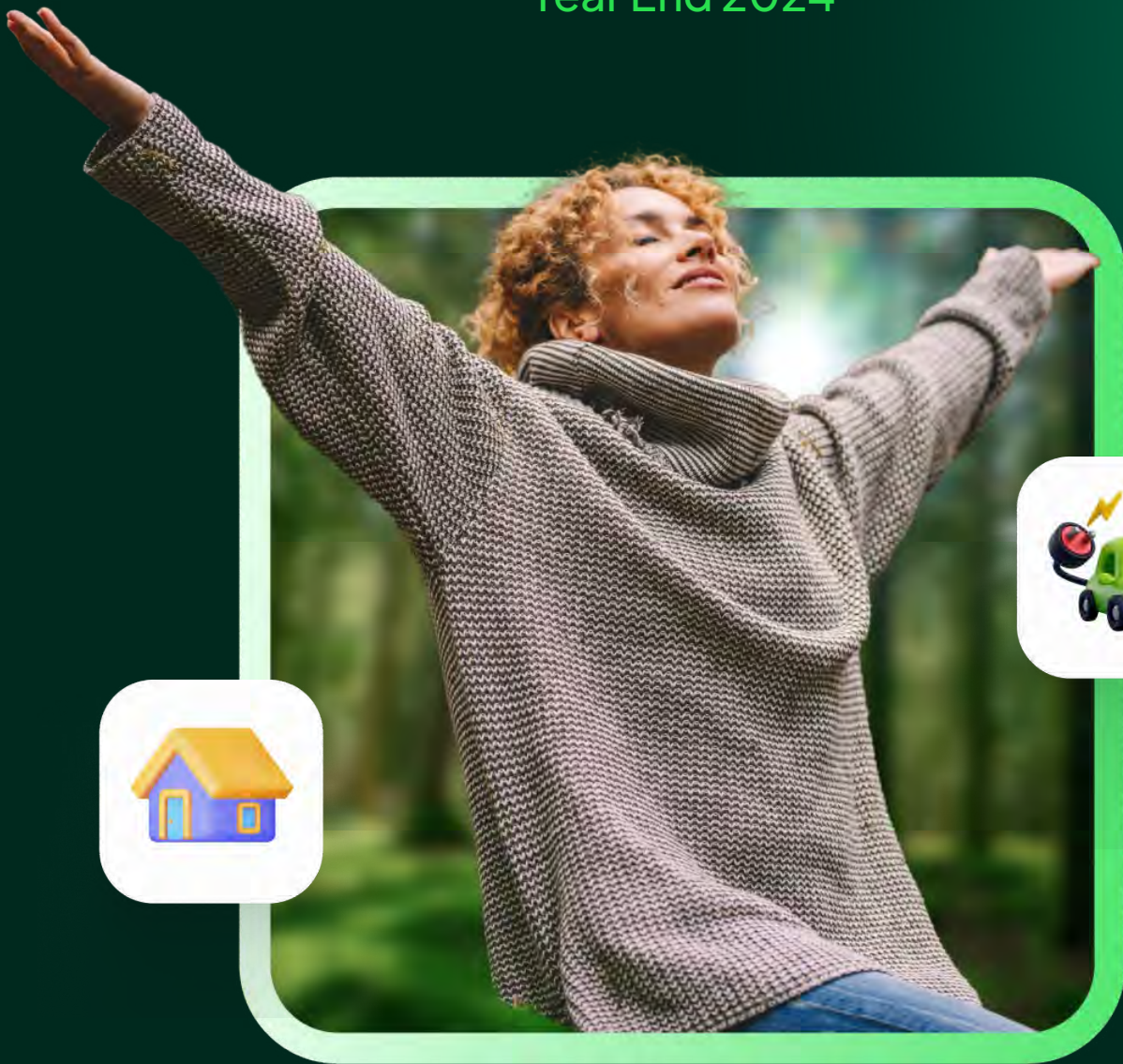


tandem

Annual Report and Accounts

Year End 2024



tandem.co.uk

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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 2024.

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) and the PRA. See Note 16 for a list of subsidiaries. The registered office for each entity is Viscount Court, Sir Frank Whittle Way, Blackpool, 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.



Chair Statement



Paul Pester

Chair and Independent
Non-Executive Director

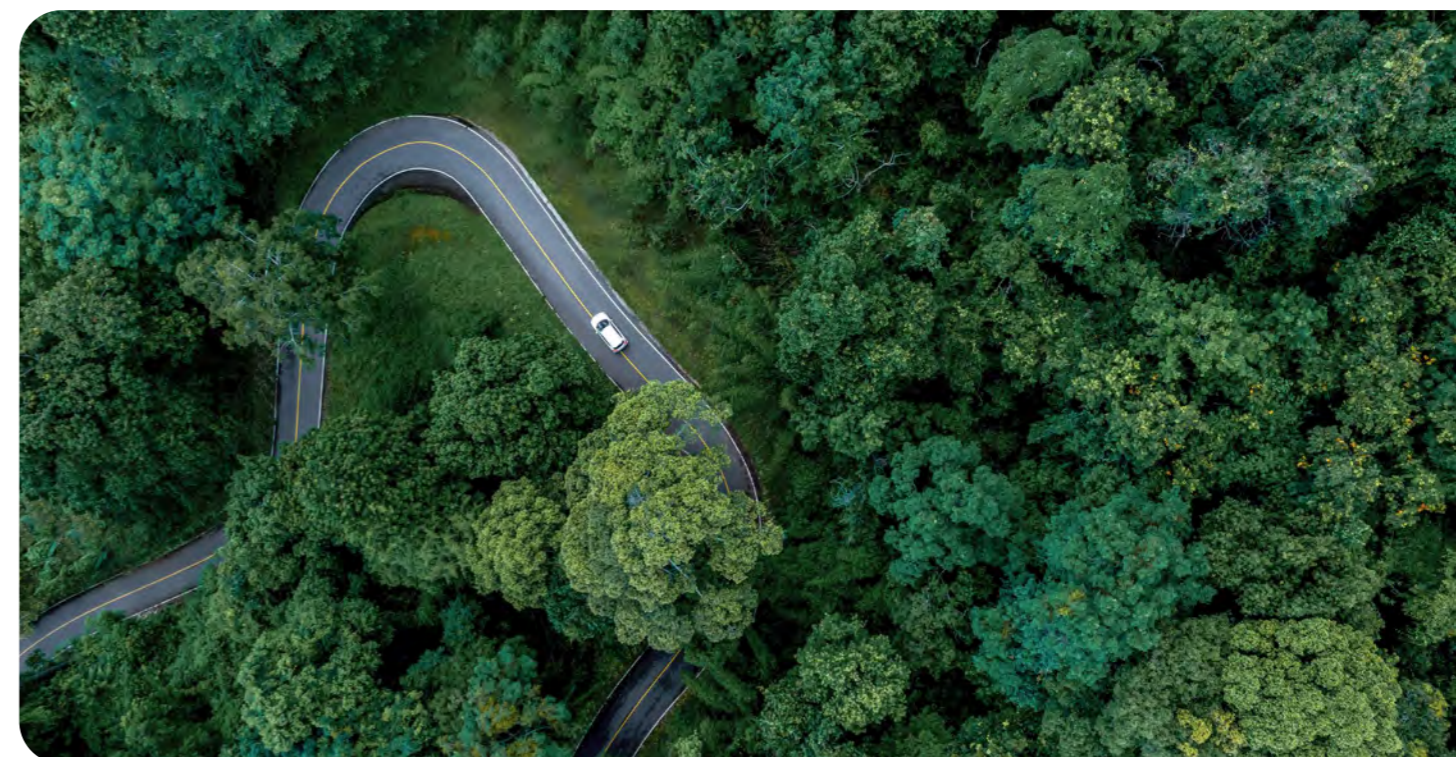
Building the UK's greener digital bank

Driving growth, innovation, and financial wellbeing

I am pleased to present our annual report for 2024, a year that has been pivotal in our journey, during which we have continued to help consumers transition to a greener lifestyle through our green and “pathway to green” lending - while saving them money along the way. It's this dual purpose that sets us apart from so many other businesses operating in the low carbon economy, who seem to want to justify additional costs or premium prices to consumers seeking to reduce their carbon footprint.

A year of resilience and customer-centric focus

The past year has been marked by challenges, from inflationary pressures to regulatory changes and Consumer Duty, yet our commitment to our customers and stakeholders has remained unwavering. Despite the evolving macroeconomic landscape, we have continued to strengthen our position, delivering greener financial solutions that empower our customers and drive sustainable living.



Strong financial performance

Our financial results for 2024 reflect our disciplined approach to growth with a third consecutive year of underlying profitability. We have achieved robust revenue growth, maintained a prudent risk management framework and improved our cost-efficiency ratios. Our capital position remains strong, enabling us to support our customers and invest in future opportunities with confidence.

Sustainability and responsibility

Sustainability is a key pillar of our strategy. We are proud of the progress made in integrating environmental, social and governance (ESG) principles into our operations. New features have been added to our Green Hub during the year and we continue to align our products and services with sustainable finance principles, ensuring that we contribute to a more responsible financial ecosystem.

Looking ahead

Our strategy is working. We are driving towards a sustainable future and 2025 is the next phase in our journey.

We remain focused on driving growth via simplification and delivery, expanding our reach, developing new products, and delivering value to all stakeholders. We are confident that our strategic direction will enable us to achieve sustainable growth and continued success.

With these successes, strong underlying business indicators and robust management of risk, the Board and I remain excited about Tandem's continued growth potential.

I would like to thank our CEO, Alex Mollart, the Executive Leaders and all at Tandem for their hard work and dedication throughout the year.

CEO Statement

Alex Mollart
CEO



Banking for a greener future

2024 marks another successful year for Tandem, delivering on our mission to help consumers transition to a lower carbon lifestyle.

We set out three years ago to build the UK's greener digital bank, integrating three businesses into one and pivoting to support the UK's transition to net zero. The result is a growing business with a strong balance sheet, with increased profitability and assets under management.

Building the UK's greener, digital bank

Following our integrations, innovation remains at the heart of Tandem. Our platform continually improves – offering new, exciting propositions to customers, as well as back-end improvements and efficiencies across the tech-stack.

Our regular roll-out of new features has this year included a wholesale update of Tandem's mobile app, including new functionality and design, the deployment of advanced analytics and improvements to our digital banking experience, as well as the re-launch of the Tandem Green Hub.

Profitability and financial resilience and responsibility

Despite wider market economic headwinds, Tandem has delivered a strong performance for the period, with improvements across many of our key performance indicators.

Regulatory and legal uncertainty has emerged in 2024 following the Court of Appeal Judgement on motor finance commissions on 25 October 2024. Given the level of uncertainty around how the FCA and Supreme Court will ultimately conclude on the issues

raised, and Tandem's limited exposure to cases similar to those considered in the Judgement, the Bank has made no provision for potential redress or other costs.

For the third consecutive year, Tandem is profitable – delivering £24.1m of underlying profit for 2024, a 40% increase on 2023. Please see page 13 for a reconciliation of statutory and underlying profit.

Key performance metrics:

- Revenue growth of 9.3% to £98.7m including the gain on sale on our inaugural Fylde securitisation
- Disciplined approach to cost management and efficiency, delivering a 5% reduction to cost-to-income ratio
- Underlying profit increased from £17.2m (FY23) to £24.1m (FY24)
- Strengthening of our capital position, achieving a Common Equity Tier 1 (CET1) ratio of 17.4%, exceeding regulatory requirements and providing a solid foundation for future growth.

Impact and sustainability is at the heart of Tandem

With clarity of our mission, we take our responsibility to society and the environment seriously. This year, we launched our ESG strategy, aligned with our commitment to achieving net zero emissions by 2050.

This saw a new partnership with Climate Impact Partners which enabled Tandem to offset its operational emissions (all emissions with the exception of Scope 3 Category 15 Invested Emissions).

Our investment into the Green Hub and its tools and expertise – such as the expanded partnerships with Cogo and Project Solar

– continue to educate consumers, whether a Tandem customer or not, to understand their own impact and empower them to reduce their carbon impact.

Tandem also proudly signed a two year corporate sponsorship deal with Foundation92 to further promote financial education to young people across our North West base, supporting social mobility in underserved communities.

Looking ahead

As we enter 2025, we see strategic advantage in our status as a fintech with a full banking licence, strong consumer lending heritage, and focus on the fast growing green finance segment.

Our priorities include:

- Continuing to invest in technology and cybersecurity to provide a secure and world-class banking experience for all
- Expanding our market presence in our traditional markets, as well as adding new strategic green partnerships and innovative offerings via Tandem's Green Hub
- Our green journey remains a key focus, having financed 21% Green loans by value, and 17% Pathway to Green loans in 2024
- Enhancing our ESG credentials and deepening our community impact.

I am deeply grateful to our talented team for their dedication and to our customers for their trust in us. I would also like to thank shareholders for their support.

Together, we are building a Bank that supports the future of our planet; one which empowers the transition to a lower carbon lifestyle and helps save money along the way.

Financial Review 2024

I am pleased to report that Tandem’s underlying profit has increased significantly and we have achieved this whilst making progress towards our broader business goals. 2024 has been marked by continued income growth whilst simplifying the Bank’s processes. Performance has been strong across all key metrics and in particular the improvement in cost to income ratio as the Bank continues to grow and deliver operational efficiencies.



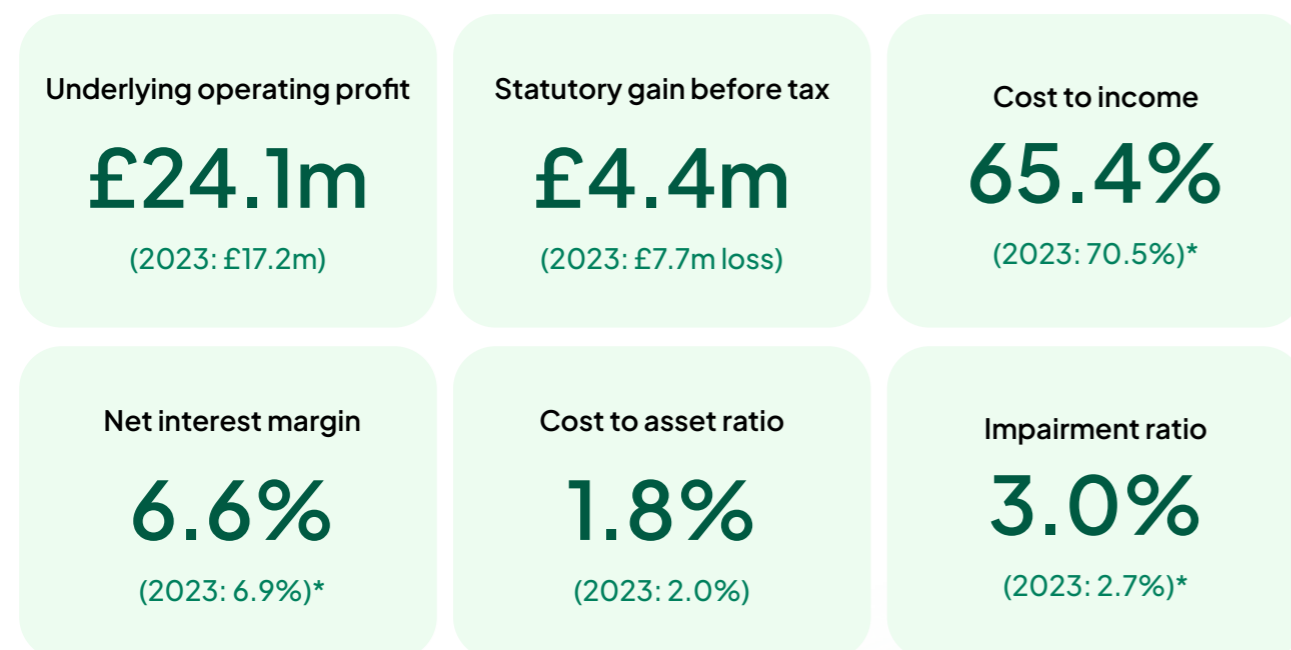
Matthew Dobson
Chief Financial Officer

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, Growth and Balance Sheet Strength, are set out below:

Profitability



*prior year metrics restated due to re-classification of impairment of interest income from income into impairments - see note 2 of the accounts for further details

The Group’s underlying operating profit for the year of £24.1m (2023: £17.2m) represents an increase of 40% on the previous year supported by strong revenue growth, the successful completion of our inaugural Fylde second charge loan securitisation and balance sheet efficiency.

Importantly, the Group has also reported its first statutory profit before tax of £4.4m, an improvement of £12.1m compared to 2023, generating additional capital to support our future growth plans.

The cost to income ratio (operating expenses divided by total income including securitisation gain) reduced by 5.1 percentage points year on year with overall growth in income from balance sheet efficiencies and securitisation income higher than cost increases as the Group continues to build and develop its banking franchise and capabilities.

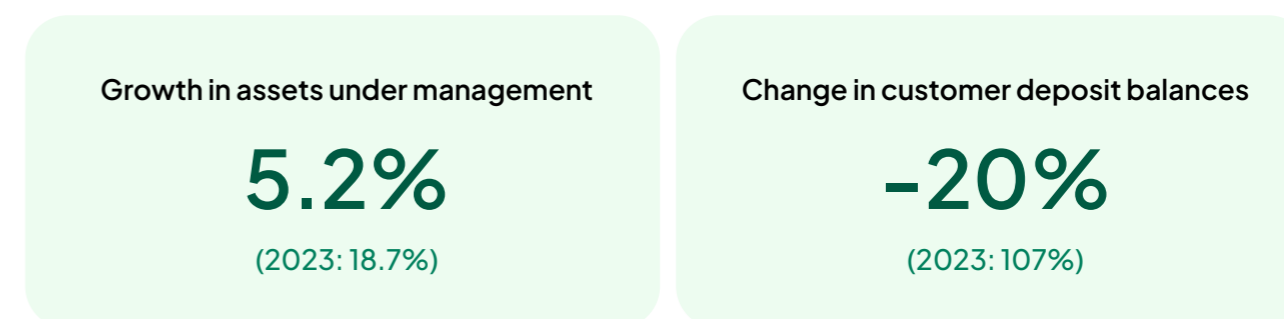
Net interest margin (net interest income divided by average loans and advances to

customers) decreased by 30 basis points over the year due to the impact of the Group’s first Fylde securitisation transaction which reduced interest income but contributed significant fee income to the 2024 results.

The cost to assets ratio (calculated as operating expenses divided by average total assets) improved by 20 basis points year on year as a result of cost discipline that resulted in a broadly flat cost position despite a growing balance sheet.

The impairment ratio (provision for bad and doubtful debts divided by average gross loans and advances to customers) increased by 30 basis points compared to the previous year due to a change in mix as a significant portion of up to date loan assets were securitised in October 2024. The Bank has reviewed the impact of the 25 October 2024 Court of Appeal Judgement on motor finance commissions and has determined that no provision is required. Further information on this is provided in Note 12.

