Company Registration No: 01917566

PARAGON FINANCE PLC

Report and Financial Statements

Year ended 30 September 2025

CAUTIONARY STATEMENT

Sections of this Annual Report, including but not limited to the Directors' Report and the Strategic Report may contain forward-looking statements with respect to certain of the plans and current goals and expectations relating to the future financial condition, business performance and results of Paragon Finance PLC ('the Company). These statements can be identified by the fact that they do not relate strictly to historical or current facts. They use words such as 'anticipate', 'estimate', 'expect', 'intend', 'will', 'project', 'plan', 'believe', 'target' and other words and terms of similar meaning in connection with any discussion of future operating or financial performance but are not the exclusive means of identifying such statements. These have been made by the directors in good faith using information available up to the date on which they approved this report, and the Company undertakes no obligation to update or revise these forward-looking statements for any reason other than in accordance with its legal or regulatory obligations (including under the UK Market Abuse Regulation, UK Listing Rules and the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority ('FCA')).

By their nature, all forward-looking statements involve risk and uncertainty because they relate to future events and circumstances that are beyond the control of the Company and depend upon circumstances that may or may not occur in the future that could cause actual results or events to differ materially from those expressed or implied by the forward-looking statements. There are also a number of factors that could cause actual future financial conditions, business performance, results or developments to differ materially from the plans, goals and expectations expressed or implied by these forward-looking statements and forecasts. As a result, you are cautioned not to place reliance on such forward-looking statements as a prediction of actual results or otherwise.

These factors include, but are not limited to: material impacts related to foreign exchange fluctuations; macro-economic activity; the impact of outbreaks, epidemics or pandemics, and the extent of their impact on overall demand for the Company's services and products; potential changes in dividend policy; changes in government policy and regulation (including the monetary, interest rate and other policies of central banks and other regulatory authorities in the principal markets in which the Company operates) and the consequences thereof; actions by the Company's competitors or counterparties; third party, fraud and reputational risks inherent in its operations; the UK's exit from the EU; unstable UK and global economic conditions and market volatility, including currency and interest rate fluctuations and inflation or deflation; the risk of a global economic downturn; acts of terrorism and other acts of hostility or war and responses to, and consequences of those acts; technological changes and risks to the security of IT and operational infrastructure, systems, data and information resulting from increased threat of cyber and other attacks; general changes in government policy that may significantly influence investor decisions (including, without limitation, actions taken in support of managing and mitigating climate change and in supporting the global transition to net zero carbon emissions); societal shifts in customer financing and investment needs; and other risks inherent to the industries in which the Company operates.

Nothing in this Annual Report should be construed as a profit forecast.

STRATEGIC REPORT

BUSINESS REVIEW AND PRINCIPAL ACTIVITIES

Paragon Finance PLC (‘the Company’) is a wholly owned subsidiary of Paragon Bank PLC which is a wholly owned subsidiary of Paragon Banking Group PLC (‘the Group’). During the year the Company operated in the United Kingdom (‘UK’). The principal activities of the Company are the provision of administration and other management services to other group companies and as an investor in special purpose vehicle companies within the Group.

The Company undertakes loan servicing and customer management on behalf of all of the Group’s operating companies and certain third parties. To undertake these tasks, it holds the Group’s fixed assets, other than property, owns the rights to all of its infrastructure and intellectual property and employs the vast majority of the Group’s people. There have been no significant changes in the Company’s principal activities in the year under review and the directors are not aware, at the date of this report, of any likely major changes in the Company’s activities in the next year.

During 2016, the Company obtained permission from the Financial Conduct Authority (‘FCA’), for regulatory permission relating to its consumer credit regime. The Company also holds the requisite permission from the FCA to administer both second and first charge residential mortgages. The Company’s registration in relation to the administration of consumer buy-to-let loans was also confirmed by the FCA.

As shown in the Company’s profit and loss account on page 27, the Company’s net interest income decreased from £3,268,000 to £1,582,000. This was principally due to a larger decrease in interest receivable and similar income compared to a decrease in interest payable and similar charges. Interest receivable and similar income decreased due to the investments in group companies being repaid during the preceding year, this resulted in no interest received on loan notes issued by related companies in the current year. The return on pension scheme assets increased from £762,000 to £1,154,000. In the current year there was a provision of £1,533,000 compared to a release of £34,000 for the preceding year. Within the provision charge in the current year, there was a provision on loans to related parties of £1,545,000 (2024: £nil). Other operating income has increased from £188,325,000 to £191,281,000. This was principally due to the costs recharged to other group companies increasing during the current year as operating expenses have increased. Some securitisation mortgage loans were purchased by fellow group companies in the current year, therefore there was an increase in administration fees received by the Company from various special purpose vehicle companies within the Group, as the Company administered the loans on their behalf. Operating expenses increased slightly from £179,484,000 to £180,297,000. As a result of the above, operating profit before taxation has decreased from £12,143,000 to £11,033,000, and the profit after tax has increased from £8,005,000 to £8,330,000 due to a larger deferred tax charge in the preceding year compared to the current year.

The balance sheet on page 28 of the Financial Statements shows the Company’s financial position at the year end. Net assets have decreased by 13.19% (2024: 7.80% decrease) due to the net effect of the profit for the year, the actuarial loss on the pension fund and the interim dividend being paid in the year. Details of amounts owed from and to other group companies are shown in notes 13 and 16.

The directors recommend no final dividend (2024: £nil) which, given the interim dividend of 29.5 pence per share (2024: 29.5 pence per share), means a total dividend for the year of 29.5 pence per share (2024: 29.5 pence per share).

STRATEGIC REPORT (CONTINUED)

The Group manages its operations on a centralised basis and compiles its management information, including key performance indicators, on a consolidated basis. This consolidated information is used in controlling the operations of the Company, which provides services to all Group entities. Given the pervasive involvement of the Company in the Group's activities, the Company's directors believe that further key performance indicators for the Company, compiled on a stand-alone basis, are not necessary or appropriate to provide an understanding of the development, performance or position of the Company's business. Details of the Group's financial performance, including key performance indicators, are given in the Annual Report of its ultimate parent company, which does not form part of this Report.

PRINCIPAL RISKS AND UNCERTAINTIES

The assets of the Company are located entirely in the United Kingdom and its results are therefore impacted by the economic environment within the UK. A material downturn in economic performance could increase the numbers of the Group's customers who default on loans and / or cause the values of the properties over which the Group enjoys security to fall with a consequential impact on the administration fees received.

While the economic outlook has not changed greatly over the course of the year, the principal UK economic indicators have been subject to fluctuations in the period. The longer-term results of the policies being adopted by the UK government elected in 2024, and the fiscal and economic measures announced in its October 2024 budget have yet to become clear, and there have been a number of significant leadership changes in major economies in the past twelve months which have the potential to impact on the global outlook.

The Company has established processes in place, proved on a through-the-cycle basis, which will allow it to support its customers through any adverse economic conditions and optimise outcomes for both customers and investors.

An analysis of the Company's exposure to risk, including financial risk, and the steps taken to mitigate these risks are set out on pages 7 to 18 and in note 23. A discussion of critical accounting estimates is set out in note 26.

GOING CONCERN

The performance of the Company is subject to analysis against plan, with key variances being analysed in detail on a monthly basis. The Group has a formalised process of budgeting, reporting and review. The Group's planning procedures forecast its profitability, capital position, funding requirement and cash flows on a company-by-company basis, including the Company.

In compiling the most recent forecast, for the period commencing 1 October 2025, particular attention was paid to the potential consequences of the uncertain economic outlook for the UK on the Group's operations, customers, funding and prospects, both in the short and long term. While the economic outlook has not changed greatly over the course of the year, the principal UK economic indicators have been subject to fluctuations in the period. The longer-term results of the policies being adopted by the UK government elected in 2024, and the fiscal and economic measures announced in its October 2024 budget have yet to become clear, and there have been a number of significant leadership changes in major economies in the past twelve months which have the potential to impact on the global outlook.

To evaluate these impacts a number of different scenarios with impacts of varying duration and severity were examined. In common with the Group's approach to IFRS 9, the economics used in the forecasting process were updated in October 2025 based on updated external projections, consistent with those used for IFRS 9 impairment provisioning at 30 September 2025.

After considering the above, the directors have a reasonable expectation that the Company will have adequate resources to continue in operational existence for the foreseeable future. This is further supported by the Group holding sufficient cash resources to support the Company's obligations as they fall due. For this reason, they continue to adopt the going concern basis in preparing the Financial Statements.

STRATEGIC REPORT (CONTINUED)

BOARD AND STAKEHOLDERS

The Board is mindful of its duty to act in good faith and to promote the long-term sustainable success of the Company for the benefit of its shareholders and to fulfil the Company's purpose, having regard to the interests of all of its stakeholders. The Board confirms that, for the year ended 30 September 2025, it has acted to promote the success of the Company for the benefit of its members as a whole and continues to have due regard to the following matters insofar as they are applicable (as per section 172 (1) of the Companies Act 2006):

a. The likely consequences of any decision in the long-term

b. The interests of the Company's employees

c. The need to foster the Company's business relationships with suppliers, customers and others

d. The impact of the Company's operations on the community and the environment

e. The desirability of the Company maintaining a reputation for high standards of business conduct

f. The need to act fairly as between members of the Company

The principal activities of the Company are the provision of administration services to other group companies, including supporting their loan servicing activities. Therefore, there is substantial common identity between the external non-shareholder stakeholders of the Company and those of the Group. The Company also has significant group stakeholders, including the entities to which the Company provides services, support and funding, aside from ownership interests.

As a consequence, engagement with external shareholders takes place at a Group level. The Company looks to Group initiatives for guidance and takes them into account in its decision making. The Company follows Group policies and procedures including those relating to the fair treatment of customers, regulatory requirements, standards of business conduct, employees, the environment, the community and other stakeholders. More detail may be found in the 2025 Annual Report and Accounts of Paragon Banking Group PLC.

However, in considering items of business the Company makes autonomous decisions on each decision's own merits, after due consideration of those factors set out in section 172 of the Companies Act 2006 insofar as they are relevant, and the stakeholders impacted by such decisions.

Board meetings are held periodically where the directors consider Company business, such as external contracts for property and establishment services, employment matters, loan administration arrangements and other management services to other Group companies. The Board also considers all matters relevant to the Company's status as an FCA regulated entity and its relationship with the regulator, including those relating to its policies and procedures for dealing with the Group's customers.

The Board considers and discusses information from across the organisation to help it understand the impact of the Group's operations, and the interests and views of its key stakeholders. It also reviews strategy, financial and operational performance, as well as information covering areas such as key risks and legal and regulatory compliance. This information is presented to the Board through reports sent in advance of each Board meeting and through in person presentations.

The executive directors of the Group and the Group's Chief Operating Officer sit on the Board of the Company and ensure that the Board is aware of all Company and Group level information relevant to the consideration of its section 172 duties.

