financial instruments	(8,883)	-	5,229	-	(3,654)
Subordinated liabilities	(18,459)	-	(343)	(145)	(18,947)
Total	(1,311,017)	(131,896)	11,481	4,918	(1,426,514)

30. Analysis of Financial Instruments by Classification Basis

The carrying value of the Group's financial instruments are summarised by category below:

31 December 2025	Loans and Receivables £'000	Available for Sale Securities £'000	Derivatives Measured at Fair Value through Profit or Loss £'000	Liabilities at Amortised Cost £'000	Total £'000
Financial Assets					
Cash and balances at central banks	584,887	-	-	-	584,887
Loans and advances to banks	42,709	-	-	-	42,709
Loans and advances to customers	1,282,213	-	-	-	1,282,213
Debt securities	300,970	253,688	-	-	554,658
Derivative financial instruments	-	-	6,383	-	6,383
Equity shares	-	3,667	-	-	3,667
Other assets	3,601	-	-	-	3,601
Total Financial Assets	**2,214,380**	**257,355**	**6,383**	**-**	**2,478,118**
Non-financial assets					102,105
Total Assets					**2,580,223**
Financial Liabilities					
Borrowings from banks	-	-	-	10,113	10,113
Customer accounts	-	-	-	2,260,738	2,260,738
Derivative financial instruments	-	-	6,120	-	6,120
Other liabilities	-	-	-	18,585	18,585
Subordinated liabilities	-	-	-	19,323	19,323
Total Financial Liabilities	**-**	**-**	**6,120**	**2,308,759**	**2,314,879**
Total Liabilities					**2,314,879**

31 December 2024	Loans and Receivables £'000	Available for Sale Securities £'000	Derivatives Measured at Fair Value through Profit or Loss £'000	Liabilities at Amortised Cost £'000	Total £'000
Financial Assets					
Cash and balances at central banks	1,497,095	-	-	-	1,497,095
Loans and advances to banks	41,256	-	-	-	41,256
Loans and advances to customers	1,213,929	-	-	-	1,213,929
Debt securities	213,670	156,481	-	-	370,151
Derivative financial instruments	-	-	11,304	-	11,304
Equity shares	-	3,533	-	-	3,533
Other assets	2,952	-	-	-	2,952
Total Financial Assets	**2,968,902**	**160,014**	**11,304**	**-**	**3,140,220**
Non-financial assets					112,514
Total Assets					**3,252,734**
Financial Liabilities					
Borrowings from banks	-	-	-	23,789	23,789
Customer accounts	-	-	-	2,916,365	2,916,365
Derivative financial instruments	-	-	3,654	-	3,654
Other liabilities	-	-	-	14,781	14,781
Subordinated liabilities	-	-	-	18,947	18,947
Total Financial Liabilities	**-**	**-**	**3,654**	**2,973,882**	**2,977,536**
Total Liabilities					**2,977,536**

Notes to the Financial Statements

31. Risk Management

Through its normal operations, the Group is exposed to a number of financial risks, the most significant of which are credit risk, liquidity risk and market risk. The company has very limited exposure to credit risk, liquidity risk and market risk.

31.1. Credit Risk

Credit risk is the risk of financial losses to the Group resulting from a borrower or counterparty's failure to repay a debt or meet their contractual obligations.

In line with Tandem's Risk Management Framework ('RMF'), overall responsibility for credit risk rests with the Board of Directors, on whose behalf the Risk Committee oversee credit risk profile relative to the Board approved Risk Appetite. Day-to-day management of credit risk is delegated to Executive Management.

Management manages credit risk through the RMF and in line with the Board approved Risk Appetite. Management has set out product level credit policies and oversees credit performance through the Credit Committee which meets on a monthly basis. The Credit Committee will review customer watchlists, the credit risk profiles of portfolios across the group, as well as approving or recommending credit mitigation strategies

(i) Arrears/collections management

Loans and advances to customers in arrears will be subject to the Group's collections strategy. This includes communications to notify the customer of their arrears via letters, emails, text messages and telephone calls. Communications will also include the required regulatory arrears notices in accordance with FCA rules. Once contact has been established with the customer, the Group will support them with appropriate forbearance options dependent on their circumstances.