Growth



Assets under management increased by 5.2% year on year due to growth in our motor finance and second charge divisions. The on balance sheet position reduced due to the inaugural Fylde securitisation transaction, which was structured to obtain accounting derecognition of the underlying assets. The transaction was well received by the market and Management expect it to be a key feature of the Bank’s balance sheet and capital management strategy going forwards.

Customer deposits are down year on year by 20% after significant growth in 2023 followed the targeted expansion of our instant access savings accounts offering. During 2024 funding balances were managed in line with balance sheet requirements with a focus on NII margin/profitability.

Balance Sheet Strength



Common Equity Tier 1 capital ratio (CET1) increased year on year from 16.1% to 17.4% driven by increased capital resources and the reduction in risk weighted assets (RWAs) from the Fylde securitisation offsetting underlying lending growth in the year. Capital resources increased by £16.9m to £192.3m in total driven by underlying profits which helped increase the Total Capital Ratio to 20.2% (2023: 18.8%).

The Liquidity Coverage Ratio (LCR) is the key regulatory measure of our liquidity strength. The Group ended the year with a ratio of 498% (2023: 633%) which is significantly higher than the regulatory minimum of 100%. The reduction year on year results principally from lower deposit balances with funding costs managed with a focus on NII margin during 2024.

The Loans to Deposits ratio stood at 42% (2023: 38%). As a predominantly retail funded bank, the aim is to cover loan assets fully with deposits. This target was exceeded by a significant margin at the end of the year.

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 differences between the two are as follows:

- Underlying net interest income excludes tier 2 interest of £2.7m (2023: £1.7m), and EIR update of £0.2m (2023: nil).
- Underlying other income/expenses excludes swap fair value adjustments of -£1.6m (2023: £1.8m).

- Underlying operating expenses excludes amortisation of intangibles of £2.8m (2023: £1.8m), employee share scheme charge of £0.6m (2023: £1.4m), restructuring costs of £0.9m (2023: £1.5m - integration), and other one-off costs of £1.0m (2023: £1.6m) including compliance, legal and legacy costs.
- Underlying provisions for bad and doubtful debts excludes initial impact of motor voluntary terminations provisions of £0.9m (2023: nil). Net one-offs on credit impairments of nil are also excluded (2023: £2.8m).

	2024			2023*		
	Statutory £'000	Underlying £'000	Variance £'000	Statutory £'000	Underlying £'000	Variance £'000
Net interest income	85,520	88,378	2,858	89,455	91,193	1,738
Other income/ (expenses)	1,981	347	(1,634)	(1,838)	(12)	1,826
Total income	87,501	88,725	1,224	87,617	91,181	3,564
Operating expenses	(64,556)	(59,191)	5,365	(63,713)	(57,425)	6,288
Provision for bad and doubtful debts	(17,525)	(16,646)	879	(22,100)	(19,300)	2,800
Gain on sale of financial assets	11,194	11,194	-	2,716	2,716	-
Underlying profit before other charges	16,614	24,082	7,468	4,520	17,172	12,652
Goodwill and intangible asset amortisation	(12,167)	(12,167)	-	(12,198)	(12,198)	-
Statutory/ Underlying Adjusting items	-	(7,468)	(7,468)	-	(12,652)	(12,652)
Statutory gain / (loss) before tax	4,447	4,447	-	(7,678)	(7,678)	-

*prior year metrics restated due to re-classification of impairment of interest income from income into impairments - see note 2 of the accounts for further details

The principal movements in the Income Statement year on year were as follows:

Net interest income

Net Interest Income (NII) reduced from £89.5m to £85.5m over the year due to the securitisation of £268m second charge mortgages. The securitisation contributed significant fee income to the 2024 results and future transactions are expected to form a key part of the Bank's balance sheet and capital management strategy going forwards.

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

- £246m of Second Charge Mortgages were originated (2023: £293m) taking the book to £509m (2023: £682m).
- Motor Finance originations in 2024 totalled £160m (2023: £114m) taking the book size to £224m (2023: £116m).
- The Home Improvement Lending unit (HIL) originated £114m in 2024 (2023: £168m) with the book broadly flat at £337m (2023: £338m).
- Tandem originated £18m of new First Charge Mortgages in 2024 (2023: £29m), with the book now standing at £156m (2023: £214m).

Deposits reduced over the year to £2.9bn (2023: £3.6bn) as funding balances were managed in line with balance sheet requirements and with a focus on NII margin/profitability. Excess deposits have been placed in the Bank of England Reserve Account, which totalled £1.5bn at year end (2023: £2.4bn).

Administrative expenses

Tandem has continued to invest in improving its digital, data and technology platforms, and in hiring and developing our people. This investment, along with the costs of managing a larger balance sheet and continuing high levels of inflation, was offset by prudent cost management and therefore administrative expenses remained broadly in line with prior year at £62.3m (2023: £61.4m). With income (including securitisation income) rising, this has enabled the Group to operate more efficiently, reducing the cost to income ratio from 70.5% in 2023 to 65.4% in 2024.

Provision for bad and doubtful debts

Credit quality held up well in 2024 despite the prevalence of some economic measures that may adversely impact affordability such as interest rates and inflation. 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 £40.9m has been set aside on the balance sheet for bad and doubtful debts, up from £36.7m in the prior year. This has resulted in a charge through the Income Statement of £17.5m (2023: £22.1m). This reflects growth in the motor finance book, and slightly higher arrears.

Goodwill and intangible asset amortisation

This includes the amortisation of goodwill and intangible assets totalling £12.2m (2023: £12.2m).

Taxation

A £1.4m tax charge was recorded in 2024 (2023: £4.8m credit) as the Group recorded its first statutory profit before tax of £4.4m.



Business Reviews

Throughout 2024, Tandem has continued to develop and establish an integrated consumer lending platform enabling customers to make positive financial choices for their home and everyday living.

Consumer Duty principles are firmly embedded in our customer journeys and products, and we continue to drive improvements to our customer experience and outcomes.



Second Charge Mortgages



Introduction

2024 saw demand for second charge products at the highest level since 2009. Tandem's second charge mortgage proposition offers a range of residential second charge mortgages for various purposes, including home improvements, debt consolidation and high-value consumer purchases.

Tandem is well established as a key lender and leader in the specialist second charge sector, with a market share of approximately 15%



Customer

Tandem has more than 25,000 active second charge customers under management. Borrowers can access the product range through Tandem's extensive network of more than 50 specialist intermediaries.

The team continues to work closely with distribution partners to help evolve and adapt the offering. This close collaboration ensures that Tandem remains relevant and competitive.

Tandem has proactively responded to challenging market conditions by deploying strategies to ensure that we continue to lend responsibly, offer sustainable loan repayments, and protect customers against future changes in circumstances.



Outlook

The sector is set to benefit from increased demand during 2025, as borrowers who have locked in a lower interest rate on first charge mortgages look to access capital on a second charge basis, rather than remortgaging. Product awareness is also enhanced through the entry of several new lenders to market.

2025 will see Tandem focus on maintaining market share by deploying several key strategies, including product range expansion and launching a market-leading loan processing platform called Connect.

Motor Finance



Introduction

2024 saw impressive growth in motor finance originations combined with attractive returns as the business continued to expand its footprint across the UK and refined and enhanced its proposition.

Key initiatives include the implementation of a replacement decision engine driving improved efficiencies, enhancements to credit risk policy to improve efficiencies and optimise risk appetite and returns, further integration with tech platforms and expansion of the field-based sales team to increase our footprint across the used car dealer community.



Customer

The active customer base has doubled in 2024 with new book lending now constituting over 95% of the live base, and the well-established servicing capabilities continue to deliver services typically associated with much larger competitors.

Used electric vehicles continue to grow in popularity, however they remain a small proportion of the used car market. The number of vehicles financed meeting the Government Clean Air Zone criteria increased from 70% to over 80%, and the average CO₂ emissions continued to reduce to 127 grams per km compared to the UK average of 132, demonstrating a positive shift in the environmental impact of vehicles we finance in line with our 'pathway to green' roadmap.



Outlook

Tandem's strategic growth plans include growing our presence in used electric and low emission vehicles, while continuing to offer value for money to all customers. The market is primed to enable this objective with new electric vehicle registrations expected to proportionally increase from 22% in 2024 to 31% in 2025, and the share of the car parc to increase from 4% to 7%.

To continue to support the UK's transition to a lower carbon lifestyle, we will grow our motor finance business. Continuing to focus on core markets and areas of maximum opportunity, we will navigate the ever-evolving fintech landscape.

Home Improvement Lending



Introduction

2024 was another impactful year for the HIL business, with total income growing year-on-year. Our unique, market specific, in-house originations system has enabled us to launch innovative new lending products. We continue to deliver on Tandem's green mission by enabling customers to finance products such as solar panels, battery storage, energy efficient heating systems and energy efficient glazing.



Customer

Circa 95% of the Bank's HIL book has funded greener products installed into customers' homes. This market is driven by increased publicity and customer awareness of the need to reduce emissions and how individual households can contribute and be more energy efficient. Tandem has so far provided in excess of £700m of funding to more than 160,000 customers as part of this mission.



Outlook

In a growing market sector, the experienced and credible HIL team is well positioned to continue profitable growth. Strong technical capabilities mean distribution and origination volumes can be increased with minimal impact on the cost base. With some tactical new product developments, expanding existing relationships, and developing new relationships and distribution, we will continue to be at the forefront of consumer finance's impact on greener finance.



First Charge Mortgages



Introduction

Tandem's first charge mortgage proposition offers a range of products for the purpose of purchasing or remortgaging a residential property. The range is designed to compete in the specialist residential market and can be accessed through an extensive distribution network.



Customer

Customers continue to access Tandem's product range through over 3,000 members of the UK's leading networks, packagers, and clubs.

Tandem's proposition offers several unique selling points and customer-centric features, which appeal to applicants that mainstream lenders have traditionally under-served.



Outlook

The market outlook is positive for 2025. Easing interest rate and cost pressures feeding into improved affordability are expected to drive forecasted growth of circa 10%.

In 2025, Tandem will continue its strategy of maintaining market presence.

Savings



Introduction

After two years of significant growth, 2024 has been a year of consolidation for Tandem's savings proposition. With a focus on efficiency, our savings book has reduced in size to more closely align to our lending book, though customer numbers have continued to grow with over 155,000 customers choosing to save with Tandem.



Customer

The Top Up feature on our Instant Access Savings Account product has proved hugely popular since its launch at the start of 2023. It has given us a way to encourage customers to engage with the app to ensure they are actively managing their savings.

To ensure our customers are benefitting from the best rates available to them, we now automatically apply the Top Up at account opening with a twelve month term, which gives us the opportunity to prompt our customers to review their savings annually.

We have been paying close attention to our customer feedback and have delivered three notable enhancements: joining the Confirmation of Payee scheme to provide additional confidence when making payments, a new API integration to considerably reduce the processing time of our payments, and push notifications to improve our customer messaging capability.



Outlook

During the second half of 2024 we have been focused on essential prerequisite work to set us up for exciting product developments in 2025 including the planned introduction of an ISA product. Expect multiple new products in 2025 alongside further enhancements to our existing range.

Digital, Data and Technology

The Digital, Data and Technology teams have maintained strong momentum throughout 2024, delivering substantial improvements across our technology stack while strengthening our security posture and operational efficiency.

Savings platform and app enhancement

Our savings platform has undergone significant transformation with comprehensive investments in application security and resilience. We completed application platform redesign with an emphasis on fast delivery cycles and future extensibility.

Within our originations business, we continued to invest in our platform while improving operational efficiencies through the removal of costly dependencies. The motor finance division saw continued investment and growth, while our new mortgage platform rollout has generated excitement and anticipation from both brokers and customers.

Data platform modernisation and integration

We invested significantly in our data platform through a redesign of key platform principles, focusing on availability, efficiency, and scalability. A new customer data platform was created to enable enhanced marketing capabilities.

System consolidation and risk management

The transformation of our technology landscape continued with the consolidation of our lending platforms as well as our telephony and CRM systems. We maintained our commitment to risk management through continued investment in transaction monitoring and fraud systems. In the cybersecurity space, we increased our emphasis on protecting the Bank and successfully embedded information security into the fabric of our operations.

Customer database

We have launched Tandem's first marketing database to allow segmentation of our audiences. In 2025, new tools will be implemented to help map journeys, setup alerts and triggers for incomplete applications.

Tandem app

Several new features were added into the app, such as a push notification capability. Confirmation of Payee scheme now helps protect customers from fraud and meet our regulatory requirements.

The App and Design team has also delivered multi-factor authentication, a credit score tool and the latest iteration of Green Hub which can now be accessed by all who register and is no

longer just limited to banking customers. The app also contains new tools to help users make greener car choices.

Looking to 2025

Our focus will now turn to rolling out new features in our Green Hub and introducing new products on the savings app whilst being data led thanks to our platform investments.

The lending divisions will see continued investment in both our motor and mortgages platforms. Within our data strategy, we will progress with increased levels of data maturity and scalability. Our cybersecurity programme will further enhance our security posture, ensuring we maintain robust protection for our customers and operations.



People and Engagement

People overview

Building on the foundations laid in previous years, Tandem's 'One Bank' approach has aligned its people and activities, as well as enhanced processes throughout the Bank and business divisions.

Investing in our people

In 2024, we significantly enhanced our investment in learning and development, with a particular emphasis on Women in Leadership. We launched a dedicated Women in Leadership week, which highlighted the achievements of female leaders within our Bank and featured an external panel in celebration of International Women's Day.

Our apprenticeship programme has grown by 60%, providing colleagues with opportunities to acquire new skills, gain professional recognition, and prepare for career advancement.

Engagement and culture

For 2024, people culture was strengthened with the introduction of Inclusivity and Diversity campaigns, such as celebrating Menopause Awareness, Pride and Black History Month which showcased the importance of having an inclusive culture.

In March 2024, Tandem's People Council was launched with representatives from across the Group joining together to form the voice of Tandem's employees. Further developing our culture, the People Council has undertaken key projects aligning to our ESG strategy and social impact.

Reflecting our progress, we achieved recognition of our One Bank culture in The Sunday Times Best Places to Work 2024 within the Top 100 big category.



Environmental, Social and Governance

Our Progress in 2024

ESG Strategy

We have created 4 strategic pillars which collectively cover all of the sustainability issues that we encounter in our business. These pillars are used to guide and inspire us to integrate sustainability across the business.



Together we are Tandem

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

Greening our company



Together we will leave the planet in better shape

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

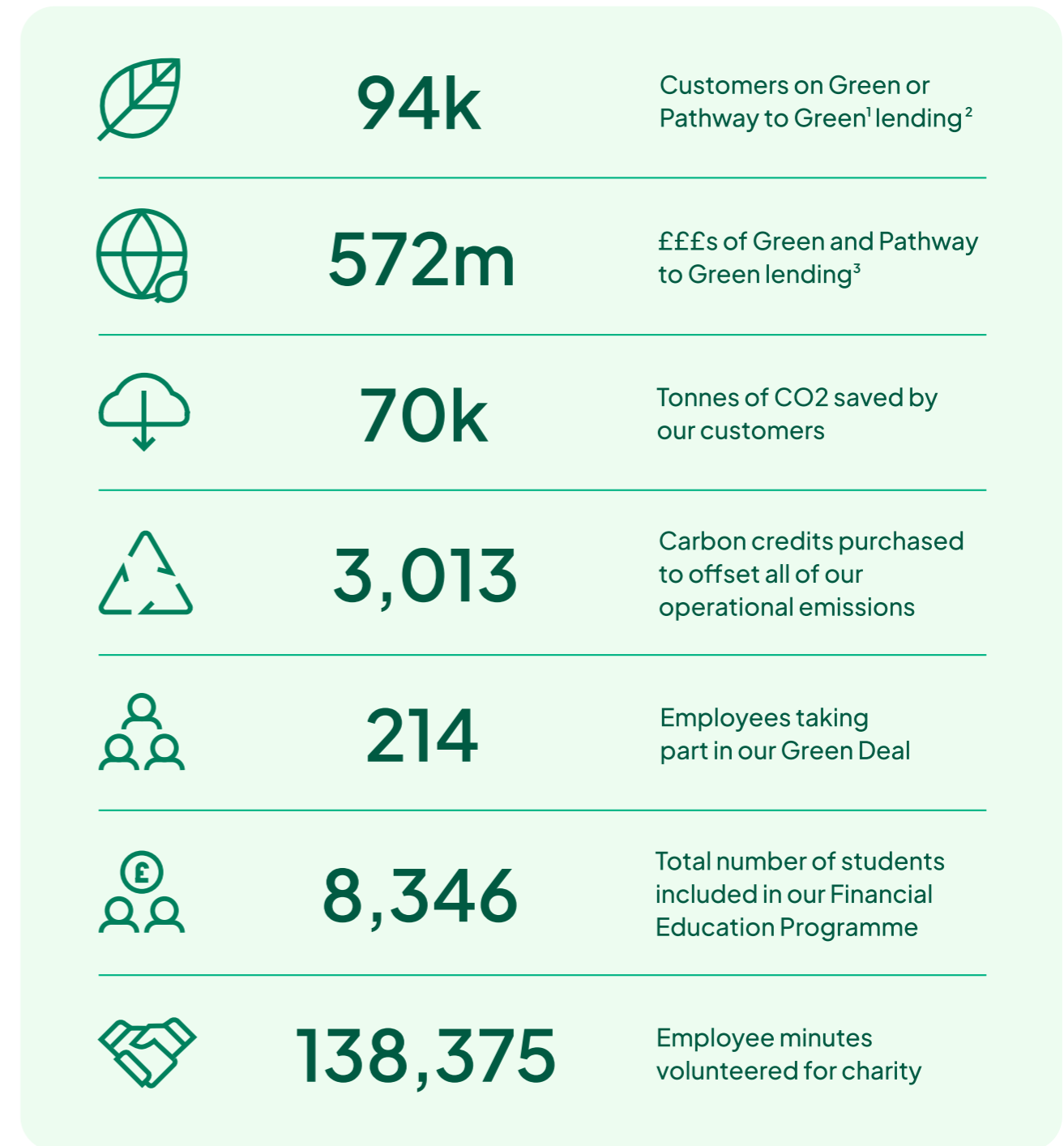


Together we do things the right way

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.

In the following section we highlight the progress we have made on each strategic sustainability pillar, take a brief look ahead to our 2025 ESG agenda and provide our Climate-related Financial Disclosure (CFD).

2024 in figures:



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 2024
 3. On the balance sheet at end of 2024

Impactful Products

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

Our biggest opportunity to make an impact on climate change is to provide loans that help our customers to transition to a lower carbon economy by decarbonising their homes and cars.

Green Product Criteria

In order for us to build and maintain trust in our impactful Green products we created our Green Product Criteria that benchmarks

our products against the EU Taxonomy, a classification system for sustainable activities.

Additionally, we have further defined our products that outperform the national average, whilst at the same time making a material contribution to sustainability, without necessarily meeting the EU Taxonomy. We believe it is important to bring our customers on our sustainability journey, hence we have called this our Pathway to Green.