STRATEGIC REPORT (CONTINUED)

SHAREHOLDERS

The Company has a single shareholder, Paragon Bank PLC, which is itself a wholly owned subsidiary of Paragon Banking Group PLC, the ultimate parent company of the Group. The interests of the Company's shareholders thus coincide with those of the shareholders of the Group (s172 (1)(f)).

BUSINESS RELATIONSHIPS

The Company provides facilities and establishment services to other Group companies and therefore is the principal group entity contracting with suppliers of goods and services for use in the business. The Company enters into a number of agreements with suppliers, customers and third parties which enables the Group to provide high standards of conduct.

The Group's Procurement function reviews and considers material contracts and works with key suppliers to maintain long-term and sustainable relationships, whilst identifying solutions to reduce the environmental impact of business activities (s172 (1)(c-e)).

The Group has a Supplier Code of Conduct (published on the Paragon Banking Group PLC website), which sets out the Group's overall approach to supplier engagement and corporate responsibility, and importantly, the standards of behaviour expected from suppliers around bribery and corruption, data protection and modern slavery. It also includes important information concerning the Group's employment practices, health and safety, community and environmental matters. Throughout the year the Group has continued to engage with key suppliers ensuring continuing operational resilience and reduced risk.

The Group is a signatory to the Prompt Payment Code and the Company is subject to the UK reporting requirements on supplier payment information.

The Group has also continued to invest in its infrastructure, particularly in customer and broker facing systems. The Group's planned digitalisation programme progressed throughout the year, delivering new technology and operational enhancements which will generate efficiencies and improve customer experiences.

The Group has a Code of Conduct which all employees are required to read and confirm their understanding of on a regular basis. This covers details in respect of customers, suppliers and fellow employees and compliance with the legal and regulatory framework under which the Group operates. This Code of Conduct is published on the Group's website.

The Group's detailed policies on supplier and customer relationships, its support for human rights, and measures taken to prevent bribery, corruption and financial crime, are described in more detail in the 2025 Annual Report of Paragon Banking Group PLC, with further information provided in the Group's 2025 Responsible Business Report. Neither of these documents form part of this Report, and both are available on the Group's corporate website.

ENVIRONMENT

The Group recognises the importance of its environmental responsibilities, monitors its impact on the environment, and designs and implements policies to reduce any impacts that might arise from the Group's activities. As the Group entity responsible for the procurement of power, office services and supplies, the Company has a significant impact on the management of the environmental impact of the Group's operations. The Company operates in accordance with Group policies, which are described in the 2025 Annual Report of Paragon Banking Group PLC, which does not form part of this Report (s172 (1)(d)).

Further information can also be found in the Group's 2025 Responsible Business Report (published on the Paragon Banking Group PLC website), which does not form part of this report.

STRATEGIC REPORT (CONTINUED)

EMPLOYEES, DIVERSITY AND CULTURE

The directors recognise the benefit of keeping employees informed of the progress of the business, and are committed to building a more diverse and inclusive workforce as part of the people strategy and to develop a sustainable business. Employees have been provided with regular information on the performance and plans of the Group and the financial and economic factors affecting it, through both information circulars and management presentations (s172 (1)(b)).

The directors encourage employee involvement at all levels through the staff appraisal process, the Group's People Forum, the Group's Equality, Diversity and Inclusion network, employee engagement surveys and regular communication between directors, managers, teams and individual employees. During the year, the Group's People Forum provided input regarding the ways of working in the business, including ensuring a consistent approach to hybrid working, and the modernisation of the Groups' headquarters. These initiatives enable more effective teamwork and collaboration and offer all employees a better balance of home and office working. An update on the benefits survey, in which approximately 41.8% of employees engaged, was also provided with a further update and action plan to be provided after the year end.

Since May 2022, the Group has been accredited with Platinum Investors in People status. The Group is also an accredited employer with the Living Wage Foundation, ensuring that all employees are paid the real Living Wage.

Through the Group's volunteering scheme, every employee is provided with one paid day a year to volunteer for specific initiatives, supporting the Group's strategy and culture.

The Company participates in a Sharesave share option scheme and a profit-sharing scheme, both of which enable eligible employees to benefit from the performance of the Group.

The Company operates in accordance with Group employment policies which, together with additional information on the operations of the Group's People Forum, employee consultation arrangements and key metrics on the workforce are described in the Paragon Banking Group PLC 2025 Annual Report, with supplementary information included in the Group's 2025 Responsible Business Report, neither of which forms part of this report. Both documents are available on the Groups website.

EMPLOYMENT OF DISABLED PERSONS

Full and fair consideration is given to applications for employment made by disabled persons having regard to their particular aptitudes and abilities. The Company has continued its policy of providing appropriate training and career development to such persons.

This Strategic Report has been drawn up and presented in accordance with, and in reliance upon, applicable English company law, in particular Chapter 4A of the Companies Act 2006, and the liabilities of the directors in connection with this report shall be subject to the limitations and restrictions provided by such law.

Approved by the Board of Directors

and signed on behalf of the Board

K G Allen

Director

23 January 2026

PRINCIPAL RISKS AND MITIGATIONS

The Company is exposed to a number of principal risks and uncertainties that arise from the operation of its business model and strategy. The Company derives almost all of its income from the provision of finance, facilities and services to other Group companies. Its performance would therefore be materially either directly or indirectly affected by any downturn in the performance of the Group resulting from a crystallisation of any of the risks to which the Group is exposed. Therefore, the risks to which the Company is exposed are the same as those for the Group as a whole.

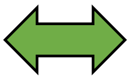
A summary of those risks and uncertainties which could prevent the achievement of the Company's strategic objectives, how the Group seeks to mitigate those risks and the change in the perceived level of each risk in the last financial year are described below.

The risks are set out in accordance with the Group's classification of its principal risks, approved by the Board in the year.

Capital risk	**Liquidity and funding risk**	**Market risk**	**Credit risk**	**Model risk**
Reputational risk	**Strategic risk**	**Climate risk**	**Conduct risk**	**Operational risk**

Further information concerning the systems used to manage risk by the Group are included in section B6.4 of the Annual Report and Accounts of the parent company.

The changes in the perceived level of each risk during the last financial year are indicated using the symbols shown below:

	Risk increasing		Risk decreasing		Risk stable

PRINCIPAL RISKS AND MITIGATIONS (CONTINUED)

<table>
<tr><th colspan="2">Capital Risk</th></tr>
<tr><th>Description</th><th>Mitigation</th></tr>
<tr><td>The Group faces the risk of insufficient capital to operate effectively, including meeting minimum regulatory requirements, operating within board-approved risk appetite, and supporting its strategic goals.

The Bank of England has published its final policy for the implementation of the Basel 3.1 standards in the UK, currently intended to be effective from 1 January 2027, which raises the capital requirement for buy-to-let mortgage loans, our largest asset class.</td><td>A robust process exists over reporting capital metrics, both internally and to the PRA, with a comprehensive annual Internal Capital Adequacy Assessment Process (‘ICAAP’) assessment including all material capital risks.

An internal capital buffer is maintained in excess of minimum regulatory requirements to protect against unexpected losses and intra-period volatility.

The Group continues to engage with the PRA in respect of its application for the accreditation of its IRB approach to buy-to-let credit risk, responding to feedback as the regulator proceeds with its internal assessment process.

We retain the option to apply for the Small Domestic Deposit Takers (‘SDDT’) regime in due course.</td></tr>
<tr><td>Year-on-year change</td><td>The delivery of the Basel 3.1 policy statement package was a significant milestone for the overall UK capital risk framework, but there are still certain areas that will only be finalised through engagement with the regulator, which has stated that it intends to use the exercise of supervisory judgement in order support a smooth transition as firms move between capital regimes.

In January 2025, the Group received the latest SREP from the PRA, reducing capital requirements and leaving it with a higher surplus to regulatory requirements at the 2025 year end than was the case a year earlier.

Macroeconomic downside risks continue to present headwinds, but the Group’s strong underlying profitability and considerable headroom over requirements provide the Group with significant capacity to support lending to UK households and businesses.</td></tr>
</table>

PRINCIPAL RISKS AND MITIGATIONS (CONTINUED)

<table>
<tr><th colspan="3">Liquidity and Funding Risk</th></tr>
<tr><th colspan="2">Description</th><th>Mitigation</th></tr>
<tr><td colspan="2">The Group is exposed to the risk that it has insufficient funds to meet its obligations as they fall due.

Retail deposit taking is central to the Group's funding plans and therefore changes in market conditions could impact the ability of the business to maintain the level of funding required to sustain normal business activity.</td><td>The Group maintains a diversified range of both retail and wholesale funding sources to cover current and future business requirements.

Comprehensive treasury policies are in place to ensure sufficient liquid assets are maintained and that all financial obligations can be met as they fall due, even under stressed conditions.

The Group has a dedicated Treasury function, which is responsible for the day-to-day management of its overall liquidity and wholesale funding. The Board, through the delegated authority provided to the ALCO, sets limits for the level, composition and maturity of funding and liquidity resources.

The Covered bond programme, put in place during the year, provides a relatively quick and cost-effective means of raising additional wholesale funding when conditions are appropriate.

The Group's holdings of its own mortgage backed securities, and other investment assets, together with assets pre-positioned with the Bank of England, mean that it has ready access to funding or liquidity if required.</td></tr>
<tr><td>Year-on-year change</td><td colspan="2">The Group remains well placed to access funding from a wide range of sources to meet future funding requirements. Access to the retail savings market has been effective during the year through both direct and intermediated deposit platform distribution channels and has been further increased by the launch of the Spring savings proposition. The covered bond programme was established in the year and the inaugural £500.0 million issuance was successfully completed in March 2025.

Liquidity and Funding Risk is therefore considered to have reduced from its level at the start of the year given the above initiatives. In addition, a substantial amount of TFSME funding was repaid in the year, with the majority of the remainder repaid shortly after the year end. The collateral released by this repayment materially increased the Group's capacity to access contingent liquidity, and it has increased the Group's usage of the Bank of England's Indexed Long-Term Repo facility.</td></tr>
</table>

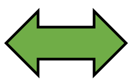
PRINCIPAL RISKS AND MITIGATIONS (CONTINUED)

Market Risk	
Description	**Mitigation**
The Group is exposed to the risk that changes in the interest rates at which it lends and those at which it borrows may adversely affect its net interest income and profitability.	This risk is managed within Board approved risk appetite limits with comprehensive treasury polices in place to ensure that the risk posed by changes and mismatches in interest or exchange rates are effectively managed. Day-to-day management of interest rate risk is the responsibility of the treasury function, with control and oversight provided by ALCO. The Group seeks to match the maturity profile of assets and liabilities and uses financial instruments, such as interest rate swaps, to hedge the exposure arising from repricing mismatches.
Year-on-year change	Reference rates of interest have reduced gradually in the period, but remain at a high level compared to much of recent history. There remains a particular focus on risk management in this area to ensure net interest margin is managed effectively. As part of this strategy, the net free reserves hedge was increased by £0.2 billion to £1.4 billion during the period. Our overall market risk profile, relative to the balance sheet, has remained broadly similar to that at the previous year end and associated risk levels remain generally stable.