In the event the Group cannot make contact with a customer with mortgage arrears or cannot mutually agree an appropriate forbearance option, the Group may consider recovering the debt through litigation, including seeking possession of the secured property as a last resort. For motor finance hire purchase receivables and unsecured loans in default, the Group may also consider selling the debt to a third-party debt sale company.

The Group holds a provision for impairment losses on loans and advances to customers. See Note 1.15 and Note 12 for further details.

(ii) Loans and Advances to Customers

Credit Quality Analysis As at 31 December 2025	First charge mortgages £'000	Second charge mortgages £'000	Motor finance hire purchase receivables £'000	Unsecured lending £'000	Total £'000
Total gross impaired loans	**20,471**	**54,873**	**35,936**	**24,508**	**135,788**
Past due but not impaired	**1,289**	**-**	**-**	**-**	**1,289**
Neither past due nor impaired	**105,066**	**462,686**	**287,091**	**341,410**	**1,196,253**
Total gross amount due	**126,826**	**517,559**	**323,027**	**365,918**	**1,333,330**
As at 31 December 2024					
Total gross impaired loans	7,004	53,515	19,731	29,039	109,289
Past due but not impaired	16,658	-	-	-	16,658
Neither past due nor impaired	132,696	455,111	203,957	344,053	1,135,817
Total gross amount due	156,358	508,626	223,688	373,092	1,261,764

31. Risk Management (continued)

31.1. Credit Risk (continued)

(ii) Loans and Advances to Customers (continued)

Aging Analysis As at 31 December 2025	First charge mortgages £'000	Second charge mortgages £'000	Motor finance hire purchase receivables £'000	Unsecured lending £'000	Total £'000
Total gross impaired loans					
Less than 3 months	-	**18,275**	**21,981**	**7,754**	**48,010**
Past due 3 to 12 months	**2,667**	**15,523**	**10,213**	**10,073**	**38,476**
Past due over 12 months	**17,804**	**21,075**	**3,742**	**6,681**	**49,302**
	20,471	**54,873**	**35,936**	**24,508**	**135,788**
Past due but not impaired					
Less than 3 months	**1,289**	-	-	-	**1,289**
Past due 3 to 12 months	-	-	-	-	-
Past due over 12 months	-	-	-	-	-
	1,289	-	-	-	**1,289**
As at 31 December 2024					
Total gross impaired loans					
Less than 3 months	-	20,241	10,640	11,060	41,941
Past due 3 to 12 months	7,004	16,686	5,774	10,156	39,620
Past due over 12 months	-	16,588	3,317	7,823	27,728
	7,004	53,515	19,731	29,039	109,289
Past due but not impaired					
Less than 3 months	4,585	-	-	-	4,585
Past due 3 to 12 months	385	-	-	-	385
Past due over 12 months	11,688	-	-	-	11,688
	16,658	-	-	-	16,658

The Group holds collateral against loans and advances to customers in the form of first and second charge mortgages over residential and commercial real estate as well as over motor vehicles (in relation to motor finance hire purchase receivables).

31. Risk Management (continued)

31.1. Credit Risk (continued)

(ii) Loans and Advances to Customers (continued)

Sensitivity Analysis of Provision for Impairment Losses

- **Change in Arrears**

The Group's provision calculation utilises an IAS39 accounting methodology which is sensitive to the relative size of the arrears book compared to the overall balance. The table below illustrates the sensitivity of provisions to increases in arrears ratio, assuming the overall balance remains unchanged:

Second charge mortgages	**Arrears Ratio %**	**Provision Increase £'000**	**Provision Increase %**
As at 31 December 2025	**5.3**		
+2.5%	**5.4**	**161**	**1.9**
+5.0%	**5.6**	**321**	**3.7**
+7.5%	**5.7**	**482**	**5.6**
+10.0%	**5.8**	**642**	**7.4**
As at 31 December 2024	5.6		
+2.5%	5.7	187	1.8
+5.0%	5.9	374	3.7
+7.5%	6.0	560	5.5
+10.0%	6.2	747	7.4

Motor finance hire purchase receivables	**Arrears Ratio %**	**Provision Increase £'000**	**Provision Increase %**
As at 31 December 2025	**9.6**		
+2.5%	**9.9**	**215**	**1.9**
+5.0%	**10.1**	**430**	**3.7**
+7.5%	**10.4**	**646**	**5.6**
+10.0%	**10.6**	**861**	**7.4**
As at 31 December 2024	6.7		
+2.5%	6.9	98	1.8
+5.0%	7.1	196	3.6
+7.5%	7.2	294	5.5
+10.0%	7.4	392	7.3

Unsecured lending	**Arrears Ratio %**	**Provision Increase £'000**	**Provision Increase %**
As at 31 December 2025	**2.0**		
+2.5%	**2.1**	**88**	**1.9**
+5.0%	**2.1**	**177**	**3.8**
+7.5%	**2.2**	**265**	**5.7**
+10.0%	**2.2**	**353**	**7.6**
As at 31 December 2024	2.2		
+2.5%	2.3	108	1.9
+5.0%	2.4	217	3.7
+7.5%	2.4	325	5.6
+10.0%	2.5	434	7.4

31. Risk Management (continued)

31.1. Credit Risk (continued)

(ii) Loans and Advances to Customers (continued)

Sensitivity Analysis of Provision for Impairment Losses (continued)

- **Percentage Point Increase in LGD**

Similarly, the Group's provisions are sensitive to the LGD assumptions. The table below illustrates the sensitivity of the year end provision position to percentage point increases in LGD, assuming overall balance remains unchanged.

Second charge mortgages	**Balance Weighted LGD %**	**Provision Increase £'000**	**Provision Increase %**
As at 31 December 2025	**43.2**		
2.5%	**45.7**	**500**	**5.8**
5.0%	**48.2**	**1,000**	**11.6**
7.5%	**50.7**	**1,500**	**17.4**
10.0%	**53.2**	**2,000**	**23.2**
As at 31 December 2024	45.3		
2.5%	47.8	561	5.5
5.0%	50.3	1,122	11.0
7.5%	52.8	1,683	16.6
10.0%	55.3	2,244	22.1

Motor finance hire purchase receivables	**Balance Weighted LGD %**	**Provision Increase £'000**	**Provision Increase %**
As at 31 December 2025	**54.0**		
2.5%	**56.5**	**535**	**4.6**
5.0%	**59.0**	**1,070**	**9.3**
7.5%	**61.5**	**1,605**	**13.9**
10.0%	**64.0**	**2,140**	**18.5**
As at 31 December 2024	54.5		
2.5%	57.0	247	4.6
5.0%	59.5	494	9.2
7.5%	62.0	740	13.8
10.0%	64.5	987	18.3

Unsecured lending	**Balance Weighted LGD %**	**Provision Increase £'000**	**Provision Increase %**
As at 31 December 2025	**71.9**		
2.5%	**74.4**	**161**	**3.5**
5.0%	**76.9**	**322**	**7.0**
7.5%	**79.4**	**483**	**10.4**
10.0%	**81.9**	**644**	**13.9**
As at 31 December 2024	67.7		
2.5%	70.2	216	3.7
5.0%	72.7	431	7.4
7.5%	75.2	647	11.1
10.0%	77.7	863	14.8

31. Risk Management (continued)

31.1. Credit Risk (continued)

(ii) Loans and Advances to Customers (continued)

Sensitivity Analysis of Provision for Impairment Losses (continued)

- **Increase in Emergence Period**

The Group's provision for impairment losses on its second charge mortgage portfolio is particularly sensitive to increases in emergence period (see Note 12 for further details) where affordability is stretched. A longer emergence period increases the impairment provision balance required to be held. During 2025, following an internal study, the emergence period remained at 6 months for the second charge mortgage portfolio. No change was made to the emergence period on the motor finance hire purchase receivables and unsecured lending as they are less likely to see an increase in emergence period and more likely to move into arrears quicker with a shorter emergence period. Therefore the sensitivity analysis has only been disclosed for second charge mortgages.