The aim of the Green Product Criteria is to prevent greenwashing and to help customers and investors to make informed decisions.



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” that are more efficient than boiler being replaced
Mortgages	EPC A & B: First charge EPC A & B: Second charge	EPC C EPC C

	Green – EU Taxonomy		Pathway to Green – Tandem definition	
	Current % book (no. loans)	Current % book (value loans)	Current % book (no. loans)	Current % book (value loans)
Total lending	24	21	41	17

Greening our Company

Together we will leave the planet in better shape

Carbon neutral on our way to Net Zero

In 2024 we made our first purchase of carbon credits in order to offset all of our Scope 1, 2 and 3 operational emissions from 2023 thereby making us carbon neutral. We invested in a domestic solar panel project in East Africa that means each household reduces their need for kerosene lamps thereby reducing carbon emissions, indoor pollution and a dangerous fire hazard.

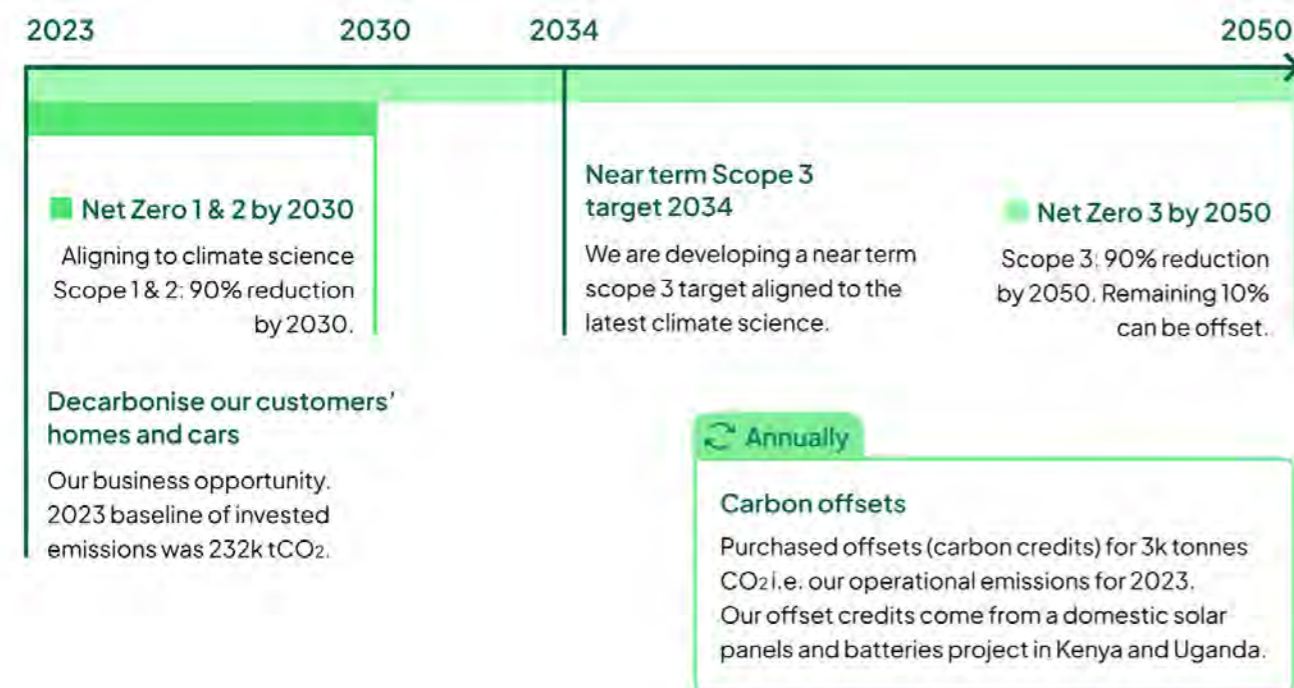
Our biggest climate change impact comes from the reduction in carbon emissions that

our customers make as a result of using our products to decarbonise their homes and cars – known as our ‘invested emissions’. In order to demonstrate our commitment to reduce our emissions, we have set a Net Zero target of 2030 for Scope 1 and 2 carbon emissions and a Net Zero target of 2050 for our (indirect) Scope 3 emissions.

Engaging our suppliers

We are working with our suppliers to improve our sustainability impact. For example, we have partnered with Trainhugger who, with the help of the Royal Forestry Society, planted a tree for every train journey we booked for our employees.

Our route to Net Zero



People who care

Together we care about our impact

Tandem has customers and employees across the UK but we are committed to maintaining our connection to our roots and our sense of community.

Charities we supported with donations or volunteering in 2024:

- The BoatHouse Youth
- The Felix Project
- Foundation92
- Maggies
- Trees for Life
- 4Louis
- Bute Park
- Leighton Hall
- The Salvation Army

With help from our corporate charity partner Trees for Life, we plant a tree for each new starter and also encourage our employees to join our Green Deal by planting a tree and opting for renewable electricity at home.

Tandem's Financial Education Programme

Tandem's Financial Education Programme has seen significant growth, gaining UK-wide reach with new partnerships with 'Future First' and 'The Talk'. Highlights include:

- Tandem's 'Train the Trainer' programme equips teachers and educators to deliver our financial education sessions in-house.
- The Tandem Hub now includes key financial tools and support.
- In partnership with Foundation92, we have reached specialist schools, pupil referral units and families facing acute financial hardship.

In 2024 our Financial Education Programme benefitted:

- 940 directly via our Tandem trainer
- 6,960 via our Train the Trainer programme
- 446 via Foundation92

Best Place to Work

Tandem earned a spot in in The Sunday Times Best Place to Work 2024, Top 100 Big Organisations category. This nationwide workplace survey monitors employee happiness within the workplace and celebrates the UK's best employers.

Effective Governance

Together we do things the right way

We continue to develop our governance and in 2024 we refreshed two important elements: how we run our ESG Committee and our ESG Policy. One noteworthy part of the refreshed policy is the reference to the changing regulatory environment including:

- ESG reporting: Mandatory requirement to report against the Taskforce for Climate Related Financial Disclosures (TCFD) and CFD frameworks;
- ESG Risk Management: PRA Climate Risk expectations in “SS3/19 – Enhancing banks’ and insurers’ approaches to managing the financial risks from climate change”;
- Anti Greenwashing: FCA Anti-Greenwashing Rule (May 2024).

Climate change risk

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

- 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, earlier this year a team was formed to review all of Tandem’s external communications and change any language that was at risk of being labelled as greenwashing;

- 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 CFD section.

Look ahead to 2025

In the year ahead we plan to:

- Increase our customer engagement on sustainability by working with partners and intermediaries on all products, and directly via Tandem’s Green Hub;
- Work with suppliers to reduce their emissions;
- Review the way we contribute to society and maximise our positive social impact;
- 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 second year of producing mandatory CFD (Climate-related Financial Disclosure) to direct our evaluation and handling of climate-related risks and opportunities.



Compliance statement

The Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022 (the Regulations) require certain publicly quoted companies and large private companies to incorporate climate disclosures in their annual reports. Tandem Money Limited (“Tandem” or “the Group”) is required to comply with this regulation as a UK Public Interest Entity (PIE). In 2024, Tandem has produced a CFD disclosure which is compliant with all eight CFD recommendations.

Governance

Tandem recognises the critical role that financial institutions play in driving the sustainable economic transition. Therefore, our Board oversees climate-related risks and opportunities, with our Chief Financial Officer ultimately accountable for climate risk. Environmental, Social and Governance matters and climate change were discussed at Board on five occasions in 2024, ensuring that Tandem’s strategy and purpose are aligned with ESG.

Governance Committees		Principal Risk Types
Board	Executive Committee	
Risk Committee	Executive Risk Committee	Climate Risk
Audit Committee	ESG Committee	
Remuneration Committee	Operations Committee	
Nomination Committee	IT Steering Committee	
Transaction Committee	Transformation Committee	
	Asset & Liability Committee	

Figure 1: How Tandem Governs ESG and Climate Risks.

In January 2024, the Board discussed and approved the Group's climate risk register. In June 2024, the combined ESG and CFD report was presented to the Board for discussion and approval. In October 2024, the Board received a capacity building briefing on climate change and, in November, the 2024 Climate Risk Register was approved.

The Board is supported by the ESG Committee, which was formed in 2022. The committee assists the Board in the management of climate-related risks and opportunities.

The ESG Committee provides regular updates to the Board on Tandem's management of climate-related risks and opportunities, such as new climate regulations, changes in the market and mitigation plans. In 2024, the ESG Committee met five times. The Head of ESG role advises on the development of the Group Sustainability Strategy and reports back to the ESG Committee regarding the execution of this strategy.

Tandem operates a 'three lines of defence' model for managing risk (more details of this can be found in the Risk Management section of this report). In 2024 the ESG Committee assumed responsibility for oversight of the first line of defence. The Executive Risk Committee supports the Board in overseeing risk management systems. In 2024, the ERC met eleven times. The third line of defence is the internal audit function. Climate-related risks and external climate reporting risks are raised with the Executive Committee, then raised with the Board Audit Committee before being presented to the Board.

In 2024, our third-party specialists continued to conduct climate risk modelling for Tandem and have provided training to various members of the Board, ESG Committee and Executive Risk Committee on climate change and TCFD throughout the year, including two climate risk workshops held on the 10th and 17th September.

These workshops aimed to enhance the understanding of TCFD recommendations and generate actionable insights. Participants gained a deeper grasp of scenario analysis and disclosure requirements. This knowledge, combined with the identification of key climate risks and the development of an adaptation strategy, enable more informed decision-making on climate risk management and reporting.

Currently, there is no direct link between the Board's remuneration and the delivery of the climate change performance against objectives.

Tandem has an ESG Policy and has developed and published the sustainability criteria for its green products, as well as establishing carbon emissions data collection and disclosure procedures for its operations and products. In 2025, we will be developing further training opportunities and increasing knowledge concerning climate-related governance. We plan to continue reviewing our climate-related risks and opportunities annually, monitoring the performance of our mitigation plans and reassessing each risk and opportunity and its impact accordingly.



Risk Management

Tandem recognises the significance of risk management in maintaining sustainable performance and fostering long-term value creation. The Board, holding ultimate responsibility for identifying, assessing and managing climate-related risks and opportunities, ensures alignment of risk-related decisions with the Bank’s overarching strategy. We utilise our established risk management methodology to assess the potential impacts of climate change, both positive and negative. This approach allows us to effectively incorporate climate change risk management into our broader risk management processes.

Risks are identified annually at a Group level and are subject to our five-step risk management framework. This approach is outlined below, underscoring our commitment to addressing the evolving risks associated with climate change and integrating them seamlessly into our risk management processes.

Step 1: Risk identification

As the initial phase of the Group’s climate risk management framework, in August 2024 Management employed climate scenario analysis to pinpoint potential climate-related risks and opportunities. This analysis serves as the foundation for providing the Board and Management with a clear understanding of the Bank’s risk exposure and is conducted annually.

Step 2: Risk analysis

Tandem conducted a Climate Risk Management Workshop with members of the ESG Committee in September 2024. This comprehensive assessment aimed to evaluate the potential short-, medium-, and long-term impacts of various climate-related risks on our operations. Utilising Tandem’s existing risk materiality framework, members of the ESG Committee, carefully considered each risk’s likelihood, potential magnitude, and financial and operational impact. This framework allowed us to prioritise the most significant risks and focus our mitigation and adaptation efforts accordingly. To evaluate which climate risk has the highest magnitude, we considered all risks within the CFD framework, and the risks that were scored significant or higher were deemed material to the Group. Further details on the risk rating methodology can be found in Table 2.

Assessing the likelihood and impact methodology of each risk directly aligns with the CFD recommendations and helps Tandem demonstrate our commitment to best practice in climate-related financial disclosure. Table 1 outlines the methodology used to assess the likelihood and impact of risks and explains the methodology behind the X and Y axes in Table 2.

Likelihood	Impact
<p>The likelihood assessment of a risk was based on the judgement of the risk owner and their knowledge of the business function. Also, it was based on events which have occurred or can potentially occur in the future.</p> <p>The Tandem Impact Matrix was introduced in April 2023 and is reviewed annually by the Director of Enterprise and Operational Risk.</p>	<p>The risk owner provides an assessment of the consequence/impact of the risk materialising, based on their knowledge of the business function. They also take into account events that have occurred or which have the potential to occur in the foreseeable future.</p> <p>It should be noted that consequence/impact is not solely based on financial value as other factors should be considered, such as impact on reputation.</p>
<p>Risks have been assessed to determine the impact and likelihood both at the inherent (risk exposure before control evaluated) and residual (risk exposure after the current control adequacy and effectiveness is considered) risk levels.</p> <p>Tandem’s three lines of defence approach to risk is described on page 86.</p>	

Table 1: Likelihood and Impact Methodology.

Our risk matrices and methodology are shown below. Management identifies the most important climate-related risks according to their likelihood and impact.

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				

Table 2: Tandem Risk Matrix

Tandem assesses the financial impact of climate-related risks using four categories: Major, Significant, Moderate, and Minor. A 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, necessitates close monitoring and potential adjustments to operations. 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

Reporting is provided and escalated, as appropriate, to support business activities. A climate risk register was developed and endorsed to evaluate and report all climate-related risks effectively. The climate risk register received approval from the ERC, Executive Committee and Board in November 2024.

Step 4: Risk treatment/controls

Tandem employs a three-line defence model for risk management and control. The first line of defence mandates that every business unit and function within the Bank is responsible for recognising, comprehending, and managing their risks while upholding efficient internal controls. The second line of defence sets up the necessary policies and tools to establish

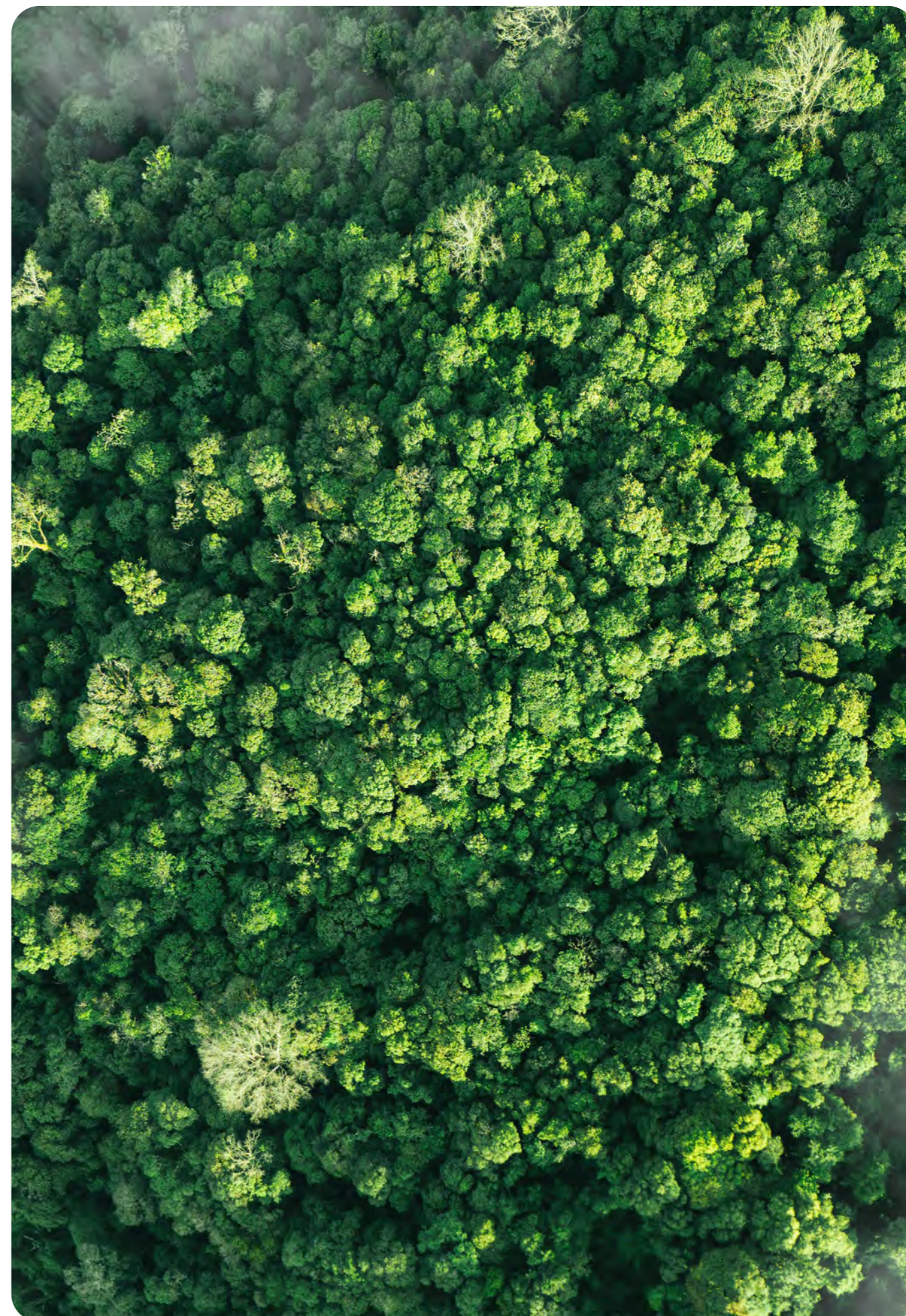
a framework for managing each principal risk, offering supervision and monitoring of the first line risks and controls. The Internal Audit function represents the third and final line of defence, tasked with independent assurance regarding the effectiveness of the first and second lines, and the internal control system.

Following this structured approach, mitigation strategies were assessed for their capacity to reduce the effects of climate change and controls were formulated and endorsed based on their effectiveness in integrating climate resilience into our current strategy and planning. For example, to manage the risk of greenwashing, a set of Green Product Criteria linked to the EU Taxonomy has been created, ensuring that the sustainability of our lending and savings products is directly comparable to the most widely used global benchmark.

The resilience of Tandem's business model and strategy for each climate-related scenario, ranging from below 2°C to above 3°C, across short, medium, and long-term timeframes, has been assessed. Overall, Tandem is well-prepared to address these climate scenarios, and will continue to enhance its monitoring and controls to manage the increased physical risks associated with a >3°C scenario.

Step 5: Monitoring

To facilitate the monitoring of risks and controls across business functions, Tandem 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 factored into our strategy, we undertook climate scenario modelling in August 2024. This provided a deeper understanding of the risks associated with climate change.

We modelled three possible global warming scenarios: below 2°C, between 2–3°C, and above 3°C, within three time frames: short term, medium term, and long term.