PRINCIPAL RISKS AND MITIGATIONS (CONTINUED)

Credit Risk

Description	Mitigation
Credit risk elements which could expose the Group to the risk of unexpected material losses include: • Customer risks through failure to screen potential borrowers, or to manage repayments • Concentration risk in credit portfolios through an uneven distribution of exposures of borrowers, asset classes, sectors or geographies • Reduction in the value of collateral owned by the Group, or secured against debt owed to it • Wholesale counterparty risk • Outsourcer default risk	The Group has a robust credit risk framework supported by comprehensive policies in place that set out detailed criteria which must be met before loans are approved. Exceptions to credit policies require approval by the Credit Risk function, operating under a mandate from the Credit Committee. The Group uses a range of sources to inform expectations of key external factors such as interest rate movements and house price inflation which, in turn, guide policy and underwriting. The Group also continues to develop opportunities to diversify the range of its activities and income streams, consistent with its strategic objective of operating as a prudent, risk focussed specialist lender. The majority of the Group's loans by value continue to be secured against UK residential property at conservative loan-to-value levels. The primary collateral therefore forms part of a highly mature, sustainable market, demonstrated over many decades of operation. Exposure to wholesale counterparty credit risk is limited to counterparties that meet specific credit rating criteria set out in the Group's comprehensive treasury policies. Exposure to approved counterparties is monitored daily by senior management within the Treasury function with all exposures managed in accordance with ALCO-approved limits. Ongoing monitoring of the credit rating and financial performance of all outsourced relationships and critical suppliers is undertaken.

Year-on-year change 	Credit risk pressure has generally eased throughout the second half of the 2025 financial year with borrowers benefitting from the lower interest rate environment, and the level of payment increases for those buy-to-let customers reaching the end of product incentive periods continuing to reduce. The development finance sector has seen some reduction in cost price inflation along with improvements in material and labour availability, although the average time to sell completed properties has lengthened and the Group has continued to encounter credit issues on projects approved before September 2022. SME customers continue to trade robustly. The mildly positive outlook for interest rates continues to be reflected in market pricing for mortgage products and supports customer demand for residential property. As a result, asset values have been, and are expected to remain, firm, although sales continue to take longer to realise. Prudent lending policies have been maintained throughout the period, with added insight and control supported by the broader sourcing and usage of digitalised data. The potential headwinds inherent in the current economic outlook, set against the expectation of minor interest rate reductions over the next reporting period and the generally strong performance of our lending portfolios, mean that the overall assessment of credit risk remains stable.

PRINCIPAL RISKS AND MITIGATIONS (CONTINUED)

Model Risk	
Description	**Mitigation**
Statistical models are used across the Group to inform financial decision making and hence it is imperative that the environment in which the models are designed, implemented and operate is subject to appropriate rigour.	A robust framework of management and governance is in place to manage the risks associated with the use of internally developed models. This includes the MRC which oversees the development, implementation and ongoing monitoring of models across the Group. The Model Risk Management Framework provides a structured and disciplined approach to the management of model risk. It includes clear development, implementation and ongoing oversight principles, together with requirements for independent validation based on model materiality criteria. PRA Supervisory Statement SS 1/23, which addresses model risk management principles for banks, applies to firms with permission to use internal models to calculate regulatory capital. The Group is undertaking a programme of work to ensure compliance with the principles of the Supervisory Statement in advance of receiving IRB accreditation and consider that the Group is well-placed to meet its requirements within the timeframes required. This, in turn, means that our approach to managing this risk more generally complies with recognised external benchmarks.
Year-on-year change	It is recognised that the increasing use of internally developed models will drive a commensurate increase in potential risk to the Group. However, given the strength of the model risk management framework and oversight processes and the Group's continuing investment in this area, model risk remains within appetite and the outlook remains stable.

PRINCIPAL RISKS AND MITIGATIONS (CONTINUED)

Reputational Risk

Description	Mitigation
Maintenance of a strong reputation across all business lines, operational activities, and the conduct of employees and associated third parties is core to the Group's philosophy. Detrimental reputational impacts could result from internal actions, or external events, as a consequence of the crystallisation of other principal risks, through failure to safeguard the integrity of the Group's brand or meet external expectations in its business practices, or any combination of these.	The Reputational Risk Policy supports reputational risk management across the Group. Reputational issues are considered at Board and ExCo level and, where relevant, will be identified, reviewed and escalated through risk committee governance structure. The reputational impacts of changes to strategy, pricing, people, processes or third-party relationships are explicitly considered in the decision-making process and are reviewed by the External Relations Director. The Group will not undertake any activity it considers might be damaging to its reputation. Employees adhere to defined standards of conduct, encompassing policies, procedures and ways of working. These are defined in the Group's Code of Conduct. The Group has an experienced External Relations function which manages all Group communications and ensures that the reputational profile of the Group is protected. Reputational risk is monitored through tracking traditional and social media coverage, net promoter scores, review platforms feedback and regular customer surveys. Any material risk events are reviewed for reputational impact, and mitigating actions are initiated as appropriate.

Year-on-year change	
⟷	The launch of the Group's Spring savings operation has expanded our digital presence and, to reflect this, our approach to monitoring and managing reputational risk has been enhanced during the year. We remain focused on continuing to manage our reputation and protect our brand effectively across all of our business lines. Whilst the Group is mindful that reputational threats can emanate from a variety of different sources, the Group remain well-placed to respond quickly and efficiently to any potential reputational issue.

PRINCIPAL RISKS AND MITIGATIONS (CONTINUED)

Strategic Risk

Description	Mitigation
The Group's strategy as a specialist lender is key to its operating model and business planning. However, there is a risk that changes to the business model, or macroeconomic, geopolitical, regulatory, competitive or other external factors may impact delivery of strategic objectives.	The Group closely monitors economic developments in the UK and overseas, with support from leading independent macro-economic and other advisors. Stress testing is performed to assess its expected performance under a range of operating conditions. This provides the Board with an informed understanding and appreciation of the Group's capacity to withstand shocks of varying severities. The Group continues to exploit opportunities to diversify the range of its activities and income streams and the optionality available in our existing activities, consistent with the strategic objective of operating as a prudent, risk focussed lender.

Year-on-year change	
↑	The macro-economic outlook remains complex. Internationally, the environment has remained volatile, with trade wars and continued conflicts in Europe and the Middle East weighing on confidence. Domestically, while the turn in the interest rate cycle is a welcome development, inflation has been more persistent than initially predicted. This, in turn, has held back real GDP growth and kept the pace of interest rate reductions modest. The future rate trajectory will be key in determining the outlook for our margins and volume growth given that the level of interest rates impacts both spreads and broader customer confidence in the economic outlook. Looking forward there remains uncertainty around the performance of the UK economy in both the medium and longer term, while global geopolitical risks are likely to remain elevated. Despite this volatile environment the Group's businesses have remained resilient throughout the year, and it has made strong progress in meeting the strategic targets in our corporate plan. In particular, the Group has continued to make significant progress with our digitalisation programme, with key deliverables completed in the year. This remains an ongoing priority. However, the Group continues to operate in competitive markets, with the retail savings market in particular, seeing its dynamics changing as UK interest rate fall putting pressure on its strategic position. The Group recognise that the potential for geopolitical and associated macro-economic impacts remains elevated. This in turn could lead to further economic and property market disruption within the UK, presenting a risk to the execution of our strategy.

PRINCIPAL RISKS AND MITIGATIONS (CONTINUED)

<table>
<tr><th colspan="2">Climate Risk</th></tr>
<tr><th>Description</th><th>Mitigation</th></tr>
<tr><td>The Group considers the impact of climate change both directly on the Group or indirectly through its third-party relationships or its lending activities.

This includes both the transitional risk to its strategy and profile through external measures to progress to a low carbon environment and any physical risks arising from changes to the natural environment that could impact the calculation and valuation of assets and liabilities.</td><td>The Group proactively manages physical risk relating to security taken on its loan assets and have specific underwriting policies aimed at the mitigation of, for example, risks associated with flooding, coastal erosion and subsidence.

The Sustainability Committee provides comprehensive oversight of climate initiatives across each business line, whilst the Credit Committee additionally monitors the performance of mortgaged property collateral against EPC data, and concentrations of electric vehicles.

The potential for transition risk is monitored within the different business lines, with external events prompting consideration of amendments to credit policy and underwriting criteria, as appropriate. Other climate risk mitigants, such as offering sustainable products, are used to support the evolution of our balance sheet in line with the markets in which we operate, mitigating stranded asset risk.

The Group continues to actively engage with public forums such as Bankers for Net Zero ('B4NZ') and UK Finance to support the development of future policy and regulation.

Ongoing and enhanced climate change analysis, supported by scenario testing, continues to be developed and expanded to cover a broader range to inform longer term strategic planning.</td></tr>
<tr><td>Year-on-year change</td><td>The Group has continued to make progress on its climate change agenda, with activity focused on enhancing its financed emissions balance sheet, continued public policy advocacy through B4NZ, and responding both independently and through UK Finance to climate related consultations.

The levels of regulatory scrutiny and public interest in this area continue to be high. with an increased focus from regulators and the UK Government. However, the Group's approach has further matured in the year whilst maintaining a proportionate approach to managing the risks and opportunities associated with climate change.

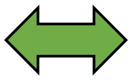
Although there remains uncertainty in respect of the timing and impact of government and regulatory interventions in this area, the Group's scenario analysis assessment indicates that its exposure to climate change impacts is being managed appropriately and does not pose it a significant or increasing risk.</td></tr>
</table>

PRINCIPAL RISKS AND MITIGATIONS (CONTINUED)

<table>
<tr><th colspan="3">Conduct Risk</th></tr>
<tr><th colspan="2">Description</th><th>Mitigation</th></tr>
<tr><td colspan="2">The commitment to delivering good customer outcomes is at the heart of the Group's culture and strategy.

Conduct risk arises where culture and behaviours fail to promote the customer's best interests and avoid foreseeable consumer harm, resulting in poor outcomes for them.</td><td>The management of conduct risk within the Group is tailored to each specific product and customer type and includes dedicated quality and control teams. Control teams focus on validating process adherence, measuring the delivery of good customer outcomes, and overseeing the appropriate management of those customers showing signs of vulnerability, including those in financial difficulties.

All employees, whether customer-facing or not, have clear customer focused objectives, acknowledging their ability to drive a culture designed to deliver good customer outcomes.