Second charge mortgages	Emergence Period No. of months	Provision Increase £'000	Provision Increase %
As at 31 December 2025	**6**		
+1 month	**7**	**323**	**3.7**
+2 months	**8**	**600**	**6.9**
+3 months	**9**	**877**	**10.2**
As at 31 December 2024	6		
+1 month	7	365	3.6
+2 months	8	776	7.6
+3 months	9	1,187	11.7

Loan to Value Analysis of First Charge Mortgage and Second Charge Mortgage Portfolios

An analysis of the loan to value ratio of the Group's first charge and second charge mortgage portfolio, which are calculated as the drawn balance divided by the appraised value of the mortgaged property, is shown below:

	2025 **%**	2024 %
First Charge Mortgage Portfolio:		
< 40%	**12.5**	12.5
40% to 50%	**8.3**	9.0
50% to 60%	**15.9**	19.7
60% to 70%	**10.3**	22.5
70% to 80%	**14.6**	18.4
> 80%	**38.4**	17.9
Total	**100.0**	100.0
Second Charge Mortgage Portfolio (after taking into account the first charge):		
< 40%	**3.8**	4.5
40% to 50%	**4.2**	4.5
50% to 60%	**7.4**	8.2
60% to 70%	**12.8**	15.8
70% to 80%	**18.2**	22.6
> 80%	**53.6**	44.4
Total	**100.0**	100.0

31. Risk Management (continued)

31.1. Credit Risk (continued)

(iii) Debt Securities held for Liquidity Purposes

The Group's Treasury Policy allows the holding of certain Debt Securities within its High-Quality Liquid Asset buffer to meet its liquidity requirements under the Group's Liquidity Risk Appetite. Additionally, the Group has nominated a portion of the Debt Securities held within its Single Collateral Pool ('SCP') at the Bank of England to collateralise its liabilities held under the Sterling Monetary Framework.

As at 31 December 2025, the Group held Debt Securities with a notional value of £12,500k in its SCP to collateralise its Sale and Repurchase Agreements ('Repo') through Indexed Long-Term Repo ('ILTR') (2024: £28,700k to collateralise its Term Funding Scheme with Additional Incentives for SME's ('TFSME')) advance with the Bank of England.

A breakdown of the Group's holdings of Debt Securities is shown below:

As at 31 December 2025	**Rating (Fitch)**	**Notional Value £'000**	**Mark to Market Value £'000**	**Collateralised Notional Value £'000**	**Markets**
Supranational Financial Institutions	**AAA**	**20,500**	**28,748**	**-**	**-**
United Kingdom Financial Institutions	**AAA**	**192,398**	**193,671**	**7,000**	**ILTR**
United Kingdom Government[3]	**AA-**	**30,500**	**31,269**	**5,500**	**ILTR**
Total		**243,398**	**253,688**	**12,500**	

As at 31 December 2024	Rating (Fitch)	Notional Value £'000	Mark to Market Value £'000	Collateralised Notional Value £'000	Markets
Supranational Financial Institutions	AAA	8,000	8,175	5,000	TFSME
United Kingdom Financial Institutions	AAA	147,398	148,306	23,700	TFSME
Total		155,398	156,481	28,700	

31.2. Liquidity Risk

Liquidity risk is the risk that the Group is unable to meet its obligations as they are expected to fall due or can only do so at exceptional cost. In line with the Overall Liquidity Adequacy Rule ('OLAR'), the Group will maintain liquidity resources which are adequate, both as to amount and quality in order to meet its requirements at all times.