Time Horizons	
Short Term (2024–2028)	In this timeframe, we gain insights into imminent climate change implications, guiding decisions for enhanced resilience. We anticipate strict enforcement of transition risks as we move towards a low-carbon economy. This aligns with our short-term business cycle and plans during which we gain insights into imminent climate change implications, guiding decisions to enhance resilience.
Medium Term (2029–2038)	The effects of climate change are anticipated to become more noticeable, particularly in terms of reactive and inactive scenarios for physical risks. Transition risks will intensify in this period, requiring governmental responses to tackle evolving challenges. This time horizon is associated with rising costs associated with climate adaptation and mitigation measures, as well as potential disruptions to supply chains and operations. The medium-term timeframe aligns with Tandem’s 2030 targets.
Long Term (2039–2053)	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. This timeframe is consistent with the UK Government’s Net Zero pledge by 2050. This time frame aligns with the UK Government’s net zero pledge by 2050 and is consistent with Tandem’s own targets for 2050.

Table 3: Modelled possible global warming scenarios.

Please note that the scenarios and timeframes in the table above were used to identify and assess all our transition and physical risks, except flooding. The flood risk assessment was conducted using two distinct methodologies: one at the regional level and the other at the property level. These methodologies also differ because the scenarios used for each are different. Additionally, the flood risk assessment uses different timeframes than those outlined in the table above—2031–2035 for Second Charge and First Charge Legacy products and 2046–2050 for First Charge New Products. Full details of these assessments can be found in Table 6

We chose the three time frames to match the Bank’s revenue and products. Management assessed climate risk in relation to our different products to comprehensively understand the impact climate change could have on the Bank’s revenue and assets.

Time Horizons	Portfolio Area
Short Term (2024–2027)	<ul style="list-style-type: none"> Personal loan Car finance
Medium Term (2028–2037)	<ul style="list-style-type: none"> Home improvement loans Mortgages (2nd charge)
Long Term (2038–2052)	<ul style="list-style-type: none"> Mortgages (1st charge)

Table 4: Time Horizons relative to the portfolio area.

Global warming scenarios

- Below 2°C Scenario (Proactive):** In this scenario, global efforts to mitigate climate change are substantial. Governments, businesses, and the public unite their efforts to limit global warming to below 2°C, compared to pre-industrial levels. Many organisations align with the Net Zero carbon emissions target set by the Paris Agreement for 2050. Stringent laws and regulations are implemented by governments, to reduce greenhouse gas (GHG) emissions. Although transition risks are high in this scenario, this will limit the severity of the physical hazards of climate change in the long-term. In this scenario, Tandem recognises the importance of proactive alignment with net-zero goals. Tandem will also look at the development and promotion of green financial products.
- Between 2–3°C Scenario (Reactive):** Current global pledges will likely lead to a 2.7°C scenario. This scenario predicts a delayed response to climate change, leading to policies being introduced in an uncoordinated approach to reduce global emissions. Business continues as normal in the short term but the delayed response results in the high levels of transitional risks within the medium term and some physical risk. Only the most committed businesses will take serious action. Governments will rely heavily on technology to reduce the effects of climate change. Tandem will continue its stress testing and scenario analysis to assess the impact of sudden policy changes on its loan portfolio.
- Above 3°C Scenario (Inactive):** This is reached if limited climate action is taken. Global emissions continue to rise until

2040, leading to a global temperature rise above 3°C. The rise in temperatures and subsequent physical risks will eventually apply pressure on governments and organisations to act, leading to policies being introduced in the long term, accompanied by the highest levels of physical risk. Tandem will invest in granular climate risk data and analytics to assess the vulnerability of its loan portfolio to physical hazards, such as flooding, extreme heat, and sea-level rise

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 result in varying 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 TCFD recommends the use of Global Warming Scenarios that should be plausible and credible. Each scenario should focus on a different combination of key factors. The scenarios used in this year’s analysis are in alignment with the ISO 14091 standard (Adaptation to Climate Change). 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 relate 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 climate-related risk is assessed to determine its overall impact to Tandem using risk thresholds. The risk thresholds are reached when a certain change from the baseline period is experienced. Each threshold used signifies an increase in the level of risk and its potential impacts. It is important to remember that climate scenarios make projections on hypothetical futures and as such come with a significant degree of uncertainty. As a result, scenario analysis is only used as a guide for climate-related risks and opportunities.

Overall, three varying scenarios were constructed to represent future operating environments, which are outlined above.

Our identified climate-related risks

Our analysis determined there is a low risk to Tandem’s business model and strategy, and Tandem is well adapted to minimise the overall impact of the material risks.

Transition risks arise from the shift to a low-carbon economy and are categorized into four key areas: policy and legal risks, technology risks, market risks and reputation risks.

Physical risks, on the other hand, stem from the direct impacts of climate change and can be either acute, such as flooding, or chronic, such as sea level rise.

Under the three scenarios used in the climate scenario modelling for 2024, the qualitative materiality assessment considered eighteen risks and identified two significant risks to be material to our business.

The risks cover transition risks associated with the move to a low-carbon economy and physical risks resulting from extreme weather events. Out of the twelve transition risks considered, eleven received a ‘minor’ or ‘moderate’ rating, with one receiving an overall risk rating score of ‘significant’ and is presented in Table 5 below. Out of the six physical risks considered, five received a ‘minor’ or ‘moderate’ rating, with one receiving an overall risk rating score of ‘significant’ and is also presented in Table 6 below. Further details on all our physical and transitional risks will be published in our full 2024 CFD Report.

Physical climate risk analysis evaluated the potential impact of climate events across Tandem’s office locations and 99.9% of our first charge mortgage locations, as well as 99.7% of second charge mortgage locations. For flooding risk, the analysis utilised data at a property level across our first and second charge mortgage portfolio. This process and its results were presented and discussed with the Board in November 2024.

Tables 5 and 6 highlight the risks that were rated as significant or higher and deemed material.



Significant Risks

Risk Category by CFD	Increased stakeholder concern
Potential Financial Impact	Reduced revenue if customers choose not to use Tandem. Reduction in ability to attract and retain talent. Cost to the business: £100,000–£500,000
Impact Description	As the world transitions to a decarbonised economy, stakeholders are likely to have increased interest and concern regarding sustainability credentials. To avoid greenwashing, the new FCA rule states that all sustainability-related claims about products and services must be fair, clear and not misleading. Breaching the rule could mean facing a reprimand or a fine.
Scenario	<2°C 2–3°C
Timeframe	Short – Medium Term (2024–2038)
Description of Risk Response (Mitigation)	<ul style="list-style-type: none"> • Publish standalone TCFD and ESG Reports, along with incorporating a mandatory short-form CFD report into Tandem’s Annual Report and Accounts to communicate efforts to stakeholders, including customers. • Allocate internal resources to plan a Net Zero strategy. • Regularly monitor current and emerging regulations. • Defined green criteria for products and aligned to the best available regulation (EU Taxonomy) to avoid greenwashing claims. • Review undertaken of all external communications to assess language for compliance with FCA anti greenwashing rule. Language reviewed and updated with compliant text. • To mitigate the risk of increased stakeholder concern, Tandem has set ambitious absolute net zero targets: Scope 1 (location-based) and Scope 2 (marketbased) by 2030, and all scopes by 2050, with 2023 as the baseline year. Progress towards these targets is regularly monitored and disclosed, demonstrating our commitment to reducing our carbon footprint, detailed in Table 7.

Table 5: Transitional risk that was rated as significant.

Risk Category by CFD	Increased Severity of Flooding
Potential Financial Impact	Decline in credit quality of physical assets, such as mortgages. Potential depreciation of asset values due to property damage or increased risk exposure. Further costs in managing flooding risk for office sites. Cost to the business: £100,000–£500,000
Impact Description	<p>Direct Impacts</p> <p>Flooding can damage properties leading to an increase in renovation, repair and maintenance costs. Flooding is the main cause of infrastructure damage in the UK.</p> <p>Indirect Impacts (Borrowers)</p> <p>Flooding can worsen borrower creditworthiness due to economic hardship of repairs and high insurance premia. Flooding can depreciate asset values due to property damage or increased risk exposure / inability to access insurance.</p> <p>Indirect Impacts (Tandem offices)</p> <p>Our sites at Cardiff, Durham and London are at indirect risk of flooding. Transport networks around the sites may be affected preventing employees reaching them, leading to reduced productivity.</p>
Scenario	Regional level assessment RCP 6.0 scenario from the Met Office HadGEM model. Property level assessment used the 2.9°C scenario.
Timeframe	2031–2035 for second charge and first charge legacy products. 2046–2050 for first charge new products.
Description of Risk Response (Mitigation)	Tandem is currently working towards building a front-end solution for monitoring flood exposures and will consider how this exposure will be managed in line with the Bank’s Risk Appetite Framework. In the meantime, the Bank will undertake a further assessment of the flood exposure of the mortgage portfolio using 2024 year end data and will continue to re-run the exercise periodically until the frontend solution is in place.

Table 6: Physical risk that was rated as significant.

Our identified climate-related opportunities

While exploring potential opportunities related to climate change can be valuable in a broader context, in this specific analysis, the identified opportunities (five in total) were deemed not material to the business. However, the most relevant opportunities for Tandem are those related to products and services, with a secondary focus on markets.

OP3: Products and Services: Short-Medium Term (2024–2038), Scenario <2°C 2–3°C

This is Tandem’s strongest area. We already have a strategy in place to capitalise on shifting consumer preferences for green products. Our existing offerings, like discounted mortgages for energy-efficient homes and financing for electric vehicles and home improvements (for energy efficiency), directly address this opportunity.

OP4: Markets: Short-Medium Term (2024–2038), Scenario <2°C 2–3°C

While related to products and services, this category focuses on new low-emission markets. This is relevant for Tandem as we can further develop specialised financial products and services to support the transition to a low-carbon economy. Collaborating with smaller businesses or offering green investment options could open up new revenue streams. However, this area requires further development and investment.

Climate resilience

Tandem’s climate resilience is built upon its proactive approach to managing both transition and physical risks associated with climate change. By focusing on developing and expanding green financial products and services, Tandem is positioning itself to capitalise on evolving consumer preferences and to contribute to the low-carbon transition. This strategy not only creates new revenue streams but also helps mitigate risks associated with a shift towards a greener economy. This approach allows Tandem to adapt to the changing landscape, manage potential financial risks related to climate change, and seize opportunities in the growing green economy, ensuring its long-term viability and success.

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 Net Zero targets of 2030 for Scope 1 (location based) and Scope 2 (market based) emissions and 2050 for all emissions. Tandem follows the SBTi guidelines, which require absolute emissions to be reduced by at least 90%, allowing for the final 10% or less to be offset. Tandem has set 2023 as its baseline year as it is the first for which there is a complete data set. The absolute Scope 3 target date is later due to the complexities associated with

managing emissions that are beyond our direct operational control. In 2025, we will be developing our Net Zero strategy and setting interim targets to guide us to Net Zero.

These targets help to mitigate the risk of stakeholder concern as it demonstrates that we are taking action to reduce our impact. Additionally, by reducing our emissions, we are doing what we can to reduce the impact of climate change and the associated physical risks, including flooding. Please refer to our material risks in the Risk Management section on page 88.

Target	2024 Value	Baseline 2023 Value	Progress Against Target
Absolute Net Zero (90% reduction) for Scope 1* and Scope 2 (market-based) by 2030 from a 2023 baseline.	15.81 tonnes	33.20 tonnes	52% decrease from baseline; within this natural gas emissions have decreased significantly by 75%. On track, a 6% annual reduction is needed going forward.
Absolute Net Zero (90% reduction) for all scopes (Scope 1*, Scope 2 (market-based) and Scope 3) by 2050 from a 2023 baseline.	231,949 tonnes	242,089 tonnes	4% reduction. There was a decrease in Scope 3 emissions, mainly driven by a decrease in Scope 3 Category 15 (Investments) and Category 7 (Employee Commuting), which decreased by 4% and 20%, respectively. On track, a 3% annual reduction is needed going forward.

*The GHG Protocol, and therefore the SBTi, does not currently allow for Scope 1 market-based emissions. Therefore, Scope 1 emissions are reported using the location-based method.

Table 7: Our Progress against Targets

We report on our energy use and emissions associated with Scope 1, 2 and 3 as required by the Streamlined Energy and Carbon Reporting (SECR) regulation. To be fully transparent, we also voluntarily disclose our full carbon balance sheet (Table 11). All emissions data has been calculated using the Greenhouse Gas (GHG) Protocol, apart from Scope 3 Cat 15 which has been calculated using the Partnership for Carbon Accounting Financials (PCAF) guidelines. The scopes are defined as:

- **Scope 1:** Consumption and emissions related to direct combustion of natural gas, fuels utilised for transportation operations.
- **Scope 2:** Consumption and emissions from indirect emissions relating to the consumption of purchased electricity in daily business operations.
- **Scope 3:** Consumption and emissions from all indirect emissions that occur outside Tandem’s own operations but are still a consequence of our activities.

Scope 1 and 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).

Scope 3

Tandem has calculated and published its full Scope 1, 2 and 3 emissions since 2022. After reviewing the business and its operations, it was determined that nine Scope 3 categories are applicable and these have all been reported below (Table 11). The following categories are not applicable for Tandem:

- 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.

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 and Carbon Reporting (SECR). Tandem’s location based scope 1, scope 2 and scope 3 (grey fleet) emissions have decreased by 32% year-on-year, driven in part by the relocation of the Cardiff office during the reporting period. This resulted in a significant decrease in Tandem’s natural gas emissions. Electricity emissions, conversely, have increased with the new Cardiff site, which now uses electricity for heating. Transport emissions have decreased significantly following drops in travel activity from the previous reporting period.

Utility and Scope	Consumption (kWh)	
	FY24	FY23
Scope 1 Total	40,836	163,189
Natural Gas (Scope 1)	40,836	163,189
Scope 2 Total	254,028	222,864
Grid-Supplied Electricity (Scope 2)	254,028	222,864
Scope 3 Total	202,482	351,529*
Transportation (Scope 3)	202,482	351,529*
Total	497,346	737,582

*Transport emissions for FY23 have been restated to account for more accurate mileage data.

Table 8: Tandem’s Total Energy Consumption (kWh).

Utility and Scope	FY24 Emissions		FY23 Emissions	
	UK market-based (tCO _{2e})	UK location-based (tCO _{2e})	UK market-based (tCO _{2e})	UK location-based (tCO _{2e})
Scope 1 Total	7.47	7.47	29.85	29.85
Natural Gas (Scope 1)	7.47	7.47	29.85	29.85
Scope 2 Total	8.34	52.60	3.35	46.15
Grid-Supplied Electricity (Scope 2)	8.34	52.60	3.35	46.15
Scope 3 Total	46.22	46.22	81.94*	81.94*
Transportation (Scope 3)	46.22	46.22	81.94*	81.94*
Total	62.03	106.29	115.14*	157.94*

*Transport emissions for FY23 have been restated to account for more accurate mileage data.

Table 9: Tandem Money Limited's Total UK Location and Market-based Emissions (tCO_{2e}).

Intensity Metrics	Location-based (tCO _{2e})		Market-based (tCO _{2e})	
	FY24	FY23	FY24	FY23
Total Number of FTE	484	511	484	511
All Scopes tCO_{2e} per FTE	0.22	0.31*	0.13	0.23*
YoY Percentage Change	(28.99%)		(43.15%)	

Please note: 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.

*Transport emissions for 2023 have been restated to account for more accurate mileage data.

Table 10: Tandem's Total Emissions Intensity Metric.

Greenhouse gas emissions inventory

Emissions Scope & Category	FY24 tCO _{2e}	FY23 tCO _{2e}	% Change
Scope 1	7	30	-75%
Natural Gas	7	30	-75%
Transportation (excluding grey fleet)	N/A	N/A	N/A
Other Fuels	N/A	N/A	N/A
Scope 2 (location-based)	53	46	17%
Scope 2 (market-based)	8	3	239%
Scope 3	231,934	242,023	-4%
1. Purchased Goods & Services	2,556	2,320	10%
2. Capital Goods	79	29	169%
3. Fuel-related Emissions	19	20	-5%
4. Upstream Transportation and Distribution	72	51	42%
5. Waste Generated in Operations	20	22	-9%
6. Business Travel	168	207*	-16%
7. Employee Commuting	362	450	-20%
8. Upstream Leased Assets	N/A	N/A	N/A
9. Downstream Transportation and Distribution	N/A	N/A	N/A
10. Processing of Sold Products	N/A	N/A	N/A
11. Use of Sold Products	N/A	N/A	N/A
12. End-of-life Treatment of Sold Products	30	21	42%
13. Downstream Leased Assets	N/A	N/A	N/A
14. Franchises	N/A	N/A	N/A
15. Investments	228,628	238,903**	-4%
Total emissions (location-based)	231,994	242,099*	-4%
Total Emissions (market-based)	231,949	242,056*	-4%
All tCO_{2e} (location-based) per FTE	479	474*	1%

*Transport emissions for FY23 have been restated to account for more accurate mileage data.

**FY23 Scope 3 emissions have been restated to account for updated DEFRA conversion factors and the inclusion of emissions from Tandem Bank's bond portfolio.

Table 11: Carbon Balance Sheet

Energy efficiency

Tandem relocated operations in Cardiff, which has contributed to an overall reduction in energy consumption. The previous site was reliant on natural gas whereas the new site is only reliant on electricity.

The Manchester site was also vacated at the end of July. This streamlined estate resulted in Tandem operating 4 offices from August to December 2024. The reduced office footprint allows the Group to better manage energy usage and emissions.

The installation of Passive Infrared Sensors (PIRs) ensures that lighting and heating are

only activated when required, reducing unnecessary energy consumption during periods of low occupancy or when areas are not in use.

Water-efficient sanitary fittings minimise water wastage by offering options for reduced flow rates, thereby lowering overall water consumption and associated energy usage for water heating.

Hydrocarbon refrigeration systems offer higher energy efficiency and a lower environmental impact compared to traditional refrigerants, contributing to overall energy savings and reduced greenhouse gas emissions.

Methodology

SECR methodology

This report (including the Scope 1, 2 and 3 kWh consumption and CO₂e 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 2024 version 1.0 has been used, utilising the published kWh gross calorific value (CV) and kgCO₂e emissions factors relevant for

the reporting period 1 January 2024 to 31 December 2024.

Estimations were undertaken to cover missing billing periods for properties directly invoiced to Tandem Money Limited. These were calculated on a kWh/day pro-rata basis at the meter level.

For properties where Tandem is indirectly responsible for utilities (i.e. via a landlord or service charge) or no data is available for the meter, an average kWh/m² consumption was calculated at meter level and was applied to the properties with similar operations with no available data. These full-year estimations were applied to one electricity supply. All estimations equated to 16% of reported consumption.

The 2023 Scope 3 transport figure has been restated to account for more accurate mileage data.

Intensity metrics have been calculated using total tCO₂e figures and the selected performance indicator for the relevant report period: Total FTE in FY24 is 484 (FY23: 511).

Scope 3 methodology

Scope 3 – Category 15 (Investments) emissions, referred to as financed emissions, have been calculated following the PCAF guidance. For each type of financing, the emissions associated with the financed activity have been estimated and then attributed to Tandem based.