The Group's approach to employee remuneration means that very few employees are included in financial incentive schemes. The remuneration policy is reviewed by the Remuneration Committee annually and individual schemes require approval from the Chief People Officer, CFO and Conduct and Compliance Director before implementation.</td></tr>
<tr><td>Year-on-year change
</td><td colspan="2">The Group remains cognisant of the ever-increasing need to tailor support to individual customer circumstances, and this year has seen ongoing focus in this area, particularly around our treatment of customers showing signs of vulnerability or financial stress.

The ongoing legal and regulatory activity relating to historic motor commissions has been, and will continue to be, closely monitored. The Group remains committed to ensuring that all customers receive good outcomes and therefore are keen to understand the FCA's proposals for a redress scheme. Clarity in this respect will ensure we can swiftly and effectively implement the regulators requirements, removing uncertainty for customers who have made, or who wish to make a claim.</td></tr>
</table>

PRINCIPAL RISKS AND MITIGATIONS (CONTINUED)

Operational Risk	
Description	**Mitigation**
Operational Risk arises across the Group through the possible inadequacy or failure of internal processes, people and systems or from the impact of external events. Operational risk is inherently diverse in nature. All the Group's activities create various forms of operational risk which need to be managed through a strong control and oversight structure. Exposure to operational risk is exacerbated through periods of transformation and / or stress.	The Group has an established operational risk framework which enables timely and accurate analysis of operational risk exposures and drives accountability and remedial actions where issues are identified. Operational risk is managed through a comprehensive framework of policies which are designed to ensure that all key operational risks are managed consistently across the business. The operating landscape continues to evolve at a rapid pace, bringing with it innovative technologies, whilst we are keen to embrace these opportunities, the ongoing resilience of the Group remains a core priority. The increasing use of AI, the commitment to harness digital capability as part of our IT roadmap and the reliance on third parties all inevitably increase the opportunities for malevolent cyber activity against the Group's business. In response, the Group continues to invest in cyber defences, and ensuring the Group is well-prepared in the event of any cyber threat remains a priority area. The Group's cyber-risk profile is, therefore, subject to continual monitoring and enhancement given the dynamic nature of the threat. The Group continues to monitor the external landscape and react promptly to any intelligence on cyber threats that have the potential to cause us detriment. Whilst remaining alert to such emerging threats the Group also recognises the need to reduce operational risk exposures inherent in legacy systems and processes. Strategic transformation across all lending lines is key to remaining resilient and ensuring that infrastructure remains scalable and robust across all product lines. As the Group undertakes such activity the impact on our resilience and the impact on inherent operational risks is assessed on a continual basis to ensure it remains within risk appetite. A well-embedded change framework ensures that all changes are managed in a controlled way. Operational resilience remains a key driver, with consideration at all stages of the project lifecycle. A consequence of the Group's change programme is the expanding use of third-party providers. The Group has several significant suppliers and outsourced activities particularly in respect of material IT services and the Paragon-branded savings offering. This number of such suppliers has expanded significantly over the year with the launch of the Spring savings business. The robust oversight of third parties remains critical to overall resilience, and the Group has a well-established third-party framework to ensure effective oversight across the lifecycle of such relationships including contingency arrangements in the event of an exit scenario. The Group continues to focus on building an engaged and highly skilled workforce through the delivery of effective reward, succession planning, recruitment, development and retention strategies. In addition, the Group remains committed to the well-being of its employees, and responding to their feedback, enabled through its multiple employee networks.

PRINCIPAL RISKS AND MITIGATIONS (CONTINUED)

Year-on-year change	The nature and volume of cyber-attacks across the broader UK business landscape continues to evolve. There have been certain notable and well-publicised attacks on high profile targets during the year, which caused significant disruption to the affected entities. However, the Group does not consider that it has a higher than average likelihood of being subject to cyber threats and the Group perceived threat level remains elevated, unchanged year-on-year. The Group continues to proactively monitor the cyber landscape and consider the likelihood and impact of both a direct attack on the Group and a more systemic industry-wide issue such as the CrowdStrike outage in 2024. Despite the Group's assessment of cyber risk remaining consistent, consideration of and mitigation of cyber threats is fundamental to our activities. The Group continues to invest heavily in this area, particularly in key controls around data loss prevention and vulnerability management. Ongoing cyber risk assessment is undertaken and is fully embedded in the Group's approach to transformation activity, with cyber risk mitigation remaining a key driver of activities such as technology strategy including extending the use of AI enabled applications and the corporate insurance programme. Recruitment challenges seen previously have eased during the period and retention rates for employees remain generally stable. Maintaining a skilled and engaged workforce is a priority and the Group's continues to assess and invest in our people. The Group is cognisant that wider cost-of-living challenges still exist, and inflationary pressures are a feature of the economic landscape. The Group therefore continues to assess the potential that these may manifest themselves as heightened risk exposures across key operational risk categories, such as financial crime. However, the Group actively assesses its resource profile and capabilities to ensure resources are deployed appropriately to manage any associated risks. Regulatory compliance expectations continue to rise, and the Group is committed to ensuring that we remain compliant in our operational activities. The Group engages on an ongoing basis with our regulators to ensure that it is well placed to address any particular areas of focus albeit as expectations increase, gaps may be identified which will need addressing to reduce inherent exposures. Strategic transformation remains a priority focus. The automation and efficiencies that these initiatives bring will support more effective operational risk management in the longer term. However, it is recognised that significant change can exacerbate operational strains in the short term. Potential for such issues is being carefully managed through robust governance and oversight as exemplified in the delivery of Spring. Therefore, the volume of transformative activity throughout the year is not considered to have adversely affected the assessment of our operational risk profile Operational risks are diverse in nature with the operating environment constantly evolving through dynamic technologies and the changing external landscape. Despite these challenges the Group continues to maintain a robust control environment with operational risk related losses remaining at comparable levels to previous years, and the business has therefore seen no material adverse changes to its operational risk profile during the year.

DIRECTORS' REPORT

The directors present their Annual Report prepared in accordance with Schedule 7 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 and the audited Financial Statements of Paragon Finance PLC, a company registered in England and Wales with registration no: 01917566, for the year ended 30 September 2025.

DIRECTORS

The directors who served during the year and subsequently were:

N S Terrington

R J Woodman

K G Allen

Z Khan

RESEARCH AND DEVELOPMENT

During the year, the Company undertook certain projects to develop its IT capabilities which met the definition of research and development set out in the guidelines issued by the Department of Business Innovation and Skills. Claims in respect of these activities were made in the Company's tax returns. The amounts involved were modest in the context of the Company's accounts.

DIRECTORS' INDEMNITY AND INSURANCE

Under Article 161 of the Articles, the Company has qualifying third party indemnity provisions for the benefit of its directors, for the purposes of section 234 of the Companies Act 2006, which were in place throughout the year, and which remain in force at the date of this report, in the form of directors' and officers' liability insurance. The directors' and officers' liability insurance covers directors of all of the Company's subsidiary entities.

AUDITOR

The directors have taken all reasonable steps to make themselves and the Company's auditor, KPMG LLP, aware of any information needed in preparing the audit of the Annual Report and Financial Statements for the year, and, as far as each of the directors is aware, there is no relevant audit information of which the auditor is unaware.

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

The directors of the Group, having considered the requirements for rotation of auditors after 10 years of service from KPMG LLP, conducted an audit tender process during the financial year. Deloitte LLP were selected as a result of this process, and have expressed their willingness to take office.

Having regard to the benefits of all Group entities sharing the same auditor, the directors resolved that Deloitte LLP should also be appointed as auditor of the Company and a resolution for the appointment of Deloitte LLP as the auditors of the Company in place of KPMG LLP is to be proposed at the forthcoming Annual General Meeting.

DIRECTORS' REPORT (CONTINUED)

INFORMATION PRESENTED IN OTHER SECTIONS

Certain information required to be included in a directors' report by the Companies Act 2006 and regulations made there under can be found in the other sections of the Annual Report, as described below. All of the information presented in these sections is incorporated by reference into this Directors' Report and is deemed to form part of this report.

- Commentary on the likely future developments in the business of the Company is included in the Strategic Report.
- A description of the Company's financial risk management objectives and policies, and its exposure to risks arising from its use of financial instruments are set out in note 23 to the accounts.
- Information concerning the employment of disabled persons and the involvement of employees in the business is given in the Strategic report.
- Disclosure on any dividends paid during the year is included in the Strategic Report.

Approved by the Board of Directors

and signed on behalf of the Board

K G Allen

Director

23 January 2026

Registered Office: 51 Homer Road, Solihull, West Midlands, B91 3QJ

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Annual Report and the Company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

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

- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable, relevant and reliable
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are 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, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a Strategic Report and Directors' Report that complies with that law and those regulations.

Responsibility statement of the directors in respect of the annual financial report

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company

- the strategic report includes a fair review of the development and performance of the business and the position of the issuer, together with a description of the principal risks and uncertainties that they face

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS (CONTINUED)

We consider the annual report and financial statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

Approved by the Board of Directors and signed on behalf of the Board.

K G Allen

Director

23 January 2026

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF PARAGON FINANCE PLC

Opinion

We have audited the financial statements of Paragon Finance PLC ("the Company") for the year ended 30 September 2025 which comprise the profit and loss account, statement of comprehensive income, balance sheet, statement of movements in equity and related notes, including the accounting policies in note 25.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 September 2025 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the Company's business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ('fraud risks') we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors as to whether they have knowledge of any actual, suspected or alleged fraud, and inspection of policy documentation as to the high-level policies and procedures of Paragon Banking Group plc ('the Group', of which the Company is a part) to prevent and detect fraud, including the Internal Audit function, and the Group's internal channel for 'whistleblowing'.
- Reading Board minutes.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because the revenue streams are considered non-complex and require limited judgement.

We did not identify any additional fraud risks.

We performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. This included searching for those posted and approved by the same user, journals posted to seldom used accounts, unbalanced journal postings and those including specific descriptors, and testing any journal entries identified where applicable;
- Assessing whether the judgements made in making accounting estimates are indicative of a potential bias.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the directors and other management (as required by auditing standards), and discussed with the directors and other management, the policies and procedures regarding compliance with laws and regulations.

As the Company is regulated, our assessment of risks involved gaining an understanding of the control environment including the Company's procedures for complying with regulatory requirements.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably. Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies' legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the Company's licence to operate. We identified the following areas as those most likely to have such an effect: conduct, money laundering and financial crime and certain aspects of company legislation recognising the financial and regulated nature of the Company's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 21, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are fr ee from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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

Adam Fryer

Adam Fryer (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

1 Sovereign Square
Sovereign Street
Leeds
LS1 4DA

23 January 2026

PROFIT AND LOSS ACCOUNT

YEAR ENDED 30 SEPTEMBER 2025

	Note	2025 £000	2025 £000	2024 £000	2024 £000
Interest receivable and similar income	2	2,237		7,428	
Interest payable and similar charges	3	(655)		(4,160)	
Net interest income			1,582		3,268
Other leasing income	4	466		334	
Related costs	4	(370)		(274)	
Net leasing income		96		60	
Other income	5	191,185		188,265	
Other operating income			191,281		188,325
Total operating income			192,863		191,593
Operating expenses			(180,297)		(179,484)
Provision for losses	6		(1,533)		34
Operating profit, being profit on ordinary activities before taxation	7		11,033		12,143
Tax on profit on ordinary activities	8		(2,703)		(4,138)
Profit on ordinary activities after taxation			8,330		8,005

All activities derive from continuing operations.

STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 30 SEPTEMBER 2025

	Note	2025 £000	2024 £000
Profit for the year		8,330	8,005
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Actuarial (loss) / gain on pension fund	22	(1,419)	7,230
Deferred tax on actuarial (loss) / gain	22	201	(1,808)
Other comprehensive income for the year net of tax		(1,218)	5,422
Total comprehensive income for the year		7,112	13,427

BALANCE SHEET

30 SEPTEMBER 2025

	Note	2025 £000	2025 £000	2024 £000	2024 £000
FIXED ASSETS					
Intangible assets	9	8,815		7,981	
Property, plant and equipment	10	8,401		9,594	
Investments – group companies	12	-		-	
			17,216		17,575
Retirement benefit obligations	22		23,476		22,200
CURRENT ASSETS					
Debtors falling due within one year	13	140,661		154,797	
Cash at bank		-		-	
			140,661		154,797
TOTAL ASSETS			181,353		194,572
Called up share capital	15	76,164		76,164	
Profit and loss account		50,491		71,509	
TOTAL EQUITY			126,655		147,673
CREDITORS					
Amounts falling due within one year	16	51,249		42,246	
Amounts falling due after more than one year	16	3,449		4,653	
TOTAL LIABILITIES			54,698		46,899
TOTAL LIABILITIES AND EQUITY			181,353		194,572

These Financial Statements were approved by the Board of Directors on 23 January 2026.

Signed on behalf of the Board of Directors

K G Allen

Director

STATEMENT OF MOVEMENTS IN EQUITY

YEAR ENDED 30 SEPTEMBER 2025

	Share capital £000	Profit and loss account £000	Total equity £000
Total comprehensive income for the year			
Profit for the year	-	8,330	8,330
Other comprehensive income	-	(1,218)	(1,218)
Total comprehensive income for the year	-	7,112	7,112
Transactions with owners			
Dividend	-	(30,000)	(30,000)
Tax on share based remuneration	-	1,870	1,870
Total Transactions with owners	-	(28,130)	(28,130)
Net movement in equity in the year	-	(21,018)	(21,018)
Opening equity	76,164	71,509	147,673
Closing equity	76,164	50,491	126,655

YEAR ENDED 30 SEPTEMBER 2024

	Share capital £000	Profit and loss account £000	Total equity £000
Total comprehensive income for the year			
Profit for the year	-	8,005	8,005
Other comprehensive income	-	5,422	5,422
Total comprehensive income for the year	-	13,427	13,427
Transactions with owners			
Dividend	-	(30,000)	(30,000)
Tax on share based remuneration	-	4,084	4,084
Total Transactions with owners	-	(25,916)	(25,916)
Net movement in equity in the year	-	(12,489)	(12,489)
Opening equity	76,164	83,998	160,162
Closing equity	76,164	71,509	147,673

NOTES TO THE ACCOUNTS

YEAR ENDED 30 SEPTEMBER 2025

1. GENERAL INFORMATION

Paragon Finance PLC ('the Company') is a company domiciled in the United Kingdom and incorporated in England and Wales under the Companies Act 2006 with company number 01917566. The address of the registered office is 51 Homer Road, Solihull, West Midlands, B91 3QJ. The nature of the Company's operations and its principal activities are set out in the Strategic Report.

These financial statements are presented in pounds sterling, which is the currency of the economic environment in which the Company operates.

The remaining notes to the accounts are organised into four sections:

- Analysis – providing further analysis and information on the amounts shown in the primary financial statements
- Employment costs – providing information on employee and key management remuneration arrangements including share schemes and pension arrangements
- Financial Risk – providing information on the Company's management of its principal financial risks
- Basis of preparation – providing details of the Company's accounting policies and of how they have been applied in the preparation of the financial statements

NOTES TO THE ACCOUNTS - ANALYSIS

YEAR ENDED 30 SEPTEMBER 2025

The notes set out below give more detailed analysis of the balances shown in the primary financial statements and further information on how they relate to the operations, results and financial position of the Company.

2. INTEREST RECEIVABLE AND SIMILAR INCOME

	2025 £000	2024 £000
On loans to related parties	171	221
On loan notes issued by related parties	-	6,444
Interest on deposits	1	1
Other interest receivable	911	-
Total interest on financial assets	1,083	6,666
On pension scheme assets (note 22)	1,154	762
	2,237	7,428

The above amounts relate to:

	2025 £000	2024 £000
Financial assets held at amortised cost	1,083	6,666
Other items	1,154	762
	2,237	7,428

3. INTEREST PAYABLE AND SIMILAR CHARGES

	2025 £000	2024 £000
Other finance charges	-	93
On loans from parent undertaking	393	3,792
On loans from related parties	-	7
Total interest on financial liabilities	393	3,892
Discounting on lease liabilities	262	268
	655	4,160

The above amounts relate to:

	2025 £000	2024 £000
Financial liabilities held at amortised cost	393	3,892
Other items	262	268
	655	4,160

NOTES TO THE ACCOUNTS - ANALYSIS

YEAR ENDED 30 SEPTEMBER 2025

4. NET OPERATING LEASE INCOME

	Note	2025 £000	2024 £000
Operating lease rentals		466	334
Depreciation of lease assets	10	(370)	(274)
Net operating lease income		96	60

5. OTHER INCOME

	2025 £000	2024 £000
Loan account fee income	1	(6)
Insurance income	3	4
Administration fees	5,951	4,964
Gain on disposal of fixed assets	52	-
Costs recharged to other group companies	185,178	183,303
	191,185	188,265

Administration fees are in respect of income receivable from various special purpose vehicle ('SPV') companies within the group which own mortgage and loan assets administered by the Company. Further details are given in note 11.

All loan account fee income arises from financial assets held at amortised cost.

6. PROVISIONS FOR LOSSES

	2025 £000	2024 £000
Release of provision		
Salvage recoveries	(12)	(34)
Loans to related parties	1,545	-
	1,533	(34)

7. OPERATING PROFIT, BEING PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	2025 £000	2024 £000
Operating profit is after charging:		
Amortisation of intangible assets (note 9)	1,760	944
Depreciation on operating assets (note 10)	2,698	4,774
Auditor remuneration - audit services	157	149

NOTES TO THE ACCOUNTS - ANALYSIS

YEAR ENDED 30 SEPTEMBER 2025

7. OPERATING PROFIT, BEING PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION (CONTINUED)

Non-audit fees provided to the Group are disclosed in the accounts of the Group, No non audit services have been provided to the Company.

8. TAX ON PROFIT ON ORDINARY ACTIVITIES

a) Tax charge for the year

	2025 £000	2024 £000
Current tax:		
Corporation tax	2,352	1,988
Adjustment in respect of prior periods	(158)	(147)
Total current tax	2,194	1,841
Deferred tax (note 14):		
Origination and reversal of timing differences	1,007	2,608
Adjustment in respect of prior periods	(498)	(311)
Total deferred tax	509	2,297
	2,703	4,138

b) Factors affecting the tax charge for the year

	2025 £000	2024 £000
Profit before tax	11,033	12,143
UK corporation tax at 25% (2024: 25%) based on the profit for the year	2,758	3,036
Effects of:		
Tax exempt expenses	500	133
Timing differences	101	1,427
Prior year charge	(656)	(458)
	2,703	4,138

The standard rate of corporation tax in the UK applicable to the Company in the year was 25.0% (2024: 25.0%), based on legislation enacted at the year end.

NOTES TO THE ACCOUNTS - ANALYSIS

YEAR ENDED 30 SEPTEMBER 2025

9. INTANGIBLE ASSETS

	Computer software £000	Total £000
Cost		
At 1 October 2024	22,186	22,186
Additions	2,594	2,594
Disposals	-	-
At 30 September 2025	24,780	24,780
Accumulated amortisation		
At 1 October 2024	14,205	14,205
Charge for the year	1,760	1,760
On disposals	-	-
At 30 September 2025	15,965	15,965
Net book value		
At 30 September 2025	8,815	8,815
At 30 September 2024	7,981	7,981

NOTES TO THE ACCOUNTS - ANALYSIS

YEAR ENDED 30 SEPTEMBER 2025

10. PROPERTY, PLANT AND EQUIPMENT

	Leased assets £000	Land and buildings £000	Plant and machinery £000	Total £000
Cost				
At 1 October 2024	1,076	15,145	11,876	28,097
Additions	468	197	1,786	2,451
Disposals	(113)	(120)	(2,123)	(2,356)
At 30 September 2025	1,431	15,222	11,539	28,192
Accumulated depreciation				
At 1 October 2024	357	9,518	8,628	18,503
Charge for the year	370	1,146	1,552	3,068
On disposals	(57)	(120)	(1,603)	(1,780)
At 30 September 2025	670	10,544	8,577	19,791
Net book value				
At 30 September 2025	761	4,678	2,962	8,401
At 30 September 2024	719	5,627	3,248	9,594

NOTES TO THE ACCOUNTS - ANALYSIS

YEAR ENDED 30 SEPTEMBER 2025

10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The carrying values of right of use of assets, in respect of leases where the Company is the lessee, included in tangible fixed assets are set out below.

	Leased assets £000	Land and buildings £000	Plant and machinery £000	Total £000
Cost				
At 1 October 2024	1,076	10,544	2,740	14,360
Additions	468	197	1,195	1,860
Disposals	(113)	(120)	(1,570)	(1,803)
At 30 September 2025	1,431	10,621	2,365	14,417
Accumulated depreciation				
At 1 October 2024	357	6,654	1,177	8,188
Charge for the year	370	914	805	2,089
On disposals	(57)	(120)	(1,054)	(1,231)
At 30 September 2025	670	7,448	928	9,046
Net book value				
At 30 September 2025	761	3,173	1,437	5,371
At 30 September 2024	719	3,890	1,563	6,172

11. SECURITISATIONS

As part of the Group's financing arrangements, Group companies have sold portfolios of mortgages or other loans to a number of other group companies referred to as 'special purpose vehicles' or SPVs.

The SPVs have issued securities which are secured on the assets acquired, to finance the purchase of those assets. In each case the Company has met its front end expenses which will be recovered over time.

The Company has entered into agreements with the SPVs under which it administers and manages the assets purchased by those companies. Other than its responsibilities with regard to these arrangements and the warranties given in the mortgage sale agreements, the Company has no commitment to repurchase the assets acquired by the SPVs or invest further in the SPVs and has no other liability in respect thereof.