The Group reports liquidity risk using the Liquidity Coverage Ratio ('LCR') and has maintained a balance of High-Quality Liquid Assets ('HQLA') sufficient to meet its minimum regulatory requirement of 100% at all times throughout 2024, as detailed in the Strategic Report. Furthermore, Management has implemented additional liquidity and funding risk metrics to ensure that risks that are not adequately captured in the LCR are monitored and mitigated as appropriate. Liquidity risk is managed by the Group's Treasury function with executive oversight provided by the ALCo. Key liquidity metrics are reported weekly to the ALCo and subsequently cascaded to the ExCo on a monthly basis.

31. Risk Management (continued)

31.2. Liquidity Risk (continued)

The Internal Liquidity Adequacy Assessment Process ('ILAAP') sets out the Group's approach to managing liquidity risk through its Medium-Term Plan ('MTP') and assesses whether the MTP can be delivered within the Group's stated Risk Appetite. The ILAAP has been prepared in line with internal policies and procedures as well as the regulations covering liquidity and funding risk management in the PRA Rulebook. In completing the ILAAP, Tandem's Senior Management have assessed:

- The exposures to liquidity and funding risks which are inherent in the Group's Business Model and Strategy and the ways in which the Group incurs these risks through its day-to-day operations;
- The adequacy of the Group's liquidity and funding resources to cover the risks identified;
- The methodologies and assumptions applied for risk measurement and liquidity management;
- The results of the stress testing of these risks; and
- The adequacy and appropriateness of the Group's liquidity RMF and internal governance.

Contractual Maturity Analysis

The following table summarises the undiscounted contractual maturity profile of the Group's financial liabilities and derivatives, shown in accordance with their contractual maturity:

As at 31 December 2025	**On demand £'000**	**< 3 months £'000**	**3 to 12 months £'000**	**1 to 5 years £'000**	**Over 5 years £'000**	**Undated £'000**	**Total £'000**
Non-derivative liabilities							
Borrowings from banks	-	-	-	**(10,113)**	-	-	**(10,113)**
Customer accounts	**(1,281,416)**	**(93,662)**	**(551,063)**	**(334,577)**	**(20)**	-	**(2,260,738)**
Other liabilities	**(16,502)**	-	-	**(2,083)**	-	-	**(18,585)**
Subordinated liabilities	-	**(228)**	-	-	**(19,095)**	-	**(19,323)**
	(1,297,918)	**(93,890)**	**(551,063)**	**(346,773)**	**(19,115)**	-	**(2,308,759)**
Derivative liabilities							
Outflow	-	**(5,088)**	**(16,815)**	**(33,903)**	**(2,107)**	-	**(57,913)**
Inflow	-	**4,747**	**14,738**	**31,161**	**1,004**	-	**51,650**
Net derivative outflows	-	**(341)**	**(2,077)**	**(2,742)**	**(1,103)**	-	**(6,263)**
	(1,297,918)	**(94,231)**	**(553,140)**	**(349,515)**	**(20,218)**	-	**(2,314,022)**

As at 31 December 2024	On demand £'000	< 3 months £'000	3 to 12 months £'000	1 to 5 years £'000	Over 5 years £'000	Undated £'000	Total £'000
Non-derivative liabilities							
Borrowings from banks	-	(292)	-	(23,491)	-	(6)	(23,789)
Customer accounts	(2,014,101)	(9,331)	(495,175)	(397,722)	(36)	-	(2,916,365)
Other liabilities	(14,301)	-	-	(480)	-	-	(14,781)
Subordinated liabilities	-	(241)	-	-	(18,706)	-	(18,947)
	(2,028,402)	(9,864)	(495,175)	(421,693)	(18,742)	(6)	(2,973,882)
Derivative liabilities							
Outflow	-	(3,445)	(16,065)	(22,958)	(1,136)	-	(43,604)
Inflow	-	3,375	15,162	21,269	-	-	39,806
Net derivative outflows	-	(70)	(903)	(1,689)	(1,136)	-	(3,798)
	(2,028,402)	(9,934)	(496,078)	(423,382)	(19,878)	(6)	(2,977,680)