- For home improvement loans, yearly energy consumption was estimated for each energy-consuming product type (i.e., boilers, heat pumps, holiday ownership, etc.), and emissions were then calculated using relevant BEIS 2024 emission factors. Energy consumption for each product type was based on UK averages. For example, the average natural gas consumption of a boiler was estimated based on Ofgem estimates of typical annual gas usage in Britain.
- For motor vehicle loans, annual fuel consumption for each loan-enabled vehicle was estimated using average annual mileage data and emissions were then calculated using BEIS 2024 emissions factors. Emissions were then attributed to Tandem based on the loan-to-value ratio of each purchased car.

- For mortgage-related loans, annual energy consumption was estimated based on average energy consumption data according to location and emissions were calculated using relevant BEIS 2024 emission factors. Emissions were then attributed to Tandem based on the current loan-to-value ratio of each mortgage.
- Corporate and Government bond emissions have been calculated in line with PCAF (2022) The Global GHG Accounting and Reporting Standard Part A: Financed Emissions. Second Edition

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

Alex Mollart

Chief Executive Officer

Matt Dobson

Chief Financial Officer

31 March 2025



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 2024.

Paul Pester, 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 longterm 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 75.

Board meetings and activity

In 2024, 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. Further details on how the Board operated during 2024 including the areas of Board focus, can be found on page 77.

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 evaluation

The annual review of the Group's Board was carried out by external corporate governance consultants. Whilst concluding that overall the Board and its committees operate effectively, they made some helpful recommendations which the Board shall implement 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.

Looking ahead

Our corporate governance priorities for the year ahead will be focused on embedding our strategic ambitions throughout our governance framework.



Board of Directors



Paul Pester – Chair

Paul joined the Tandem Board as a Non-Executive Director and Chair in June 2022. Following over 20 years building and leading some of the most disruptive and established consumer financial services businesses in the UK and overseas, he now holds a number of roles as either Chair, Non-Executive Director, Board Adviser or investor in a range of high growth, disruptive financial services businesses. Having previously been an adviser to the UK Chancellor of the Exchequer and HM Treasury on competition issues in banking, Paul is a passionate advocate for consumers' interests in financial services. As well as being Chair of the Board and Nominations Committee, Paul is a member of Tandem's Remuneration and Risk Committees.



Alex Mollart – Chief Executive Officer

Alex was appointed as Tandem's CEO in 2022, having previously been Deputy CEO. Prior to this, Alex founded and led the successful consumer lender Oplo, which Tandem acquired in January 2022. During his 25 year career, Alex has held several senior positions at the forefront of the credit industry. After launching his career at Yorkshire Bank, he went on to become Regional Manager at Welcome Finance running a network of more than 60 branches across the North West and Scotland, spearheading a decade of exceptional growth. In 2004, he began a new chapter, founding Oplo and steering the firm through 15 years of expansion and success.



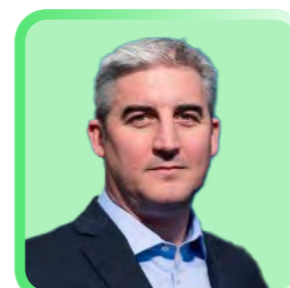
Matthew Dobson – Chief Financial Officer

Matthew is a qualified accountant with over 25 years' banking experience covering Board, Executive and Senior Management roles in Finance, Treasury and Capital Markets. Matthew joined Tandem in 2023 as Director of Treasury before being appointed Tandem's CFO in January 2025. He has previously held similar roles for Barclays, NatWest Group and, before joining Tandem, he was CFO and Finance Director at Furness Building Society and Bank North respectively, overseeing periods of significant business development and financial growth.



Aileen Wallace – Senior Independent Non-Executive Director

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 Chair of Innovation and Chair of Remuneration at Hodge Bank, Non Executive Director at International Personal Finance PLC and Chair of Risk Committee at Target Tech Mahindra.



Matthew Donaldson – Chair of Remuneration Committee and Non-Executive Director

Matthew has been an independent Non-Executive Director at Tandem since March 2022. He has significant experience in financial services, insurance and price comparison. Formerly Group CEO of BGL Group, he founded ComparetheMarket.Com guiding the business to its market leading position. Matthew also serves as Chair for a number of European private equity backed businesses including Three Rock Group, Reassured and Prima.



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 & 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.



S.172 Statement

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. 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.

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 promote the success of the Company under section 172.

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 2024 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 a greener lifestyle'. 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 2024, the Board oversaw a number of activities that impacted Tandem's customer base and as such Directors ensured customer interests remained at the forefront of minds during these processes. Against a backdrop of rising interest rates, the Board oversaw the impact on product pricing, playing a key part in ensuring such rate increases were fairly passed on to Tandem's depositors.

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 was 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

these mechanisms include discussions with our customer service and complaints teams, customer feedback (via surveys), customer focus groups and social media.

Enabling and improving the engagement mechanisms throughout our customer journeys, specifically in the digital customer journey, will help us to understand what matters most to them.

The Board continues to receive 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 2024, the Board spent significant time ensuring the implementation of the FCA's Consumer Duty across Tandem's product base.

The following metrics are some of the main tools we use to assess the impact of our actions and the strength of our relationship with our customer, including 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 daily 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 close to 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, salary

benchmarking, incentive schemes and bonus structure:

- Consideration of the outcomes of surveys completed by colleagues across the Group, including annual and ad hoc surveys, and review of progress in addressing the matters colleagues raised.
- Consideration and approval of targeted cost of living payments to colleagues against the backdrop of elevated inflation and an increasing interest rate environment.
- 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.

2024 saw Tandem recognised in The Sunday Times Best Place to Work Top 100 Big organisations category.

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 continues its work as a member 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.

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 a number of 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 Conduct 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.

The Board considered and approved the Group's Modern Slavery Act Statement, which sets out the steps that we are taking to tackle modern slavery and human trafficking within our business, supply chain and sphere of influence. 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 regularly with its shareholders and understands that investor engagement fosters long-term strategic understanding of Tandem's strategy. This frequent engagement throughout the year keeps investors informed on the Group's progress, strategy and financial performance. The Board is committed to achieving sustainable returns over the long-term.

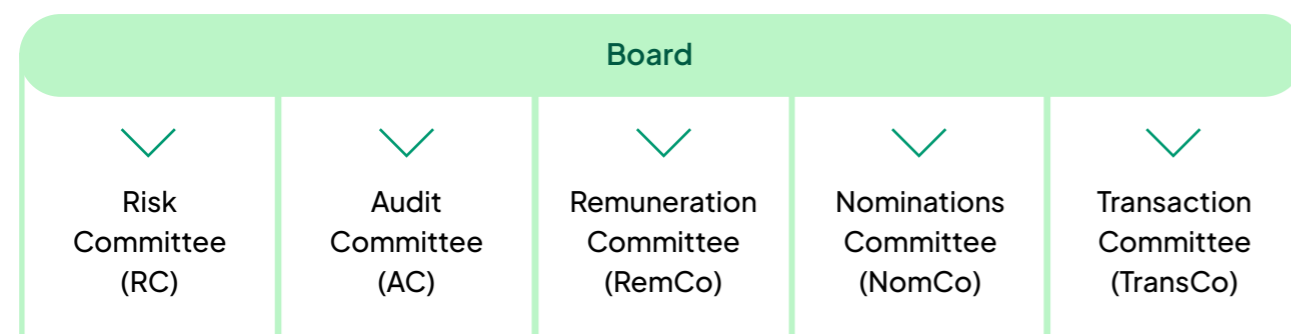
Corporate Governance Report

Throughout 2024 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. Tandem ensures that both the UK Corporate Governance Code and guidance set out by the PRA are considered across governance processes and procedures. This seeks to ensure that the Group is supported by an effective framework which facilitates efficient,

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 Level Committees



Executive Level Committees



Board composition and changes

The Board comprises nine Directors, being the Chair, two Executive Directors, four Independent Non-Executive Directors and two Shareholder Non-Executive Directors. Directors have been selected to provide a wide range of experience and skills spanning relevant technical areas and industry sectors. Board composition is crucial in ensuring that effective challenge and debate is provided on areas including Group performance, strategy and culture

The Board retains a majority independence in line with good practice.

During 2024, some changes took place on the Board.

Imran Gulamhusainwala was appointed as an Independent Non-Executive Director (INED) in May 2024, to enhance the skills and experience of the Board. Aileen Wallace was appointed Chair of the Risk Committee and Senior INED and Patrick Carey was appointed as a Shareholder Director in March 2024.

In March 2024 James Scott stepped down as Shareholder Director. In October 2024 David Fisher stepped down as Chair of the Risk Committee and in December 2024 he also stepped down as INED. David McCarthy stepped down as an Executive Director in December 2024. The Board thank them for their support and leadership during their tenure as Directors and wish them the very best for the future.

Board roles

Responsibilities of key Board roles are summarised below:

- Chairperson leads the Board and ensures its effectiveness. 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;
- Independent Non-Executive Directors provide appropriate challenge and scrutiny to Management providing experience and independent judgement in discussions and decision making; and
- Shareholder Non-Executive Directors ensure shareholders have appropriate input on business strategy and performance, ensuring that the views of the majority shareholder are included in Board discussions.



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;
- Review and approval of the Group's Financial Statements, Pillar 3 disclosures, ICAAP, ILAAP, Business Continuity and Recovery and Solvent Exit Plan;

- 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;
- Review and approval of any changes to the Group's capital structure, acquisitions, disposals, corporate investments and capital projects;
- Annual review and approval of the delegated authorities from the Board to the CEO and Executive Management;
- Oversight of matters to be referred to the Shareholders in line with the Shareholder Agreement dated 30th December 2022; and
- Oversight of climate change risks and opportunities.

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 2024, 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 Financial Statements, including associated accounting judgements and provisions;
- Oversight of the production of the annual Pillar 3 Disclosures;
- Review of quarterly internal audit reports. During 2024 Internal Audit presented reports covering topics of Consumer Duty, lending disbursements, gifts and hospitality expenses, ESG and climate reporting, operational risk, and IT access management;
- Oversight of the compliance framework and the annual compliance monitoring plan;
- Review and recommendation to the Board of the annual Whistleblowing and Money Laundering Reporting Officer reports;
- Terms of engagement and fees of the external and internal auditors;
- Re-appointment of the external auditor; and
- Oversight of ESG metrics and Tandem's carbon footprint and climate impact through TCFD and CFD reporting.

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 2024, the Risk Committee considered and made recommendations to the Board on some of 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;
- Oversight of the embedding of the Risk Assurance Programme and the effectiveness of controls for risk management and capital management;
- Review and recommendation of the Group's Principal Risks;
- Oversight and monitoring of the Group's risk culture; and
- Review and recommendation to the Board, for approval, of the ICAAP, ILAAP and Recovery and Solvent Exit Plan.

Nomination Committee

The Nomination Committee (NomCo) has been 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 2024, 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. The RemCo is chaired by an INED. During 2024, the RemCo considered some of the following matters:

- Review and approval of remuneration (and exit arrangements) for Executive Directors and the Senior Management;
- Oversight of people performance,

including the results of employee engagement surveys;

- Review of Remuneration Code disclosures;
- Oversight of the Management Incentive Plan ('MIP') for the Group; and
- Review and recommendation of the Remuneration Policy, ensuring that remuneration packages are able to attract, retain and motivate all colleagues. Remuneration for Executive Director and Senior Management is set to encourage performance that is linked to the delivery of the Group's strategic objectives and for the benefit of shareholders.

Transaction Committee

In September 2024, the Board established the Transaction Committee (TransCo) with delegated responsibility to provide the Board with oversight of, guidance on, and challenge to, substantial transactions that are being contemplated by a Group company. The TransCo is chaired by Tandem's Chair. During 2024, the TransCo considered some of the following matters:

- The Fylde securitisation programme;
- Asset purchases; and
- Asset sales.

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.

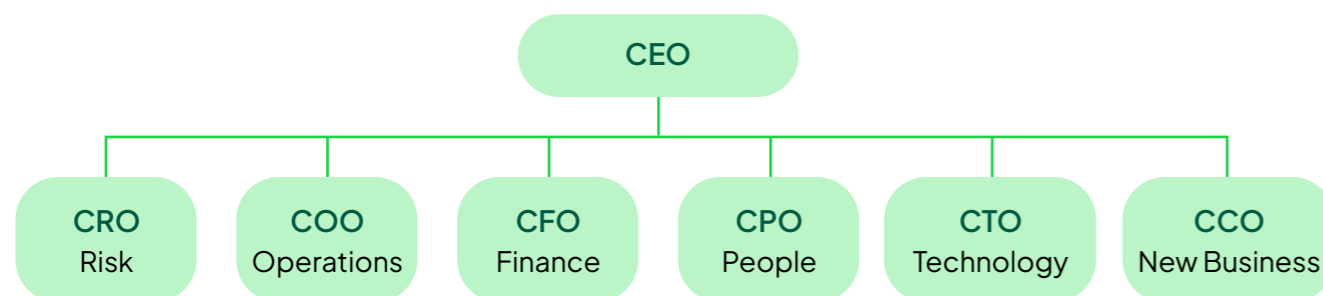
A summary of the scope of the Senior Management team and its associated sub-committees is included below:

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.

- From 1st April 2025, the Executive Committee will be reorganised to align with Tandem's overall business strategy and goals
- A new role of Chief Commercial Officer (CCO) will bring the divisional MD businesses together. The CCO will have overall oversight and responsibility of all product commercials and volumes.
- From 1st April 2025, the Executive Committee will consist of the following roles:



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.

ESG Committee

The ESG Committee 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 longterm 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 Tandem made significant progress in embedding its Enterprise-wide Risk Management Framework (RMF) and capability. This has included improvements in the implementation of the frameworks and policies across the risk disciplines including for managing credit risk, model 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 2024 it had in place adequate systems and controls with regard 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 74.

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 adheres to these objectives at all times 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 Deputy CRO, Director of Compliance & 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:

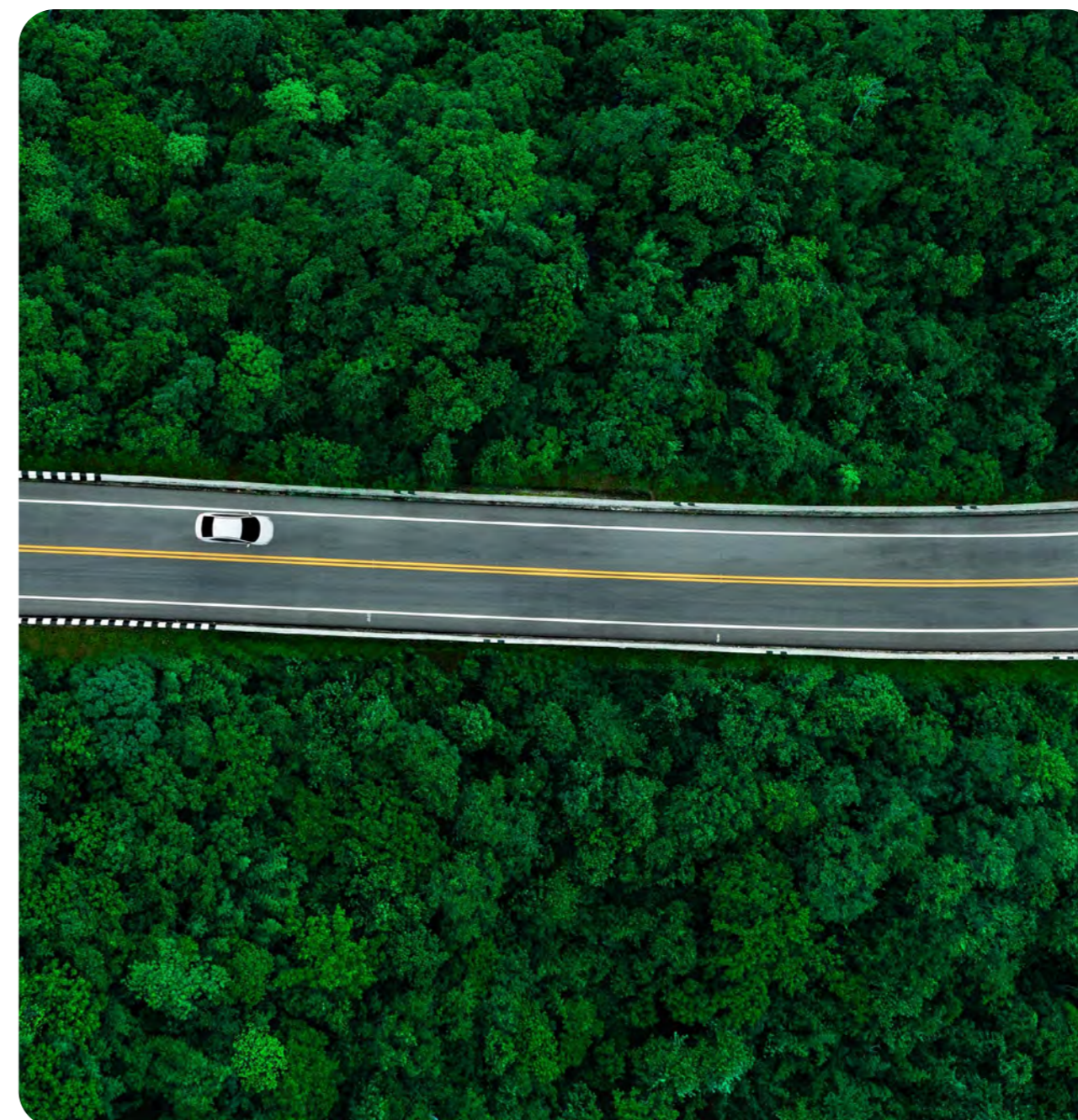
- First line of defence represents all business units, including the core business units and operational functions, which are all individually responsible for understanding and managing the risks in their respective areas. It contains all staff responsible for identifying and managing risk, as part of 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, 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 on an annual basis, 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

Definition

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 due 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

Management and the Board additionally focused on several key themes through 2024, with a view to ensuring a strong and robust but also proportionate risk framework for the business as it grows.

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 in light of an evolving threat landscape.

Regulatory Risk

Rationale

Changing legislation, regulation, policies, and their interpretations in the markets in which Tandem operates has the potential for significant 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.

Regulatory and legal uncertainty has also emerged in 2024 following the Court of Appeal Judgement on motor finance commissions on 25 October 2024.

Key mitigations

Maintained focus on these horizon risks, both in terms of changing landscape and changes to Tandem's business and associated impacts within the regulatory / legal context, including through ongoing engagement with the Group's regulators. The Bank has reviewed the impact of the 25 October 2024 Court of Appeal Judgement on motor finance commissions and has determined that no provision is required. Further information on this is provided in Note 12.

Consumer Duty

Building on 2023, 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, the appointment of a Board member Consumer Duty Champion, and the establishment of a Customer and Product

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 continue to ensure our products, new and existing, 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.

The Consumer Duty (the Duty) went live on 31 July 2023 and represents the FCA's continued evolution of its expectation on the firms it regulates to ensure the fair treatment of consumers.