Following the Group's disposal of its residual interest in the Paragon Mortgages (No. 12) PLC securitisation in June 2019, the external securitisation borrowings remain in place with their terms unchanged and the Company continues to act as administrator, for which it charges a fee. It has no other exposure to the profitability of the deal, no exposure to credit risk, other than on the recoverability of its quarterly fee, and no obligation to make further contribution to the entity.

NOTES TO THE ACCOUNTS - ANALYSIS

YEAR ENDED 30 SEPTEMBER 2025

11. SECURITISATIONS (CONTINUED)

The Company has identified the following transactions which are required to be disclosed under the terms of IAS 24 - 'Related Party Disclosures' ('IAS 24').

Transactions with Paragon Mortgages (No. 27) PLC ('PM27')

During the year the Company acted as servicer of the mortgages for PM27, a company under common control as defined by IAS 24, and earned £1,091,000 (2024: £1,265,000) in servicing fees. At the balance sheet date, PM27 owed £254,000 (2024: £313,000) to the Company in relation to servicing fees, which is included in prepayments and accrued income.

At the balance sheet date, the Company was owed £114,000 (2024: £391,000) from PM27 in relation to payments made on behalf of PM27, which is included in other debtors.

The Company is the Fee Letter provider to PM27 which is repaid over a four-year period. At the balance sheet date, the outstanding Fee Letter was £96,000 (2024: £391,000), which is included in the balance above. During the year the Company earned £19,000 (2024: £47,000) in Fee letter interest and at the balance sheet date PM27 owed £2,000 (2024: £7,000) in relation to Fee Letter interest, which is included in prepayments and accrued income.

Transactions with Paragon Mortgages (No. 28) PLC ('PM28')

During the year the Company acted as servicer of the mortgages for PM28, a company under common control as defined by IAS 24, and earned £1,165,000 (2024: £1,226,000) in servicing fees. At the balance sheet date, PM28 owed £87,000 (2024: £99,000) to the Company in relation to servicing fees, which is included in prepayments and accrued income.

At the balance sheet date, the Company was owed £83,000 (2024: £335,000) from PM28 in relation to payments made on behalf of PM28, which is included in other debtors.

The Company is the Fee Letter provider to PM28 which is repaid over a four-year period. At the balance sheet date, the outstanding Fee Letter was £78,000 (2024: £335,000), which is included in the balance above. During the year the Company earned £20,000 (2024: £45,000) in Fee letter interest and at the balance sheet date PM28 owed £nil (2024: £1,000) in relation to Fee Letter interest, which is included in prepayments and accrued income.

Transactions with Paragon Mortgages (No. 29) PLC ('PM29')

During the year the Company acted as servicer of the mortgages for PM29, a company under common control as defined by IAS 24, and earned £1,772,000 (2024: £1,633,000) in servicing fees. At the balance sheet date, PM29 owed £147,000 (2024: £147,000) to the Company in relation to servicing fees, which is included in prepayments and accrued income.

At the balance sheet date, the Company was owed £1,545,000 (2024: £1,435,000) from PM29 in relation to payments made on behalf of PM29. Following a review of the expected future cash flows arising on this balance in the current year, it was concluded that it was likely to be insufficient to repay this balance in full and a credit impairment provision was made in full in 2025. The balance for 2024 is included in other debtors.

The Company is the Fee Letter provider to PM29 which is repaid over a four-year period. At the balance sheet date, the outstanding Fee Letter was £1,328,000 (2024: £1,328,000), which is included in the balance above. During the year the Company earned £105,000 (2024: £107,000) in Fee letter interest and at the balance sheet date PM29 owed £4,000 (2024: £107,000) in relation to Fee Letter interest, which is included in prepayments and accrued income.

NOTES TO THE ACCOUNTS - ANALYSIS

YEAR ENDED 30 SEPTEMBER 2025

12. INVESTMENTS - GROUP COMPANIES

	2025 £000	2024 £000
At 1 October 2024	-	96,314
Investment during the year	-	-
Repayment of FRNs	-	(96,314)
At 30 September 2025	-	-

The investments include investments in mortgage-backed floating rate notes amounting to £nil (2024: £nil) which were issued by Group companies not subsidiaries of the Company.

During the preceding year Paragon Mortgages (No. 26) PLC repaid all of the outstanding mortgage-backed floating rate notes.

The company mentioned above is an SPV. These companies were established and controlled by entities in common control with the Company to purchase pools of mortgage assets.

The investments were denominated in sterling and were considered to be debt investments as defined by IFRS. The underlying assets were mortgage loans made to United Kingdom borrowers. The Company was under no obligation to make any contribution to the SPV and its maximum loss was limited to the carrying value of the investment.

The Company itself is a wholly-owned subsidiary and, therefore, no consolidated accounts have been prepared.

NOTES TO THE ACCOUNTS - ANALYSIS

YEAR ENDED 30 SEPTEMBER 2025

13. DEBTORS

	2025 £000	2024 £000
Amounts falling due within one year:		
Amounts due from group companies	37,020	46,613
Current tax assets	82,438	86,333
Deferred tax assets (note 14)	2,798	2,880
Other debtors	17,763	18,399
Sundry financial assets	140,019	154,225
Prepayments and accrued income	642	572
	140,661	154,797

Included in the amount due from group companies is £34,840,000 (2024: £25,155,000) which is interest bearing.

14. DEFERRED TAX

The movements in the net asset for deferred tax are as follows:

	2025 £000	2024 £000
Balance at 1 October 2024	2,880	3,954
Credit / (charge) to reserves retirement benefit obligation	201	(1,808)
Credit to reserves share base payment	226	3,031
Profit and loss charge (note 8)	(1,007)	(2,608)
Prior year profit and loss credit (note 8)	498	311
Balance at 30 September 2025	2,798	2,880

The net deferred tax asset recognised is analysed as follows:

	2025 £000	2024 £000
Accelerated tax depreciation	(1,333)	(1,333)
Retirement benefit obligations	(5,869)	(5,550)
Share based payments	9,696	9,699
Other timing differences	304	64
Net deferred tax asset	2,798	2,880

NOTES TO THE ACCOUNTS - ANALYSIS

YEAR ENDED 30 SEPTEMBER 2025

15. CALLED UP SHARE CAPITAL

	2025 £000	2024 £000
Allotted:		
101,552,255 ordinary shares of 75p each	76,164	76,164

16. CREDITORS

	2025 £000	2024 £000
Amounts falling due within one year:		
Bank loan and overdrafts	476	359
Amounts due to parent undertaking	2,805	2,111
Amounts due to group companies	10,905	486
Other creditors	38	40
Accruals and deferred income	34,738	36,545
Lease payables (note 17)	2,287	2,705
	51,249	42,246

The amounts due to parent undertaking are interest bearing and included in the amount due to group companies is £10,597,000 (2024: £nil) which is interest bearing.

	2025 £000	2024 £000
Amounts falling due after one year:		
Lease payables (note 17)	3,449	4,653
	3,449	4,653

17. LEASE PAYABLES

The Company's lease liabilities arise under the leasing arrangements described in note 18. Related right of use assets are shown in note 10.

	2025 £000	2024 £000
Leasing Liabilities fall due		
In more than five years	-	-
In more than two but less than five years	1,928	2,676
In more than one year but less than two years	1,521	1,977
In more than one year (note 16)	3,449	4,653
In less than one year (note 16)	2,287	2,705
	5,736	7,358

NOTES TO THE ACCOUNTS - ANALYSIS

YEAR ENDED 30 SEPTEMBER 2025

18. LEASING ARRANGEMENTS

As Lessor

The Company leases green motor vehicles to its employees under a salary sacrifice scheme.

Disclosures relating to these balances are set out in these financial statements as follows.

Disclosure	**Note**
Assets leased under operating leases	10
Operating lease income	4

The undiscounted future minimum lease payments receivable by the Group under operating lease arrangements may be analysed as follows:

	2025	**2024**
	£000	**£000**
Amounts falling due:		
Within one year	483	376
Within one to two years	324	337
Within two to three years	143	159
Within three to four years	28	41
Within four to five years	2	3
After more than five years	-	-
	980	916

As Lessee

The Company's use of leases as a lessee, relates to the rent of an office building(s) and company cars. Under IFRS 16 these have been accounted for as right of use assets and corresponding lease liabilities under IFRS 16.

The average term of the current building leases from inception is 10 years (2024: 8 years) with rents subject to review every five years, while the average term of the vehicle leases and office equipment is 4 years (2024: 4 years).

Disclosures relating to these leases are set out in these financial statements as follows.

Disclosure	**Note**
Depreciation on right of use assets	4 and 7
Interest expense on lease liabilities	3
Additions to right of use assets	10
Carrying amount of right of use assets	10

Salary sacrifice amounts of £0.5m (2024: £0.3m) in respect of the green car scheme are included within operating lease income (note 4). There was no other subleasing of right of use assets and the total cash flows relating to leasing as a lessee were £3.0m (2024: £3.0m).

NOTES TO THE ACCOUNTS - ANALYSIS

YEAR ENDED 30 SEPTEMBER 2025

19. RELATED PARTY TRANSACTIONS

Related party transactions are discussed in note 11.

NOTES TO THE ACCOUNTS – EMPLOYMENT COSTS

YEAR ENDED 30 SEPTEMBER 2025

The notes set out below give information on the Company's employment costs, including the disclosures on share-based payments and pension schemes required by accounting standards.

20. DIRECTORS AND EMPLOYEES

a) Directors

Two of the directors during the period (2024: two) were also directors of the parent company, Paragon Banking Group PLC. Their remuneration is set out in the Directors' Remuneration Report of Paragon Banking Group PLC. No amounts in respect of their emoluments are included in the disclosures below.

	2025 £000	2024 £000
Directors' emoluments:		
Other emoluments	1,078	1,070
	1,078	1,070
Pension contributions paid in respect of directors	40	21
Emoluments of the highest paid director:		
Excluding pension contributions	728	716
Pension contributions	-	-
	728	716

The number of directors during the year to whom retirement benefits were accruing under money purchase schemes was one (2024: one). The number of the directors during the year in respect of whose service shares were received or receivable under the Group's long-term incentive schemes was four (2024: four) two of whom are directors of the parent company (2024: two). Three of these directors (2024: four), not including the highest paid director exercised awards during the year.

NOTES TO THE ACCOUNTS – EMPLOYMENT COSTS

YEAR ENDED 30 SEPTEMBER 2025

20. DIRECTORS AND EMPLOYEES (CONTINUED)

b) Employees

The average number of persons (including directors) employed by the Company during the year was 1,400 (2024: 1,444). The costs incurred during the year in respect of these employees were:

	2025	2025	2024	2024
	£000	£000	£000	£000
Share based remuneration	8,086		9,237	
Other wages and salaries	87,802		86,919	
Total wages and salaries		95,888		96,156
National insurance on share based remuneration	2,172		3,348	
Other social security costs	11,138		10,133	
Total social security costs		13,310		13,481
Defined benefit pension cost	357		379	
Other pension costs	4,987		4,839	
Total pension costs		5,344		5,218
Total staff costs		114,542		114,855

Details of the pension schemes operated by the Company are given in note 22.