31. Risk Management (continued)

31.2. Liquidity Risk (continued)

Collateral

The Group uses derivatives to manage its exposures to Interest Rate Risk in the Banking Book ('IRRBB'); all derivatives are covered by an International Swaps and Derivatives Association ('ISDA') agreement which is supported by a Credit Support Annex ('CSA'). These CSA's set out the circumstances through which the fair value of the derivatives portfolios are measured and the circumstances under which either party can demand margin collateral to offset counterparty credit risk. It is the Group's policy to post and receive only GBP cash collateral. The Group assesses derivative fair values and associated margin collateral requirements on a daily basis. As at 31 December 2025, the Group has provided collateral of £10,190k (2024: £2,110k) and received collateral of £nil (2024: nil) against its derivatives portfolio.

The Group also maintains collateral positioned with the Bank of England under the Sterling Monetary Framework ('SMF') which is used to draw funding through the ILTR and the TFSME facility provided under the SMF. As at 31 December 2025, Debt Securities with a notional value of £12,500k were pledged to collateralise its Sale and Repurchase Agreements through ILTR (2024: £28,700k to collateralise its TFSME).

31.3. Market Risk

Market risk is defined as the risk that the value of the Group's assets, liabilities, income or costs may fluctuate as a result of changes in market prices, interest rates or foreign exchange ('FX') rates. The Group's primary Market Risk exposure is to IRRBB. The Group does not operate a trading book and carries a minimal exposure to FX risk in the form of the settlement of foreign currency invoices. The Board has deemed that the Group's exposure to FX risk is immaterial.

IRRBB is the current or prospective risk to the Group's capital and earnings, arising from adverse movements in interest rates affecting the Group's Banking Book positions. Where possible the Group seeks to match the interest rate structure of its assets and liabilities through applying natural hedges. Where natural hedging is not possible, the Group uses derivatives to mitigate the interest rate risk arising from its fixed rate assets and liabilities.

The Group measures its exposure to interest rate risk through analysis of the impact of parallel and non-parallel movements in the yield curve on the market value of the Group's assets and liabilities and on the Group's projected earnings.

The following table demonstrates the sensitivity to a reasonable possible change in interest rates (all other variables being held constant) on the Group's equity:

	Net Present Value sensitivity	
Interest Rate Risk Sensitivities Parallel shift in yield curve	**2025 £'000**	2024 £'000
+ 200bps	(636)	46
- 200bps	935	200

Notes to the Financial Statements

32. Financial Instruments held at Fair Value

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: Fair value determined using quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: Fair value determined using other techniques for which inputs which have significant effect on the recorded fair value are observable, either directly or indirectly; or

Level 3: Fair value determined using techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

The below table provides an analysis of financial assets and liabilities held on the Statement of Financial Position at fair value, categorised into levels 1 to 3 based on the degree to which the fair value is observable:

As at 31 December 2025	**Level 1 £'000**	**Level 2 £'000**	**Level 3 £'000**	**Total £'000**
Financial assets				
Debt securities	**253,688**	**-**	**-**	**253,688**
Derivative financial instruments	**-**	**6,383**	**-**	**6,383**
Equity shares	**-**	**3,512**	**155**	**3,667**
	253,688	**9,895**	**155**	**263,738**
Financial liabilities				
Derivative financial instruments	**-**	**(4,988)**	**(1,132)**	**(6,120)**
As at 31 December 2024				
Financial assets				
Debt securities	156,481	-	-	156,481
Derivative financial instruments	-	11,304	-	11,304
Equity shares	-	3,313	220	3,533
	156,481	14,617	220	171,318
Financial liabilities				
Derivative financial instruments	-	(2,503)	(1,151)	(3,654)

During the year, there was no transfer between fair value hierarchies (2024: Nil)

33. Related Party and Controlling Party

On 24 January 2022, a majority shareholding in the Group was acquired by PSC Nominee 4 Limited. Prior to this, a majority shareholding in the Group was held by PSC Plane (Guernsey) LP Incorporated. Both PSC Nominee 4 Limited and PSC Plane (Guernsey) LP Incorporated are incorporated in Guernsey and are investment vehicles of Pollen Street Capital Limited.