The Duty does not change the previous rules or guidance contained within the FCA handbook, but does significantly shift the expectations it places on firms and specifically their Board's and Senior Management in ensuring customers receive good outcomes. The Duty introduces a 12th FCA principle of

business underpinned by three cross cutting rules, which require firms to overarchingly act in good faith, prevent foreseeable harm to and deliver good outcomes for consumers. More detailed rules and guidance require firms to put the consumer at the heart of everything they do from top-down culture and governance to product creation and sales through to servicing, operations and how they monitor good outcomes are being achieved throughout the business.

Capital Management

Tandem's approach to capital management is driven by strategic and organisational requirements, while also taking into account 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 an annual self-assessment of risks known as the Internal Capital Adequacy Assessment Process (ICAAP). The ICAAP is reviewed by the PRA, which culminates in the regulator setting a Total Capital Requirement on the level of capital 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 meets the Total Capital Requirement at all times. 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 2024. 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 2024. 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 95
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 68

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.

Dividends

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

Employees With Disabilities

Applications for employment by people with disability are given full and fair consideration bearing in mind the respective aptitudes and abilities of the applicant concerned and our ability to make reasonable adjustments to the role and the work environment. In the event of existing employees becoming disabled, all reasonable effort is made to ensure that appropriate training is given and their employment with the Group continues. Training, career development and promotion of a disabled person is, as far as possible, identical to that of an able-bodied person.

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
Paul Pester	Chair	Appointed 15/06/2022
Aileen Wallace	Senior Independent Non-Executive Director	Appointed 01/11/2023
David Fisher	Senior Independent Non-Executive Director	Appointed 17/12/2020; Resigned 29/12/2024
Matthew Donaldson	Independent Non-Executive Director	Appointed 31/03/2022
Imran Gulamhuseinwala	Independent Non-Executive Director	Appointed 30/05/2024
Malcolm McCaig	Independent Non-Executive Director	Appointed 29/06/2023
Matthew Potter	Shareholder Non-Executive Director	Appointed 31/03/2022
James Scott	Shareholder Non-Executive Director	Appointed 21/08/2020; Resigned 28/03/2024
Patrick Carey	Shareholder Non-Executive Director	Appointed 28/03/2024
Alex Mollart	Chief Executive Officer and Executive Director	Appointed 24/01/2022
Matthew Dobson	Chief Financial Officer and Executive Director	Appointed 07/02/2025
David McCarthy	Chief Financial Officer and Executive Director	Appointed 23/02/2023; Resigned 31/12/2024

Directors' interests

The following Directors in office held an interest in the shares of the Group as at 31 December 2024:

- Alex Mollart
- Paul Pester
- Matthew Donaldson

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 2024.

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 2.

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 2026 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 / 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 £39k during 2024.

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 Reports & 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.

Alex Mollart

Chief Executive Officer

Matthew Dobson

Chief Financial Officer

31 March 2025





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 2024 and of the group's profit 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 and Company Statement of Financial Position as at 31 December 2024; the Consolidated Income Statement and Statement of Other Comprehensive Income, the Consolidated Statement of Changes in Equity, the Company Statement of Changes in Equity and, the Consolidated Statement of Cash Flows 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 2024 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

In preparing the financial statements, the directors are responsible for assessing the group's and the company's ability to continue

as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

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

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

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to the Financial Conduct Authority ('FCA') and the rules of the Prudential Regulation Authority ('PRA'), 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 manipulate the financial statements through judgements applied in significant accounting estimates. Audit procedures performed by the engagement team included:

- Discussions 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 the provision for impairment losses of loans and advances to customers and goodwill impairment;
- Incorporating unpredictability into the nature, timing and/or extent of our testing; and
- Identifying and testing journal entries, in particular journal entries posted with unusual account combinations indicating a higher level of risk and post close journal entries.

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

31 March 2025



Financial Statements



Consolidated Income Statement and Statement of Other Comprehensive Income

	Note	For the year ended 31 December	
		2024 Total £'000	Restated 2023 Total £'000
Interest income	3	250,296	223,705 ¹
Interest expense	4	(164,776)	(134,250)
Net Interest Income		85,520	89,455¹
Fees and commissions income		451	76
Fees and commissions expense		(98)	(103)
Net gain/(loss) on derivatives and hedge ineffectiveness	5	1,608	(1,826)
Other operating income		20	15
Total Income		87,501	87,617¹
Administrative expenses		(62,297)	(61,414)
Depreciation and amortisation		(2,259)	(2,299)
Operating Expenses	6	(64,556)	(63,713)
Provision for bad and doubtful debts	12	(17,525)	(22,100) ¹
Gain on sale of financial assets	10	11,194	2,716
Gain on Operating Activities before amortisation of Goodwill and Intangible Assets on Acquisition		16,614	4,520
Amortisation of goodwill and intangible assets on acquisition	17	(12,167)	(12,198)
Profit/(Loss) on Operating Activities before Tax		4,447	(7,678)
Tax (charge)/credit on profit/(loss)	11	(1,439)	4,786
Profit/(Loss) for the Year		3,008	(2,892)
Other Comprehensive Income/(Expense)			
Items that may be reclassified subsequently to consolidated income statement:			
Available for sale investments			
- Fair value (loss)/gain on debt securities		(59)	303
- Fair value gain on equity shares		775	450
- Deferred income tax debited to equity	11	(194)	(113)
Other comprehensive income for the year, net of tax		522	640
Total Comprehensive Profit/(Loss) for the Year		3,530	(2,252)

Note:

1. Prior year comparatives have been restated to reflect changes in presentation and classification of the impairment provision on the interest receivable in the corresponding year. See Note 2 for further details.

Consolidated Statement of Financial Position

As at 31 December			
	Note	2024 £'000	2023 £'000
Assets			
Cash and balances at central banks	29	1,497,095	2,421,938
Loans and advances to banks	29	41,256	49,333
Loans and advances to customers	12	1,213,929	1,373,221
Debt securities	13	370,151	56,609
Derivative financial instruments	14	11,304	24,353
Equity shares	15	3,533	2,758
Intangible fixed assets	17	88,897	101,453
Tangible fixed assets	17	696	917
Other assets	18	6,725	6,434
Deferred tax asset	11	19,148	18,017
Total Assets		3,252,734	4,055,033
Liabilities			
Borrowings from banks	19	23,789	30,914
Customer accounts	20	2,916,365	3,639,407
Debt securities in issue	21	-	75,709
Derivative financial instruments	14	3,654	8,883
Other liabilities	22	14,781	10,551
Subordinated liabilities	23	18,947	18,459
Total Liabilities		2,977,536	3,783,923
Equity			
Called-up share capital	25	3,332	3,332
Share premium account	25	422,699	422,699
Warrants	25	1,391	1,391
Other reserves	25	11,032	10,474
Retained reserves	25	(163,256)	(166,786)
Total Equity		275,198	271,110
Total Liabilities and Equity		3,252,734	4,055,033

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 115 to 162 are an integral part of these financial statements.

The financial statements on pages 109 to 162 were authorised for issue by the Board of Directors on 27 March 2025 and were signed on its behalf by,

Alex Mollart
Chief Executive Officer
31 March 2025

Matthew Dobson
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		Total Share Capital and Reserves £'000
					Available for Sale Reserve £'000	Accumulated Losses £'000	
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
At 1 January 2023	3,029	396,092	1,391	9,077	1,279	(165,813)	245,055
Loss for the year	-	-	-	-	-	(2,892)	(2,892)
Gain relating to available for sale investments	-	-	-	-	753	-	753
Deferred tax on items of other comprehensive income	-	-	-	-	(113)	-	(113)
Total Comprehensive Loss for the Year	-	-	-	-	640	(2,892)	(2,252)
Shares issued, net of expenses	303	26,607	-	-	-	-	26,910
Share-based payments	-	-	-	1,397	-	-	1,397
As at 31 December 2023	3,332	422,699	1,391	10,474	1,919	(168,705)	271,110

Consolidated Statement of Cash Flow

	Note	Year ended 31 December	
		2024 £'000	2023 £'000
Cash Flows from Operating Activities			
Profit/(Loss) on operating activities before tax		4,447	(7,678)
Non-cash items included in profit/(loss) on operating activities			
Before tax		20,727	38,242
Change in operating assets and liabilities		(838,041)	1,689,961
Corporation tax paid		(1,868)	(176)
Net Cash (Used in)/Generated from Operating Activities	29	(814,735)	1,720,349
Cash Flows from Investing Activities			
Purchase and cost of intangible assets		(2,425)	(3,004)
Purchase of tangible assets		(233)	(359)
Sale of loan portfolios from securitization		277,783	-
Purchase of debt securities at amortised cost		(210,801)	-
Purchase of debt securities at fair value		(121,175)	-
Maturity/sale of debt securities at fair value		21,244	34,904
Net Cash (Used in)/Generated from Investing Activities		(35,607)	31,541
Cash Flows from Financing Activities			
Proceeds from issuance of ordinary shares		-	24,960
Repayment of debt securities in issue		(75,772)	(53,687)
Proceeds from issuance of subordinated liabilities		-	20,000
Transaction costs paid on issuance of subordinated liabilities		-	(718)
Net Cash used in Financing Activities		(75,772)	(9,445)
Net (Decrease)/Increase in Cash and Cash Equivalents		(926,114)	1,742,445
Cash and cash equivalents at beginning of year		2,462,355	719,910
Cash and Cash Equivalents at the end of the year	29	1,536,241	2,462,355

Company Statement of Financial Position

	Note	As at 31 December	
		2024 £'000	2023 £'000
Non-Current Assets			
Intangible fixed assets	17	5,803	5,430
Tangible fixed assets	17	437	360
Investments in subsidiaries	16	244,330	252,565
Deferred tax asset	11	8,601	7,569
		259,171	265,924
Current Assets			
Loans and advances to banks	29	1,384	1,088
Other assets	18	4,821	4,690
		6,205	5,778
Creditors: Amounts Falling Due Within One Year			
Other liabilities	22	(12,236)	(10,842)
		(12,236)	(10,842)
Net Current Liabilities			
		(6,031)	(5,064)
Total Assets Less Current Liabilities			
		253,140	260,860
Creditors: Amounts Falling Due After More Than One Year			
Derivative financial instruments	14	(1,151)	(1,136)
Other liabilities	22	(480)	(490)
		(1,631)	(1,626)
Net assets			
		251,509	259,234
Equity			
Called-up share capital	25	3,332	3,332
Share premium account	25	422,699	422,699
Warrants	25	1,391	1,391
Other reserves	25	11,032	10,474
Accumulated losses	25	(186,945)	(178,662)
Total Equity			
		251,509	259,234

The Company's Total Comprehensive Loss for the year ended 31 December 2024 was £8,283k (2023: Total Comprehensive Profit of £2,440k).

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 115 to 162 are an integral part of these financial statements. The financial statements on pages 109 to 162 were authorised for issue by the Board of Directors on 27 March 2025 and were signed on its behalf by,

Alex Mollart
Chief Executive Officer
31 March 2025
Registered Number: 08628614

Matthew Dobson
Chief Financial Officer

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 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
At 1 January 2023	3,029	396,092	1,391	9,077	(181,102)	228,487
Total comprehensive profit for the year	-	-	-	-	2,440	2,440
Shares issued, net of expenses	303	26,607	-	-	-	26,910
Share-based payments	-	-	-	1,397	-	1,397
As at 31 December 2023	3,332	422,699	1,391	10,474	(178,662)	259,234

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 2024

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.

FRS 102 Leases – significant changes to lessee accounting are introduced, with the distinction between operating and finance leases removed and the right-of-use assets and lease liabilities recognised except under short term and low value leases. There are no significant changes to the lessor accounting requirements. The standard is applied retrospectively.

Whilst FRS 102 Revenue from Contracts with Customers and Leases are not applicable in the current year, the Group is considering the financial impact of the amendments to some companies for accounting periods beginning on or after 1 January 2026, with early application permitted.

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 2026 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.

Notes to the Financial Statements

1. Significant Accounting Policies (continued)

1.3. Going Concern (continued)

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 2026 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 2024. 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.

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.

Notes to the Financial Statements

1. Significant Accounting Policies (continued)

1.5. Net Interest Income (continued)

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.

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 arrangement held in an EBT which jointly own the shares with the participant. As a special purpose entity that is 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.

Notes to the Financial Statements

2. Significant Accounting Policies (continued)

1.10. Leases (continued)

(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.

1.11. 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 1.16 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.

Notes to the Financial Statements

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 1.17 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.

Notes to the Financial Statements

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 represents capital contributions and reserves relating to share-based incentive schemes
- Retained reserves that represents 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.

Notes to the Financial Statements

1. Significant Accounting Policies (continued)

1.26. 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.
- Impairment Losses on Loans and Advances to Customers: significant estimation and judgement is used when determining the loss given default and the emergence period. See Note 1.27 (ii) and Note 12 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.

2. Prior Year Restatement

The Consolidated Income Statement for the year ended 31 December 2023 has been restated to correct for the separate presentation of the impairment provision on the interest receivable of loans and advances to customers of £1,614k from interest income to provision for bad and doubtful debts.

This reclassification does not affect the total balance of loans and advances to customers in the Consolidated Statement of Financial Position as of 31 December 2023. However, for note disclosure purposes (see Note 12), the change in classification has been reflected accordingly.

	As Reported £'000	Restatement £'000	As Restated £'000
Impact on the Consolidated Income Statement			
Interest income	222,091	1,614	223,705
Net Interest Income	87,841	1,614	89,455
Total Income	86,003	1,614	87,617
Provision for bad and doubtful debts	(20,486)	(1,614)	(22,100)
Loss for the Year	(2,892)	-	(2,892)
Total Comprehensive Loss for the Year	(2,252)	-	(2,252)
Impact on note disclosure (see Note 12)			
Gross loans and advances to customers	1,417,433	1,282	1,418,715
Provision for impairment	(35,391)	(1,282)	(36,673)
Accumulated amount of fair value adjustments in relation to hedge accounting	(8,821)	-	(8,821)
Loans and advances to customers	1,373,221	-	1,373,221

Notes to the Financial Statements

3. Interest Income

Group	2024 £'000	Restated 2023 £'000
Interest income recognised under the effective interest rate method from loans and receivables at amortised cost:		
- Cash and balances at central banks	97,259	82,504
- Loans and advances to banks	1,458	682
- Loans and advances to customers	109,990	116,474 ¹
- Debt securities	2,869	-
Interest income from finance leases:		
- Loans and advances to customers	18,193	6,098
Interest income recognised under the effective interest rate method from available for sale financial assets:		
- Debt securities	5,715	3,124
Interest income from financial instruments at fair value through profit or loss:		
- Net interest income on interest rate swaps hedging loans and advances to customer	14,812	14,823
	<u>250,296</u>	<u>223,705 ¹</u>

Note:

1. Prior year comparatives have been restated to reflect changes in presentation and classification of the impairment provision on the interest receivable in the corresponding year. See Note 2 for further details.

4. Interest Expense

Group	2024 £'000	2023 £'000
Interest expense recognised under the effective interest rate method from financial liabilities at amortised cost:		
- Borrowings from banks	1,461	1,949
- Customer accounts	153,597	120,068
- Debt securities in issue	3,780	8,928
- Subordinated liabilities	3,714	1,738
- Other	5	92
Interest expense from financial instruments at fair value through profit or loss:		
- Net interest expense on interest rate swaps hedging customer accounts	2,219	1,475
	<u>164,776</u>	<u>134,250</u>

Notes to the Financial Statements

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

Group	2024 £'000	2023 £'000
Net gain/(loss) on derivatives not in a hedging relationship	893	(1,397)
Net gain/(loss) from hedge ineffectiveness	715	(429)
	1,608	(1,826)
Net gain/(loss) from hedge ineffectiveness:		
Change in fair value of the hedging instruments	(7,307)	(10,863)
Change in fair value of the hedged items	8,022	10,434
	715	(429)

See Note 14 for further details on hedge accounting.

6. Operating Expenses

Group	2024 £'000	2023 £'000
Staff costs (Note 8)	32,944	32,088
Information technology costs	13,010	13,572
Rent	1,018	1,010
Underwriting and collection costs	3,701	3,854
Other administrative costs	8,792	9,041
Other staff costs	520	545
Fees payable to the Group's auditors	1,302	1,268
Amortisation of intangible fixed assets	1,805	1,843
Impairment of intangible assets	928	-
Write off of tangible and intangible fixed assets	82	36
Depreciation of tangible fixed assets	454	456
	64,556	63,713

7. Auditors' Remuneration

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

	2024 £'000	2023 £'000
Fees payable to the Company's auditors for the audit of the Company and consolidated financial statements	328	221
Fees payable to the Company's auditors for other services		
- Audit of the financial statements of the company's subsidiaries	1,041	1,027
- Audit-related assurance services	-	20
	1,369	1,268

Included within the 2024 total remuneration payable to the Company's auditors is £130k relating to the 2023 audit (2023: £216k relating to the 2022 audit) which have been borne by the Company on behalf of the Group.

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

Notes to the Financial Statements

8. Staff Costs

Group	2024	2023
	£'000	£'000
Wages and salaries	28,261	26,834
Social security costs	3,283	3,171
Pension costs	852	721
Share-based payments	548	1,362
	32,944	32,088

Company	2024	2023
	£'000	£'000
Wages and salaries	28,261	26,834
Social security costs	3,283	3,156
Pension costs	852	721
Share-based payments	548	1,362
	32,944	32,073

The average number of employees employed by the Group and the Company during the year, including Directors, was 500 (2023: 507) and is analysed below:

Group	2024	2023
	Average No.	Average No.
Lending	188	216
Savings	19	18
Digital, Data and Technology	130	120
Central Functions	163	153
	500	507

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

	2024	Restated ¹
Total Directors' Emoluments	£'000	£'000
Salaries and other short-term benefits	1,639	1,408
Post-employment benefits	33	17
Share-based payments	109	82
	1,781	1,507

Note:

1. Prior year has been restated to disclose the share-based payments.

During the year, 2 Directors were participants in the Group's long-term share incentive schemes (2023: 2). No share-based payment awards were issued to Directors in 2024 (2023: £13k). 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 £75k (2023: £96k). No Directors exercised share options in the parent's shares during the year (2023: nil). Further details of the relevant incentive plans are outlined in Note 27.

Notes to the Financial Statements

9. Directors' Remuneration (continued)

	2024	Restated ¹ 2023
	£'000	£'000
Highest Paid Director Emoluments		
Remuneration	444	425
Pension contributions	14	6
Share-based payments	109	82
	567	513

Note:

1. Prior year has been restated to disclose the share-based payments.

No share-based payment awards were issued during the year, to the highest paid Director (2023: 3k).

10. Gain on Sale of Financial Assets

Group	2024	2023
	£'000	£'000
(Loss)/Gain on sale of loan portfolios	(128)	2,716
Gain on sale of loan portfolios from securitisation	11,311	-
Gain on sale of debt securities	11	-
	11,194	2,716

During the year, Tandem Bank Limited ('TBL') securitised a portfolio of second charge mortgages amounting to £268m (2023: £Nil), resulting in a gain on sale of £11.3m (2023: £Nil) (see Note 13 for further details).