NOTES TO THE ACCOUNTS – EMPLOYMENT COSTS

YEAR ENDED 30 SEPTEMBER 2025

21. SHARE BASED REMUNERATION

During the year the Company had various share based payment arrangements with employees. They are accounted for by the Company as shown below. The effect of the share based payment arrangements on the Company's profit is shown in note 20.

A summary of the number of share awards outstanding under each scheme at 30 September 2025 and at 30 September 2024 is set out below.

		Number 2025	Number 2024
(a)	Sharesave Plan	2,131,919	2,578,757
(b)	Performance Share Plan	5,548,784	5,939,690
(c)	Company Share Option Plan	19,251	32,940
(d)	Deferred Bonus Plan	171,057	493,208
(e)	Restricted Stock Units	338,322	382,483
		8,209,333	9,427,078

Following the year end, the Remuneration Committee agreed the amounts of variable remuneration in respect of the year to be satisfied in the form of share-based awards. These awards will be granted, following the approval of these accounts, based on the amounts approved and market pricing data of the date of grant.

(a) Sharesave plan

The Group operates an All Employee Share Option ('Sharesave') plan. Grants under this scheme vest, in the normal course, after the completion of the appropriate service period and subject to a savings requirement.

A reconciliation of movements in the number and weighted average exercise price of Sharesave options over £1 ordinary shares during the year ended 30 September 2025 and the year ended 30 September 2024 is shown below.

	2025 Number	2025 Weighted average exercise price p	2024 Number	2024 Weighted average exercise price P
Options outstanding				
At 1 October 2024	2,578,757	408.97	3,077,077	365.76
Granted in the year	410,464	754.80	370,565	603.20
Exercised or surrendered in the year	(684,477)	351.49	(653,069)	320.99
Lapsed during the year	(172,825)	459.29	(215,816)	392.52
At 30 September 2025	2,131,919	489.90	2,578,757	408.98
Options exercisable	241,002	329.04	69,931	409.80

The weighted average remaining contractual life of options outstanding at 30 September 2025 was 26.0 months (2024: 29.1 months). The weighted average market price at exercise for share options exercised in the year was 851.83p (2024: 663.87p).

NOTES TO THE ACCOUNTS – EMPLOYMENT COSTS

YEAR ENDED 30 SEPTEMBER 2025

21. SHARE BASED REMUNERATION (CONTINUED)

(a) Sharesave plan (continued)

Options are outstanding under the Sharesave plans to purchase ordinary shares as follows:

Grant date	Period exercisable	Exercise price	Number 2025	Number 2024
30/07/2019	01/09/2024 to 01/03/2025	360.16p	-	832
29/07/2020	01/09/2023 to 01/03/2024	278.56p	-	6,461
29/07/2020	01/09/2025 to 01/03/2026	278.56p	132,991	400,804
28/07/2021	01/09/2024 to 01/03/2025	424.00p	-	62,638
28/07/2021	01/09/2026 to 01/03/2027	424.00p	48,318	48,671
27/07/2022	01/09/2025 to 01/03/2026	391.20p	108,011	485,510
27/07/2022	01/09/2027 to 01/03/2028	391.20p	81,580	93,388
15/09/2023	01/10/2026 to 01/04/2027	400.40p	875,404	925,076
15/09/2023	01/10/2028 to 01/04/2029	400.40p	163,034	188,287
31/07/2024	01/09/2027 to 01/03/2028	603.20p	277,856	306,609
31/07/2024	01/09/2029 to 01/03/2030	603.20p	41,521	60,481
31/07/2025	01/09/2028 to 01/03/2029	754.80p	333,955	-
31/07/2025	01/09/2030 to 01/03/2031	754.80p	69,249	-
			2,131,919	2,578,757

An option holder has the legal right to a payment holiday of up to twelve months without forfeiting their rights. In such cases the exercise period would be deferred for an equivalent period of time and therefore options might be exercised later than the date shown above.

In the event of the death or redundancy of the employee the exercise period may start or end later than stated above (options may be exercised up to twelve months after the holder's decease). Awards lapse on cessation of employment, other than in 'good leaver' circumstances.

The fair value of options granted is determined using a trinomial model. Details of the awards made in the year ended 30 September 2025 and the year ended 30 September 2024, are shown below.

Grant date	**31/07/25**	**31/07/25**	**31/07/24**	**31/07/24**
Number of awards granted	340,395	70,069	309,037	61,528
Market price at date of grant	905.5p	905.5p	804.0p	804.0p
Contractual life (years)	3.5	5.5	3.5	5.5
Fair value per share at date of grant (£)	1.89	1.89	1.88	1.95
Inputs to valuation model				
Expected volatility	29.47%	30.88%	29.02%	35.97%
Expected life at grant date (years)	3.44	5.43	3.43	5.41
Risk-free interest rate	3.82%	4.03%	3.78%	3.71%
Expected annual dividend yield	4.51%	4.51%	4.93%	4.93%
Expected annual departures	5.00%	5.00%	5.00%	5.00%

The expected volatility of the share price used in determining the fair value for the three-year schemes is based on the annualised standard deviation of daily changes in price over the three years preceding the grant date. The five-year schemes use share price data for the preceding five years.

NOTES TO THE ACCOUNTS – EMPLOYMENT COSTS

YEAR ENDED 30 SEPTEMBER 2025

21. SHARE BASED REMUNERATION (CONTINUED)

(b) Paragon Performance Share Plan ('PSP')

PSP awards are made annually to executive directors and other senior employees as part of their variable remuneration. The grantees, and the values of their grants, are approved by the Remuneration Committee.

These awards are the principal means of delivering deferred variable remuneration to executive directors and Material Risk Takers ('MRTs') in accordance with regulatory remuneration requirements, although these are not the only employees to receive such awards.

Awards under this plan comprise a right to acquire ordinary shares in the Company for nil or nominal payment and are subject to performance criteria measured over a three year period beginning with the financial year including the date of grant (the 'test period').

Awards vest on the date on which the Remuneration Committee determines the extent to which the performance conditions have been satisfied. For employees, other than the executive directors and other employees identified as MRTs for regulatory purposes, awards may be exercised from the vesting date to the day before the tenth anniversary of the grant date.

Executive directors' awards made in 2020 and 2021 are exercisable from the time of the Group's fifth results announcement after the date of the grant to the day before the tenth anniversary of the grant date.

Vested awards made to the executive directors and other MRTs in December 2022, December 2023 and December 2024 become exercisable in annual instalments between the end of the test period and the seventh anniversary of the grant date. The maximum deferral period is based on the regulatory classification of the individual MRT. The latest possible exercise date is the day before the tenth anniversary of the grant date.

Where performance conditions are not met in full, awards lapse at the point at which the determination is made. Awards will also lapse on cessation of employment during the test period, other than in 'good leaver' circumstances. Malus and clawback provisions apply to awards granted under the PSP as detailed in the Directors' Remuneration Policy.

NOTES TO THE ACCOUNTS – EMPLOYMENT COSTS

YEAR ENDED 30 SEPTEMBER 2025

21. SHARE BASED REMUNERATION (CONTINUED)

(b) Paragon Performance Share Plan ('PSP') (continued)

The conditional entitlements outstanding under this scheme at 30 September 2025 and 30 September 2024 were:

Grant date	Period exercisable	Number 2025	Number 2024
18/12/2014	18/12/2017 to 17/12/2024 †	-	1,465
22/12/2015	22/12/2018 to 21/12/2025 †	-	1,899
01/12/2016	01/12/2019 to 30/11/2026 †	21,853	26,406
08/12/2017	03/12/2020 to 07/12/2027 †	12,995	15,664
14/12/2018	14/12/2021 to 13/12/2028 †	23,074	33,883
06/07/2020	06/12/2022 to 05/07/2030 †	36,276	47,784
06/07/2020	03/12/2024 to 05/07/2030 †	-	474,210
11/12/2020	06/12/2023 to 10/12/2030 †	43,725	85,512
11/12/2020	03/12/2025* to 10/12/2030 †	371,859	371,859
15/12/2021	15/12/2024 to 14/12/2031 λ	63,888	1,030,106
15/12/2021	15/12/2026 to 14/12/2031 λ	339,936	339,936
16/12/2022	16/12/2025 to 15/12/2032 χ	915,111	927,038
16/12/2022	16/12/2026 to 15/12/2032 χ	246,641	259,233
16/12/2022	16/12/2027 to 15/12/2032 χ	255,388	268,683
16/12/2022	16/12/2028 to 15/12/2032 χ	134,193	148,229
16/12/2022	16/12/2029 to 15/12/2032 χ	141,691	156,513
15/12/2023	15/12/2026 to 14/12/2033 ϕ	886,224	897,767
15/12/2023	15/12/2027 to 14/12/2033 ϕ	259,513	271,818
15/12/2023	15/12/2028 to 14/12/2033 ϕ	264,244	277,361
15/12/2023	15/12/2029 to 14/12/2033 ϕ	133,310	147,294
15/12/2023	15/12/2030 to 14/12/2033 ϕ	142,121	157,030
13/12/2024	13/12/2027 to 12/12/2034 δ	679,417	-
13/12/2024	13/12/2028 to 12/12/2034 δ	193,290	-
13/12/2024	13/12/2029 to 12/12/2034 δ	197,942	-
13/12/2024	13/12/2030 to 12/12/2034 δ	90,729	-
13/12/2024	13/12/2031 to 12/12/2034 δ	95,364	-
		5,548,784	5,939,690

* Estimated date

NOTES TO THE ACCOUNTS – EMPLOYMENT COSTS

YEAR ENDED 30 SEPTEMBER 2025

21. SHARE BASED REMUNERATION (CONTINUED)

(b) Paragon Performance Share Plan ('PSP') (continued)

† These awards, which were conditional on the achievement of performance-based criteria, vested before the start of the financial year. Any reduction in entitlements resulting from the application of those criteria is reflected in the numbers above.

λ These awards were subject to performance criteria, assessed over a period of three financial years, starting with the year of grant.