The largest company in which the results of the Group are consolidated is Tandem Money Limited. No other Financial Statements include the results of the Group.

Transactions with Wholly Owned Subsidiaries

Transactions with the Company's wholly owned subsidiaries are disclosed in the notes to which they relate.

Transactions with Related Parties

During the year, the Group rented premises from Clear Property (NW) Limited. Costs relating to the year were recognised in the Income Statement within Administrative Expenses and totalled £99k (2024: £51k). All amounts due were settled in cash during the year. As at 31 December 2025, there were no outstanding balances payable (2024: £nil). Clear Property (NW) Limited was a related party due to being controlled by a former Director and member of Key Management Personnel.

33. Related Party and Controlling Party (continued)

Transactions with Related Parties (continued)

During the year, the Group rented premises from the Mollart Family Pension Scheme. Costs relating to the year were recognised in the Income Statement within Administrative Expenses and totalled £25k (2024: £63k). All amounts due were settled in cash during the year. As at 31 December 2024, there were no outstanding balances payable (2024: £nil). The Mollart Family Pension Scheme was a related party due to a former Director and member of Key Management Personnel being a member of the scheme.

Transactions with Key Management Personnel

Key Management Personnel are defined as members of the Executive Committee, including Directors for whom amounts have been separately disclosed in Notes 8 and 9.

	2025	2024
Key Management Personnel	**£'000**	£'000
Salaries and other short-term benefits	**3,707**	4,312
Post-employment benefits	**83**	93
Share-based payments	**60**	321
	3,850	4,726

There was no investments in the Company made by Key Management Personnel during the year (2024: nil). Included in Customer Accounts as at 31 December 2025 is a balance of £61k deposited by members of Key Management Personnel and their close family members (2024: £552k).

34. Events Subsequent to the Reporting Date

Subsequent to the balance sheet date, the Company issued 32,316,055 ordinary B shares (£0.002 authorised, fully paid up and in issue) to its immediate parent company, PSC Nominee 4 Limited, at £0.1317 per share for total amount of £4,256,180.87 on 19 February 2026.

35. Capital Management

The Group manages its capital in accordance with the Basel III capital framework as set out by the Capital Requirements Directive ('CRD IV') and Capital Requirements Regulation ('CRR'), as amended by CRD V and CRR II. These standards were retained in the UK regulatory framework via a series of onshoring instruments as part of the UK's withdrawal from the European Union, and the remaining provisions of CRR II were implemented in full in the UK from 1 January 2022. The requirements are implemented in the UK by the PRA, and enhanced with additional regulation, where deemed necessary, within the PRA Rulebook.

At all times through the year the Group maintained capital in excess of its minimum regulatory capital requirements. The Group's regulatory capital position as at the year end was as follows:

	2025	2024
	£'000	£'000
Common Equity Tier 1 Capital ('CET1')		
Ordinary share capital	**426,130**	426,031
Other Reserves	**10,191**	11,032
Retained Reserves	**(172,368)**	(163,256)
Less deductions from CET1		
Prudent Valuation Adjustment	**(259)**	(188)
Intangible Assets	**(78,567)**	(88,897)
Deferred Tax	**(16,903)**	(19,148)
Common Equity Tier 1 Capital	**168,224**	165,574
Tier 2 Capital		
Subordinated Liabilities	**20,000**	20,000
General Provisions	**7,931**	6,769
	27,931	26,769
Total Regulatory Capital	**196,155**	192,343

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