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

Group	2024	2023
	£'000	£'000
The tax charge/(credit) based on the profit/(loss) for the year comprises:		
Current tax:		
- UK corporation tax	3,102	240
- Adjustments in respect of prior years	(339)	(15)
Total current tax	2,763	225
Deferred tax:		
- Current year	(1,797)	(5,098)
- Adjustments in respect of prior years	473	87
Total deferred tax	(1,324)	(5,011)
Total tax charge/(credit) relating to income statement	1,439	(4,786)
Total tax charge relating to other comprehensive income	194	113
Factors affecting tax charge/(credit) for the current period:		
Profit/(Loss) on ordinary activities before taxation	4,447	(7,678)
Profit/(Loss) on ordinary activities before taxation multiplied by the standard rate of corporation tax of 25% (2023: 23.7%)	1,112	(1,820)
Adjustments in respect of prior years	134	72
Expenses not deductible for tax purposes	4,231	3,413
Income not taxable	(75)	(48)
Deferred tax asset recognised	(3,963)	(6,480)
Rate effects	-	77
Total current tax charge/(credit) for the year	1,439	(4,786)
Standard rate of corporation tax:	25%	23.7%

Notes to the Financial Statements

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

Analysis of deferred tax asset

	2024	2023
Group	£'000	£'000
Losses	19,492	18,812
Short-term timing differences	(200)	(943)
Fixed assets	(144)	147
Total deferred tax asset	19,148	18,016
	2024	2023
Company	£'000	£'000
Losses	8,257	7,651
Short-term timing differences	840	(17)
Fixed assets	(496)	(65)
Total deferred tax asset	8,601	7,569

On 17 October 2022, the Chancellor of the Exchequer confirmed that the UK corporation tax rate will increase to 25% from 1 April 2023. On 17 November 2022 it was confirmed that the previously enacted reduction in Banking Surcharge to 3%, with an allowance of £100m, would proceed, also from 1 April 2023. These enacted tax rates have been used to determine the deferred tax balances as at 31 December 2024.

In 2023 the Group had taxable profits for the first time for which it utilised brought forward trading losses to offset. The Group has continued to generate taxable profits in 2024 and it is expected that it will continue to do so into the future. Based on the current 5-year Medium Term Plan ('MTP') the carried forward losses would be utilised within the 5-year forecast period.

As a result of additional funding, acquisitions and restructuring in the Group, 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 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.

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 5 probability weightings would result in a £2,988k increase/£2,988k decrease in deferred tax asset recognition (2023: £2,860k).

Notes to the Financial Statements

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

Deferred tax assets not recognized Group	2024 £'000		2023 £'000	
	Gross Amount	Tax Effected	Gross Amount	Tax Effected
Tax losses	24,008	6,002	34,798	8,715
Fixed assets	598	150	1,039	260

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

12. Loans and Advances to Customers

Group	2024	Restated 2023
	£'000	£'000
Gross loans and advances to customers	1,261,764	1,418,715 ¹
Provision for impairment	(40,875)	(36,673) ¹
Accumulated amount of fair value adjustments in relation to hedge accounting	(6,960)	(8,821)
	1,213,929	1,373,221

(i) Gross Loans and Advances to Customers

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

	2024	Restated 2023
	£'000	£'000
Repayable on demand	6,159	8,273
3 months or less	17,394	22,359 ¹
Between 3 months and 1 year	27,940	43,980
Between 1 year and 5 years	423,691	419,190
Over 5 years	786,580	924,913
	1,261,764	1,418,715¹

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

	2024	Restated 2023
	£'000	£'000
Secured lending		
First charge mortgages	156,358	213,593
Second charge mortgages	508,626	682,226 ¹
Motor finance hire purchase receivables	223,688	115,774 ¹
Unsecured lending	373,092	407,122¹
	1,261,764	1,418,715¹

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

Note:

1. Prior year comparatives have been restated to reflect changes in presentation and classification of the impairment provision on the interest receivable in the corresponding year. See Note 2 for further details.

Notes to the Financial Statements

12. Loans and Advances to Customers (continued)

(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.

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

	2024 £'000	Restated 2023 £'000
Within 1 year	84,726	41,956 ¹
Between 1 year and 5 years	218,182	114,807
Over 5 years	127	-
Gross investment in finance leases	303,035	156,763
Unearned finance income	(79,347)	(40,989)
Net investment in finance leases	223,688	115,774¹

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

	2024 £'000	Restated 2023 £'000
Within 1 year	51,829	25,868 ¹
Between 1 year and 5 years	171,737	89,906
Over 5 years	122	-
Net investment in finance leases	223,688	115,774¹

(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 2024	First charge mortgages £'000	Second charge mortgages £'000	Motor finance hire purchase receivables £'000	Unsecured lending £'000	Total £'000
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
Year ended 31 December 2023					
Opening balance (restated) ¹	-	14,220	2,555	15,644	32,419
Provisions on sold portfolios (restated) ¹	-	(1,066)	(283)	(12,976)	(14,325)
New impairment provisions less releases (restated) ¹	65	6,791	1,982	13,395	22,233
Amounts transferred to write-offs	(3)	(917)	(1,242)	(1,492)	(3,654)
Closing balance	62	19,028	3,012	14,571	36,673

The provision for impairment includes £864k (2023: £nil) in respect of voluntary terminations within the Group's Motor Finance business.

Note:

1. Prior year comparatives have been restated to reflect changes in presentation and classification of the impairment provision on the interest receivable in the corresponding year. See Note 2 for further details.

Notes to the Financial Statements

12. Loans and Advances to Customers (continued)

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

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

	2024 £'000	Restated 2023 £'000
Provisions raised	11,810	18,579 ¹
Write-offs	5,881	3,654
Recoveries of amounts previously written-off	(166)	(133)
Provision for bad and doubtful debts per Income Statement	<u>17,525</u>	<u>22,100 ¹</u>

Note:

1. Prior year comparatives have been restated to reflect changes in presentation and classification of the impairment provision on the interest receivable in the corresponding year. See Note 2 for further details..

The provision for impairment losses includes a £864k charge (2023: £nil) 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 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

The definition of default post model adjustment ('PMA') for £1,848k in 2023 to account for the impact of moving from a 7 payments in arrears ('PIA') impairment default definition to a 4 PIA definition has been removed, as this definition is now incorporated in the credit risk models in 2024. which aligns to the regulatory capital definition. This is a temporary PMA and will be incorporated into the credit risk models in 2024.

For 2024, the following PMAs are included:

- Second charge litigation PMA – (£1,024k) - Tandem has made a change to its collections strategy which includes litigating against customers in default. Previously, this was not the case, and therefore collateral has never been considered as part of the impairment provision, nor included in any LGD data. 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.
- Technical arrears PMA (£391k) – a number of accounts were impacted by a direct debit issue at the year end causing their accounts to fall into technical arrears. This PMA returns the accounts to the arrears position if the issue had not occurred.

Notes to the Financial Statements

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.

Motor Finance Commissions

In January 2024 the FCA announced that it was conducting a review of the historical use of discretionary commission arrangements (DCAs) across the motor finance industry. The FCA's original intention was to publish its policy on the treatment of such complaints before 30 September 2024, but in July 2024 it announced that it required more time to address these issues and now expects to set out its next steps in May 2025.

On 25 October 2024, the Court of Appeal (CoA) published its Judgement in relation to secret and partially disclosed commissions. All three cases included in the Judgement involved the claimants purchasing a vehicle from a motor dealership who also received a commission from the lenders for arranging the finance (a 'broker-dealer').

Following the CoA judgment, the FCA has temporarily paused the handling of complaints regarding motor commissions until December 2025. The FCA is conducting a formal review of the discretionary commission arrangements. The outcome of this review may be influenced by the appeal to the Supreme Court, filed by the lenders impacted by the CoA judgment, which is scheduled to be heard in April 2025.

Tandem utilises independent credit brokers to generate the majority of its motor finance loan originations, which distinguishes it from the circumstances addressed in the Court of Appeals rulings. Management has reviewed the commission structures paid to both independent credit brokers and dealers and concluded that the commissions do not constitute discretionary arrangements. Further, management has also assessed that the Group's lending activities have complied with all relevant regulations in effect at each point in time, including the disclosure of the possibility of payments of commission in the respective customer contracts. As a result, the risk of any possible outflow of resources is considered remote, and no provision is deemed necessary as of year-end. This situation will be closely monitored due to the significant uncertainty surrounding the matter, particularly with the Supreme Court set to hear the appeal in April 2025.

Notes to the Financial Statements

13. Debt Securities

Group	2024 £'000	2023 £'000
Debt Securities at fair value		
Supranational Financial Institutions	8,175	25,286
United Kingdom Financial Institutions	148,306	31,323
	156,481	56,609
Debt Securities at amortised cost		
Mortgage Backed Loan Notes – Class A ('Class A Notes')	199,380	-
Vertical Risk Retention Loan Notes ('VRR Notes')	14,290	-
	213,670	-
Total Debt securities	370,151	56,609

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 £321k (2023: £145k). These debt securities are transferable and listed on exchanges.

During the year, the Group securitised a portfolio of a second charge mortgage loans (£268m). A newly incorporated, bankruptcy remote SPE, Fylde Funding 2024-1 PLC acquired the beneficial title to a portfolio from Tandem Bank Limited. As part of the transaction, TBL, acquired the class A notes of £197m, and retained 5% interest through a vertical tranche of £14m. 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 £11.3m.

As at 31 December 2024, the Group held £197m (2023: £nil) or 100% (2023: nil%) Class A Notes and £14m (2023: £nil) or 100% (2023: nil%) VRR Notes of the unconsolidated structured company. Class A Notes are listed on the Irish Stock Exchange, attract interest rates of 1.10% above SONIA and have a final maturity date in September 2046. During the year ended 31 December 2024, interest income of £3m (2023: £nil) was recognised on these Notes.

Remaining Maturity	2024 £'000	2023 £'000
Maturing in 3 months or less	3,033	14,036
Maturing between 3 months and 1 year	-	5,023
Maturing between 1 and 5 years	367,118	37,550
	370,151	56,609

Notes to the Financial Statements

14. Derivative Financial Instruments

Group	2024 £'000	2023 £'000
Derivative assets		
- Interest rate swaps	11,304	24,353
Derivative liabilities		
- Interest rate swaps	(2,503)	(7,747)
- Warrant	(1,151)	(1,136)
	<u>(3,654)</u>	<u>(8,883)</u>
Company		
Derivative liabilities		
- Warrant	(1,151)	(1,136)

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 £1,151k (2023: £1,136k) 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 just 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.

Notes to the Financial Statements

14. Derivative Financial Instruments (continued)

Summary of interest rate swaps:

	2024		2023	
	£'000		£'000	
	Notional contract amount	Fair value asset/(liability)	Notional contract amount	Fair value asset/(liability)
Pay fixed/receive variable	723,899	7,421	807,673	8,673
Receive fixed/pay variable	571,700	1,380	712,900	7,933
	1,295,599	8,801	1,520,573	16,606

Summary of hedged items in designated hedge relationships:

Group	£'000		£'000	
	Carrying amount	Accumulated fair value adjustment included in the carrying amount		
			Of which: accumulated fair value adjustment on items no longer in a hedge relationship	
2024	Asset/(liability)	Asset/(liability)		
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)	
2023				
Loan and advances to customers	699,528	(8,821)	(1,757)	
Customer accounts	(650,959)	(8,403)	-	
Total hedged items	48,569	(17,224)	(1,757)	

15. Equity Shares

Group	2024 £'000	2023 £'000
Visa Inc.	3,533	2,758

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 £775k recognised in other comprehensive income during the year (2023: £450k). The total dividend income recognised in the year in relation to the Visa Inc. shares is £20k (2023: £15k).

16. Investments in Subsidiaries

Company	2024 £'000	2023 £'000
At cost		
Tandem Bank Limited	232,650	227,650
Oplo Holdings Limited	11,680	24,915
	244,330	252,565

Notes to the Financial Statements

16. Investments in Subsidiaries (continued)

Company	2024 £'000	2023 £'000
At 1 January	252,565	222,765
Capital injections during the year	5,000	35,660
Capital contributions during the year	-	1,136
Impairment charge for the year	(13,235)	(6,996)
At 31 December	244,330	252,565

No impairment loss or reversal relating to the investment in TBL was recognised during the year (2023: £nil). During the year, TML invested £5,000k (2023: £35,660k) into TBL via the subscription and allotment of shares. No capital contribution was made by TML to TBL during the year (2023: £1,136k 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 £5,000k (2023: £10,700k) which was recognised as dividend income by TML. An impairment loss of £13,235k relating to the investment in Oplo Holdings Ltd was recognised during the year (2023: impairment loss of £6,996k).

The investment in Allium Lending Group Limited was impaired to £nil in 2020. No impairment reversal relating to the investment in Allium Lending Group Limited was recognised during the year (2023: £nil).

Wholly owned subsidiary companies

As at 31 December 2024, 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 (formerly Oplo HL Ltd)	100%	Indirect	Providing loans to customers
Tandem Motor Finance Limited (formerly Oplo CF Ltd)	100%	Indirect	Providing loans to customers
Tandem Personal Loans Limited (formerly Oplo PL Ltd)	100%	Indirect	Providing loans to customers
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 2024, 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.

[^] It has a registered office address of Duo, Level 6, 280 Bishopsgate, London, United Kingdom, EC2M 4RB and a year-end date of 31 March.

[#] It has a registered office address of 18a Capricorn Centre Cranes Farm Road, Basildon, Essex, SS14 3JJ and a year-end date of 31 March.

Notes to the Financial Statements

17. Fixed Assets

Intangible Fixed Assets

Group	Internally	Brand & Trademark	Computer Software	Regulatory Licences	Work in Progress	Goodwill	Total
	Generated Software						
	£'000	£'000	£'000	£'000	£'000	£'000	£'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

Company	Internally	Trademark	Computer	Work in	Total
	Generated Software		Software	Progress	
	£'000	£'000	£'000	£'000	£'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 £12,167k (2023: £12,198k) and consists of the amortisation of goodwill £11,851k (2023: £11,852k), fair value of brands acquired of £nil (2023: £19k), fair value adjustment to technology acquired of £109k (2023: £120k) and regulatory licences of £207k (2023: £207k).

Notes to the Financial Statements

17. 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 £6,309k (2023: £7,427k), and the second is in relation to the acquisition of Oplo Holdings Ltd ('Oplo') in January 2022, with a goodwill balance of £75,825k held on the balance sheet at year end (2023: £86,558k). 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. In both cases the VIU 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 2024. 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. For the year to 31 December 2024, management have revisited the basis of the allocation of net assets and cashflows for Allium. In prior years these allocations were based on specific loan portfolio pools at acquisition (not all were attributed to goodwill). However, over time, these original pools have largely run off, and all future cashflows are now considered attributable to Allium. As such, net assets and cashflows within Allium itself are no longer split for the purposes of goodwill.

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.

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. Given the significant judgement involved, these assumptions can significantly impact the NPV of cash flows calculated to support the value of the goodwill in the Financial Statements.

The discount rate used is 17.5% for Oplo, and 16% for Allium (2023: 17.5% Oplo, 17.5% Allium). The terminal value has been calculated using a perpetuity formula with 17.5% cost of equity ('CoE') for Oplo, and a 16% CoE for Allium (2023: 17.5% Oplo, 17.5% Allium), with a 2% terminal growth rate for both CGUs (2023: 2%).

Headroom analysis:

	CGU £'000	VIU £'000	Headroom £'000
2024:			
Oplo	150,781	168,594	17,813
Allium	46,142	50,509	4,367
2024 Total	196,923	219,103	22,180
2023 Total	193,674	237,206	43,532

Notes to the Financial Statements

17. Fixed Assets (continued)

(ii) Goodwill Impairment (continued)

Headroom sensitivity to:

Discount rate used to discount cashflows to NPV (+/- 100 bps)	Movement in headroom		
	Oplo £'000	Allium £'000	Total £'000
2024	(10,858)/11,677	(2,774)/2,972	(13,632)/14,649
2023	(9,738)/10,437	(3,807)/4,102	(13,545)/14,539
Terminal value (+/- 100bps to CoE in perpetuity formula)			
2024	(9,210)/10,480	(2,145)/2,475	(11,355)/12,955
2023	(7,278)/8,282	(3,614)/4,113	(10,892)/12,395
Cashflows (-/+ 10%)			
	Oplo £'000	Allium £'000	Total £'000
2024	(16,859)/16,859	(5,051)/5,051	(21,910)/21,910

No prior year comparative sensitivity for cashflows has been presented 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 (Group & Company)

- A custom built loan origination system that manages applications and onboarding. The loan origination system has a net book value of £3,548k (2023: £2,758k) and was still in progress as at 31 December 2024.

Computer Software (Group & Company)

- The Loop money sharing application acquired in April 2023 for £2,079k. As at 31 December 2024, the management conducted an impairment assessment of evaluating the future economic benefits generated. The impairment charge of £928k arose as a conclusion of having nil net book value (2023: £1,563k).

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 £622k (2023: £829k) and a remaining amortisation period of 3 years (2023: 4 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 £784k.

Notes to the Financial Statements

17. Fixed Assets (continued)

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 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 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

18. Other Assets

Group	2024 £'000	2023 £'000
Trade receivables	1,443	1,179
Refundable deposits	191	213
Research and development tax credit	322	414
Sundry debtors	1,318	1,364
Prepayments and Accrued income	3,451	3,264
	6,725	6,434
Company		
Refundable deposits	191	213
Research and development tax credit	321	274
Sundry debtors	89	205
Group taxation relief receivable	1,464	1,431
Prepayments and Accrued income	2,756	2,567
	4,821	4,690

Included in the Group's other assets are balances of £6,397k (2023: £6,101k) falling due within one year.

The Company's other assets are all classified as current assets as they are falling due within one year. The Company's amounts owed by group undertakings are unsecured on demand receivables for which no interest is charged.

Notes to the Financial Statements

19. Borrowings from Banks

Group	2024 £'000	2023 £'000
Bank of England Term Funding Scheme	23,789	23,802
Derivative collateral received	-	7,112
	23,789	30,914

See Note 31.2 for further details on derivative collateral received.

The amounts drawn under the Bank of England Term Funding Scheme are repayable in October 2025 with interest charged at Bank of England base rate plus a margin of 0.18% (2023: 0.18%) per annum.

20. Customer Accounts

Group	2024 £'000	2023 £'000
Customer accounts	2,914,557	3,631,004
Fair value adjustment for portfolio hedged risk	1,808	8,403
	2,916,365	3,639,407

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

21. Debt Securities in Issue

Group	2024 £'000	2023 £'000
Securitisation Loan Notes	-	75,709

The Securitisation Loan Notes were issued through Polo Funding 2021-1 PLC, a SPE set up for securitising a portfolio of second and subsequent ranking consumer secured loans originated by Tandem Home Loans Limited ('THL'). This SPE is considered as a consolidated structured entity. The Securitisation Loan Notes were listed on the Irish Stock Exchange, attracted interest rates of up to 6.50% above SONIA and had a final maturity date in September 2046. In September 2024, TBL entered into an agreement with THL to allow it to purchase the beneficial title of the consumer secured loans from Polo Funding 2021-1 PLC. At the same time Polo Funding 2021-1 PLC redeemed and settled all outstanding securitisation loan notes.

22. Other Liabilities

Group	2024 £'000	2023 £'000
Trade creditors	3,210	1,860
Other taxation and social security	804	790
Cash settled share-based payment	480	490
Other liabilities	2,145	1,785
Corporation tax payable	1,062	166
Accruals and deferred income	7,080	5,460
	14,781	10,551
Company		
Amounts owed to group undertakings	4,710	4,898
Trade creditors	245	620
Other taxation and social security	804	791
Cash settled share-based payments	480	490
Other liabilities	287	312
Accruals and deferred income	6,190	4,221
	12,716	11,332

Notes to the Financial Statements

22. Other Liabilities (continued)

Included in the Group's other liabilities are balances of £13,894k (2023: £10,063k) 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 £4,054k (2023: £4,260k) 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 2025. Also included in amounts owed to group undertakings are unsecured on demand payables of £656k (2023: £638k) for which no interest is charged.

23. Subordinated Liabilities

Group	2024 £'000	2023 £'000
Tier 2 subordinated liability	18,947	18,459

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	2024 £'000	2023 £'000
Unsecured lending commitments	38,272	34,723
Secured lending commitments	5,711	6,765
	43,983	41,488

The Company had the following future commitments in relation to an unsecured revolving credit facility with TBL maturing in October 2024:

Company	2024 £'000	2023 £'000
Intercompany unsecured revolving credit facility	3,000	3,000

Notes to the Financial Statements

25. Equity

	2024	2023
	£'000	£'000
Group and Company		
Called-up share capital		
Ordinary shares	28	28
Ordinary B shares	3,304	3,304
	3,332	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	7,696	7,138
Reserves from employee benefit trusts	781	781
Capital contribution	2,555	2,555
	11,032	10,474
	2024	2023
	£'000	£'000
Group		
Retained reserves	(163,256)	(166,786)
	2024	2023
	£'000	£'000
Company		
Retained reserves	(186,945)	(178,662)

Share capital

As at 31 December 2024, the Company had 13,775k ordinary shares of £0.002 authorised, fully paid up and in issue (2023: 13,775k). No ordinary shares were issued during the year (2023: nil).

As at 31 December 2024, the Company had 1,652,046k ordinary B shares of £0.002 authorised, fully paid up and in issue (2023: 1,652,046k). During the year ended 31 December 2023, the Company issued 140,724k ordinary B shares of £0.002 nominal value for cash consideration of £24,960k and issued 10,794k ordinary B shares of £0.002 nominal value as consideration for assets purchased with a deemed value of £1,951k.

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.

Notes to the Financial Statements

25. Equity (continued)

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.

Share based payments

The total number of share awards outstanding under share-based payment schemes is 16,024k (2024: 16,034k). No awards were issued in 2024 (2023: 37k) and no share options were exercised (2022: 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 2024 or 31 December 2023.

27. Share-based Payment Charge

As at 31 December 2024, 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 expense charged to the Income Statement for each during 2024 was as follows:

	2024	2023
	£'000	£'000
Growth Share Plan	558	1,373
Joint Share Ownership Plan	(10)	(11)
	<u>548</u>	<u>1,362</u>

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 2024 Tandem did not issue any new GDP awards to employees (2023: 37k). 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 only in the event of an asset or share sale for a controlling interest in the Company or an Initial Public Offering ('IPO').

	2024	2023
	No. of awards	No. of awards
	'000	'000
Outstanding as at 1 January	84	65
Granted during the year	-	37
Forfeited during the year	(10)	(18)
Outstanding as at 31 December	<u>74</u>	<u>84</u>

Notes to the Financial Statements

27. Share-based Payment Charge (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 2024 (2023: 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.

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:

	2024		2023 (Restated)	
	No.	Weighted average exercise price	No.	Weighted average exercise price
	'000	£	'000	£
Outstanding as at 1 January	3,439	0.017	3,446	0.017 ¹
Forfeited during the year	-	-	(7)	0.253
Outstanding as at 31 December	3,439	0.017	3,439	0.017

Note:

1. The weighted average exercise price as at 1 January 2023 has been restated following recalculation.

There were no exercisable options in the year (2023: 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 remeasured.

Notes to the Financial Statements

27. Share-based Payment Charge (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 2024 (31 December 2023: 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:

	2024	2023
Group	£'000	£'000
Less than 1 year	742	642
Between 1 year and 5 years	1,992	250
	2,734	892
	2024	2023
Company	£'000	£'000
Less than 1 year	546	527
Between 1 year and 5 years	1,287	250
	1,833	777

Total lease payments made by the Group in 2024 were £1,018k (2023: £1,010k).

Notes to the Financial Statements

29. Notes to the Cash Flow Statement

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

Group	2024 £'000	2023 £'000
Profit/(Loss) on operating activities before tax	4,447	(7,678)
Impairment movement on loans and advances to customers	17,525	20,486
Amortisation of intangible fixed assets	1,805	1,843
Impairment of intangible fixed assets	928	-
Amortisation of goodwill and intangible assets on acquisition	12,167	12,198
Depreciation	454	456
Write-off of tangible and intangible assets	81	36
Share-based payments	558	1,397
Fair value adjustments for portfolio hedged assets	(1,861)	(19,077)
Fair value adjustments for portfolio hedged liabilities	(6,595)	8,643
Fair value loss on derivatives	6,848	12,260
Gain on sale of loan portfolio	(11,183)	-
Non-cash items included profit/(loss) on operating activities before tax	20,727	38,242
Decrease/(Increase) in bank balances not available on demand	6,806	(6,949)
Increase in loans and advances to customers	(122,972)	(171,891)
Increase in debt securities	(2,869)	-
Decrease/(Increase) in derivative financial instruments	1,315	(83)
(Increase)/Decrease in other assets	(291)	3,813
Decrease in borrowings from banks	(7,125)	(12,582)
(Decrease)/Increase in customer accounts	(716,447)	1,875,896
Decrease in debt securities in issue	63	996
Increase in other liabilities	3,334	448
Increase in subordinated liabilities	145	313
Change in operating assets and liabilities	(838,041)	1,689,961
Corporation tax paid	(1,868)	(176)
Cash (used in)/generated from operating activities	(814,735)	1,720,349

Notes to the Financial Statements

29. Notes to the Cash Flow Statement (continued)

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

Group	2024	2023
	£'000	£'000
Cash and balances at central banks	1,497,095	2,421,938
Less mandatory deposit balances	-	(7,690)
Repayable on demand	1,497,095	2,414,248
Loans and advances to banks	41,256	49,333
Less cash collateral on derivatives placed with banks	(2,110)	(1,226)
Repayable on demand	39,146	48,107
Cash and cash equivalents	1,536,241	2,462,355
	2024	2023
	£'000	£'000
Company		
Loans and advances to banks repayable on demand	1,384	1,088

Analysis of changes in net debt

	As at 1		Fair value &	Non-cash	As at 31
	January	Cash	exchange	changes	December
	2024	flows	movements	in interest	2024
	£'000	£'000	£'000	accruals	£'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)

Notes to the Financial Statements

30. Analysis of Financial Instruments by Classification Basis

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

	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
31 December 2024					
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
31 December 2023					
Financial Assets					
Cash and balances at central banks	2,421,938	-	-	-	2,421,938
Loans and advances to banks	49,333	-	-	-	49,333
Loans and advances to customers	1,373,221	-	-	-	1,373,221
Debt securities	-	56,609	-	-	56,609
Derivative financial instruments	-	-	24,353	-	24,353
Equity shares	-	2,758	-	-	2,758
Other assets	2,756	-	-	-	2,756
Total Financial Assets	3,847,248	59,367	24,353	-	3,930,968
Non-financial assets					124,065
Total Assets					4,055,033
Financial Liabilities					
Borrowings from banks	-	-	-	30,914	30,914
Customer accounts	-	-	-	3,639,407	3,639,407
Debt securities in issue	-	-	-	75,709	75,709
Derivative financial instruments	-	-	8,883	-	8,883
Other liabilities	-	-	-	10,551	10,551
Subordinated liabilities	-	-	-	18,459	18,459
Total Financial Liabilities	-	-	8,883	3,775,040	3,783,923
Total Liabilities					3,783,923

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 2024	First charge mortgages £'000	Second charge mortgages £'000	Motor finance hire purchase receivables £'000	Unsecured lending £'000	Total £'000
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
As at 31 December 2023					
Total gross impaired loans	7,004	41,248	6,940	28,317	83,509
Past due but not impaired	17,441	-	-	-	17,441
Neither past due nor impaired (restated) ¹	189,148	640,978	108,834	378,805	1,317,765
Total gross amount due (restated) ¹	213,593	682,226	115,774	407,122	1,418,715

Note:

1. Prior year comparatives have been restated to reflect changes in presentation and classification of the impairment provision on the interest receivable in the corresponding year. See Note 2 for further details.

Notes to the Financial Statements

31. Risk Management (continued)

31.1. Credit Risk (continued)

(ii) Loans and Advances to Customers (continued)

Aging Analysis	First charge mortgages £'000	Second charge mortgages £'000	Motor finance hire purchase receivables £'000	Unsecured lending £'000	Total £'000
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
As at 31 December 2023					
Total gross impaired loans					
Less than 3 months	-	15,748	4,266	13,371	33,385
Past due 3 to 12 months	7,004	14,286	2,419	11,415	35,124
Past due over 12 months	-	11,214	255	3,531	15,000
	7,004	41,248	6,940	28,317	83,509
Past due but not impaired					
Less than 3 months	2,045	-	-	-	2,045
Past due 3 to 12 months	10,074	-	-	-	10,074
Past due over 12 months	5,322	-	-	-	5,322
	17,441	-	-	-	17,441

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).

Notes to the Financial Statements

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 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
As at 31 December 2023	3.6		
+2.5%	3.7	142	1.9
+5.0%	3.8	283	3.9
+7.5%	3.9	425	5.8
+10.0%	4.0	567	7.7
Motor finance hire purchase receivables	Arrears Ratio %	Provision Increase £'000	Provision Increase %
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
As at 31 December 2023	5.9		
+2.5%	6.0	30	2.0
+5.0%	6.1	61	3.9
+7.5%	6.3	91	5.9
+10.0%	6.4	122	7.9
Unsecured lending	Arrears Ratio %	Provision Increase £'000	Provision Increase %
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
As at 31 December 2023	2.7		
+2.5%	2.8	160	1.9
+5.0%	2.8	321	3.7
+7.5%	2.9	481	5.6
+10.0%	3.0	642	7.5

Notes to the Financial Statements

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 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
As at 31 December 2023	56.8		
2.5%	59.3	323	4.4
5.0%	61.8	646	8.8
7.5%	64.3	968	13.2
10.0%	66.8	1,291	17.6
Motor finance hire purchase receivables	Balance Weighted LGD %	Provision Increase £'000	Provision Increase %
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
As at 31 December 2023	76.5		
2.5%	79.0	50	3.3
5.0%	81.5	101	6.5
7.5%	84.0	151	9.8
10.0%	86.5	202	13.1
Unsecured lending	Balance Weighted LGD %	Provision Increase £'000	Provision Increase %
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
As at 31 December 2023	72.9		
2.5%	75.4	295	3.4
5.0%	77.9	590	6.9
7.5%	80.4	885	10.3
10.0%	82.9	1,180	13.7

Notes to the Financial Statements

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. For the December 2022 calculations, the emergence period across all portfolios was 3 months. During 2023, following an internal study, the emergence period was increased to 5 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	Provision Increase	Provision Increase
	No. of months	£'000	%
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
As at 31 December 2023	5		
+1 month	6	400	5.4
+2 months	7	809	11.0
+3 months	8	1,226	16.7

Loan to Value Analysis of First Charge Mortgage Portfolio

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:

First Charge Mortgage Portfolio:	2024	2023
	%	%
< 40%	12.5	16.9
40% to 50%	9.0	13.7
50% to 60%	19.7	29.8
60% to 70%	22.5	13.4
70% to 80%	18.4	17.1
> 80%	17.9	9.1
Total	100.0	100.0
Second Charge Mortgage Portfolio:		
< 40%	4.5	5.6
40% to 50%	4.5	5.6
50% to 60%	8.2	9.7
60% to 70%	15.8	15.4
70% to 80%	22.6	24.0
> 80%	44.4	39.7
Total	100.0	100.0

Notes to the Financial Statements

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 2024, the Group held Debt Securities with a notional value of £28,700k (2023: £25,500k) in its SCP 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 2024	Rating (Fitch)	Notional Value £'000	Mark to Market Value £'000
Supernational Financial Institutions ¹	AAA	8,000	8,175
United Kingdom Financial Institutions ²	AAA	147,398	148,306
Total		155,398	156,481
As at 31 December 2023	Rating (Fitch)	Notional Value £'000	Mark to Market Value £'000
Supernational Financial Institutions ¹	AAA	25,000	25,286
United Kingdom Financial Institutions ²	AAA	31,104	31,323
Total		56,104	56,609

Notes:

- Included in this total are Debt Securities with a notional value of £5,000k (2023: £14,000k) that are positioned within the Group's SCP at the Bank of England to collateralise its TFSME advance.
- Included in this total are Debt Securities with a notional value of £23,700k (2023: 11,500k) that are positioned within the Group's SCP at the Bank of England to collateralise its TFSME advance.

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.

Notes to the Financial Statements

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 2024	On demand	< 3	3 to 12	1 to 5	Over 5	Undated	Total
	£'000	months	months	years	years	£'000	£'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 inflows/(outflows)	-	(70)	(903)	(1,689)	(1,136)	-	(3,798)
	(2,028,402)	(9,934)	(496,078)	(423,382)	(19,878)	(6)	(2,977,680)
As at 31 December 2023							
	On demand	< 3	3 to 12	1 to 5	Over 5	Undated	Total
	£'000	months	months	years	years	£'000	£'000
Non-derivative liabilities							
Borrowings from banks	-	(364)	-	(23,480)	-	(7,070)	(30,914)
Customer accounts	(2,389,374)	(195,871)	(489,515)	(564,636)	(11)	-	(3,639,407)
Debt securities in issue	-	(98)	-	-	(75,611)	-	(75,709)
Other liabilities	(10,061)	-	-	(490)	-	-	(10,551)
Subordinated liabilities	-	(240)	-	-	(18,219)	-	(18,459)
	(2,399,435)	(196,573)	(489,515)	(588,606)	(93,841)	(7,070)	(3,775,040)
Derivative liabilities							
Outflow	-	(5,899)	(12,534)	(29,037)	(1,387)	-	(48,857)
Inflow	-	6,326	12,592	20,164	173	-	39,255
Net derivative inflows/(outflows)	-	427	58	(8,873)	(1,214)	-	(9,602)
	(2,399,435)	(196,146)	(489,457)	(597,479)	(95,055)	(7,070)	(3,784,642)

Notes to the Financial Statements

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 2024, the Group has provided collateral of £2,110k (2023: £1,226k) and received collateral of £nil (2023: £7,112k) 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 TFSME facility provided under the SMF. As at 31 December 2024, Debt Securities with a notional value of £28,700k (2023: £25,500k) were pledged as collateral in relation to drawings under the TFSME facility. The notional value of Debt Securities pledged to collateralise the TFSME facility increased during the year due to the Group removing all first charge mortgages from its SCP.

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:

Interest Rate Risk Sensitivities Parallel shift in yield curve	Net Present Value sensitivity	
	2024 £'000	2023 £'000
+ 200bps	46	(1,547)
- 200bps	200	2,180

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 2024	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
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)
As at 31 December 2023				
Financial assets				
Debt securities	56,609	-	-	56,609
Derivative financial instruments	-	24,353	-	24,353
Equity shares	-	2,276	482	2,758
	56,609	26,629	482	83,720
Financial liabilities				
Derivative financial instruments	-	(7,747)	(1,136)	(8,883)

During the year, there was no transfer between fair value hierarchies (2023: 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 £51k (2023: £13k). All amounts due were settled in cash during the year. As at 31 December 2024, there were no outstanding balances payable (2023: £nil). Clear Property (NW) Limited is a related party due to being controlled by a Director and member of Key Management Personnel.

Notes to the Financial Statements

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 £63k (2023: £84k). All amounts due were settled in cash during the year. As at 31 December 2024, there were no outstanding balances payable (2023: £nil). The Mollart Family Pension Scheme is a related party due to a Director and member of Key Management Personnel being a member of the scheme.

Transactions with Consolidated Structured Entity

Polo Funding 2021-1 PLC is a consolidated structured entity setting up for securitising a portfolio of second and subsequent ranking consumer secured loans originated by Tandem Home Loans Limited. The Group is deemed to have control of Polo Funding 2021-1 PLC (see Note 1.4 for further details).

Upon the early redemption of the Securitisation Loans Notes issued (see Note 21 for further details), Tandem Home Loans Limited has no outstanding balance of the deemed loan liability (2023: £74,848k) with Polo Funding 2021-1 PLC, which originally represented loans and advances sold to Polo Funding 2021-1 PLC which Tandem Home Loans Limited continued to substantially hold the risk and rewards. During the period up to the redemption date, Tandem Home Loans Limited transferred £4,176k (2023: £8,683k) of interest earned on these loans to Polo Funding 2021-1 PLC and received servicing fees from Polo Funding 2021-1 PLC totalling £604k (2023: £1,140k).

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.

	2024 £'000	2023 £'000 (Restated) ¹
Key Management Personnel		
Salaries and other short-term benefits	4,312	4,219
Post-employment benefits	93	112
Share-based payments	321	1,221
	4,726	5,552

Note:

1. Prior year has been restated to include amounts of Directors and to disclose share-based payments.

There was no investments in the Company made by Key Management Personnel during the year (2023: £138k). Included in Customer Accounts as at 31 December 2024 is a balance of £552k deposited by members of Key Management Personnel and their close family members (2023: £273k).

34. Events Subsequent to the Reporting Date

There were no significant events subsequent to the reporting date impacting the Group and the Company.

Notes to the Financial Statements

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:

	2024 £'000	2023 £'000
Common Equity Tier 1 Capital ('CET1')		
Ordinary share capital	426,031	426,031
Other Reserves	11,032	10,474
Retained Reserves	(163,256)	(166,786)
Less deductions from CET1		
Prudent Valuation Adjustment	(188)	(91)
Intangible Assets	(88,897)	(101,453)
Deferred Tax	(19,148)	(18,017)
Common Equity Tier 1 Capital	165,574	150,158
Tier 2 Capital		
Subordinated Liabilities	20,000	20,000
General Provisions	6,769	5,280
	26,769	25,280
Total Regulatory Capital	192,343	175,438

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