- 25% to a Total Shareholder Return ('TSR') test based on a ranking of the Company's TSR against those of a comparator group of UK listed financial services companies, determined at the date of grant. This tranche vests in full for upper quartile performance, 25% vests for median performance and vesting between those points is determined on a straight line basis
- 25% to an EPS test. This tranche vests in full if basic EPS for the third year of the test period is at least 72.0p, 25% vesting if EPS in this year is 63.0p and vesting between those points on a straight line basis
- 25% to a risk test. The risk condition comprises two components. 50% of the risk element is based on an assessment by the CRO of the six key measures of the Group's risk appetite: regulatory breaches; conduct; operational risk incidents; capital and liquidity; and credit losses. The remaining 50% is based on a strategic risk assessment reflecting the management of risk as it impacts on the delivery of the Group's medium term strategy. Following the Remuneration Committee's assessment, the tranche will vest between 0% and 100%
- 12.5% of the grant is determined based on a customer service condition. This condition is based on the performance of the Group against its most significant customer service metrics including insight feedback on key product lines and complaint levels. The Remuneration Committee will determine the extent to which the condition has been met between 0% and 100%. 50% of this tranche will vest for on-target performance, below a 25% threshold no vesting will occur
- 12.5% of the grant is determined based on a people test. The people test is based on the performance of the Group against its most significant employment metrics including employee engagement, voluntary attrition and gender diversity levels. The Remuneration Committee will determine the extent to which the condition has been met between 0% and 100%. 50% of this tranche will vest for on-target performance, below a 25% threshold no vesting will occur

An 'underpin' condition also operates, such that the Remuneration Committee has to be satisfied with the Group's underlying financial performance over the performance period. An individual performance condition relating to the grantee's performance in the final financial year of the test period also applies.

NOTES TO THE ACCOUNTS – EMPLOYMENT COSTS

YEAR ENDED 30 SEPTEMBER 2025

21. SHARE BASED REMUNERATION (CONTINUED)

(b) Paragon Performance Share Plan ('PSP') (continued)

χ These awards are subject to performance criteria, similar to those described at λ above except that:

- Under the EPS condition full vesting occurs if EPS for the third year of the test period is at least 88.1p, 25% vesting if EPS in this year is 74.4p and vesting between those points on a straight line basis
- The risk condition relates to 20% of the grant, the customer service condition applies to 10% of the grant and the people condition relates to 10% of the grant
- The 25% and 50% vesting thresholds no longer apply to the customer service and people conditions
- 10% of the grant relates to a climate condition. The climate condition is based on the performance of the Group against its most significant climate-related targets, including the development of systems to quantify and manage its climate-related impacts

ϕ These awards are subject to performance criteria, similar to those described at χ above except that:

- Under the EPS condition, full vesting occurs if EPS for the third year of the test period is at least 100.0p, 25% vesting if EPS in that year is 80.0p and vesting between those points is on a straight line basis.
- The diversity element of the people condition is based on wider diversity of senior management rather than simply gender diversity
- The climate condition is based on: operational footprint emission reduction; financed emissions decarbonisation assessments; sustainable products; and education and engagement

δ These awards are subject to performance criteria, similar to those describe at ϕ above, except that:

- Under the EPS condition, full vesting occurs if EPS for the third year of the test period is at least 125.0p, 25% vesting if EPS in that year is 104.0p and vesting between those points is on a straight line basis.

On exercise, holders of awards granted between December 2014 and December 2021 receive a payment equivalent to the dividends accruing on the vested shares during the vesting period. No such payment is made in respect of awards granted at other dates.

NOTES TO THE ACCOUNTS – EMPLOYMENT COSTS

YEAR ENDED 30 SEPTEMBER 2025

21. SHARE BASED REMUNERATION (CONTINUED)

(b) Paragon Performance Share Plan ('PSP') (continued)

The fair value of awards granted under the PSP is determined using a Monte Carlo simulation model, to take account of the effect of the market based condition. Fair values are calculated separately for grant elements which became exercisable at different dates to allow for the impact of dividends. The principal inputs to this model for grants made in the year ended 30 September 2025 and the year ended 30 September 2024 are shown below:

Grant date	**13/12/24**	**15/12/23**
Market price at date of grant	777.5p	627.5p
Contractual life (years)	10.0	10.0
Expected volatility	29.59%	30.01%
Risk-free interest rate	4.02%	3.85%
Expected annual dividend yield	5.20%	5.96%

For all the above grants no departures are expected and grantees are expected to exercise awards at the earliest opportunity. The expected volatility is based on the annualised standard deviation of daily changes in price over the three years preceding the grant date. For the purposes of the valuation, non-market conditions are assumed to be achieved 100% although this is unlikely to occur in practice.

The number of awards granted and their fair values for IFRS 2 purposes are set out below

Grant date	**13/12/24**		**15/12/23**	
Time to exercise (Years)	**Number of awards**	**IFRS 2 fair value**	**Number of awards**	**IFRS 2 fair value**
3	679,417	607.64p	897,767	403.29p
4	193,290	578.88p	271,818	388.63p
5	197,942	551.94p	277,361	372.89p
6	90,729	525.96p	147,294	356.71p
7	95,364	500.98p	157,030	340.46p
	1,256,742		1,751,270	

(c) Company Share Option Plan ('CSOP')

Before its amendment at the 2023 AGM, the PSP included a tax advantaged element under which CSOP options could be granted. The CSOPs may be exercised alongside their accompanying PSPs based upon the exercise price that was set at the grant date. No new CSOP awards were made in the years ended 30 September 2025 or 30 September 2024, and the current PSP rules contain no provision to make CSOP grants.

NOTES TO THE ACCOUNTS – EMPLOYMENT COSTS

YEAR ENDED 30 SEPTEMBER 2025

21. SHARE BASED REMUNERATION (CONTINUED)

(c) Company Share Option Plan ('CSOP') (continued)

A reconciliation of movements in the number and weighted average exercise price of CSOP options over £1 ordinary shares during the year ended 30 September 2025 and the year ended 30 September 2024 is shown below.

	2025 Number	2025 Weighted average exercise price P	2024 Number	2024 Weighted average exercise price P
Options outstanding				
At 1 October 2024	32,940	390.17	56,591	402.29
Exercised or surrendered in the year	(13,689)	398.43	(23,651)	419.16
Lapsed during the year	-	-	-	-
At 30 September 2025	19,251	384.30	32,940	390.17
Options exercisable	19,251	384.30	32,940	390.17

The weighted average remaining contractual life of options outstanding at 30 September 2025 was 20.4 months (2024: 36.5 months). The weighted average market price at exercise for share options exercised in the year was 810.95p.

The entitlements outstanding under this scheme at 30 September 2025 and 30 September 2024 were:

Grant date	Period exercisable	Exercise Price	Number 2025	Number 2024
01/12/2016	01/12/2019 to 30/11/2026	361.88p	12,839	16,317
08/12/2017	08/12/2020 to 07/12/2027	477.76p	2,601	4,455
14/12/2018	14/12/2021 to 13/12/2028	396.04p	3,811	12,168
			19,251	32,940

These awards, which were conditional on the achievement of performance-based criteria, vested before the start of the financial year. Any reduction in entitlements resulting from the application of those criteria is reflected in the numbers above.

(d) Deferred Bonus awards

During the current financial year this plan has been used to defer annual bonus awards for executive directors and certain other MRTs to meet deferral levels required by regulatory remuneration rules. The plan has also been used, from time to time, to facilitate other long-term incentive arrangements.

Before the financial year ended 30 September 2023 such plans were generally used for the deferral in shares of annual bonus awards made to executive directors and certain other senior managers.

NOTES TO THE ACCOUNTS – EMPLOYMENT COSTS

YEAR ENDED 30 SEPTEMBER 2025

21. SHARE BASED REMUNERATION (CONTINUED)

(d) Deferred Bonus awards (continued)

Awards under these plans comprise a right to acquire ordinary shares in the Company for nil or nominal payment. The conditional entitlements outstanding under these plans at 30 September 2025 and 30 September 2024 were:

Grant date	Period exercisable	Number 2025	Number 2024
11/12/2020	11/12/2023 to 10/12/2030	2,160	4,223
15/12/2021	15/12/2024 to 10/12/2031	-	244,953
16/12/2022	16/12/2024 to 15/12/2032	5,320	104,089
16/12/2022	16/12/2025 to 15/12/2032	12,357	14,742
16/12/2022	16/12/2026 to 15/12/2032	13,047	15,565
16/12/2022	16/12/2027 to 15/12/2032	13,359	16,018
16/12/2022	16/12/2028 to 15/12/2032	7,968	10,775
16/12/2022	16/12/2029 to 15/12/2032	8,419	11,384
15/12/2023	15/12/2024 to 14/12/2033	-	2,712
15/12/2023	15/12/2025 to 14/12/2033	5,821	5,821
15/12/2023	15/12/2026 to 14/12/2033	16,425	16,425
15/12/2023	15/12/2027 to 14/12/2033	17,449	17,449
15/12/2023	15/12/2028 to 14/12/2033	11,139	11,139
15/12/2023	15/12/2029 to 14/12/2033	8,667	8,667
15/12/2023	15/12/2030 to 14/12/2033	9,246	9,246
13/12/2024	13/12/2025 to 12/12/2034	2,048	-
13/12/2024	13/12/2026 to 12/12/2034	2,153	-
13/12/2024	13/12/2027 to 12/12/2034	7,576	-
13/12/2024	13/12/2028 to 12/12/2034	7,964	-
13/12/2024	13/12/2029 to 12/12/2034	7,279	-
13/12/2024	13/12/2030 to 12/12/2034	6,171	-
13/12/2024	13/12/2031 to 12/12/2034	6,489	-
		171,057	493,208

Awards made to executive directors and other MRTs in December 2022 and thereafter become exercisable in annual instalments from the first anniversary of the grant to the seventh anniversary. The maximum and minimum deferral for each employee depends on the regulatory classification of the individual MRT.

Exercise arrangements for grants made to other employees in December 2022 are individually structured at the discretion of the Remuneration Committee at the point of grant.

All of these awards will lapse if the grantee ceases employment with the Group before the third anniversary of the grant date, other than in 'good leaver' circumstances.

The Deferred Bonus shares granted in 2021 and earlier years can be exercised from the third anniversary of the award date (or other vesting date determined by the Remuneration Committee) until the day before the tenth anniversary of the date of grant.

NOTES TO THE ACCOUNTS – EMPLOYMENT COSTS

YEAR ENDED 30 SEPTEMBER 2025

21. SHARE BASED REMUNERATION (CONTINUED)

(d) Deferred Bonus awards (continued)

The Deferred Bonus shares granted between December 2016 and December 2021 accrue dividends over the vesting period, unlike earlier grants which accrued dividends until the point of exercise. Awards granted in December 2022 and subsequently do not include the right to payment in lieu of dividend. The fair value of Deferred Bonus awards issued in the year was determined using a Black-Scholes Merton model and allows for these dividend arrangements.

Details of the inputs to the valuation model for awards made in the year ended 30 September 2025 and the year ended 30 September 2024 are shown below.

Grant date	**13/12/24**	**15/12/23**
Market price at date of grant	777.5p	627.5p
Expected annual dividend yield	5.20%	5.96%

No departures are expected for grantees under this plan. Grantees are assumed to exercise their awards at the earliest possible opportunity.

The number of awards granted and their fair values for IFRS 2 purposes are set out below

Grant date	**13/12/24**		**15/12/23**	
Time to exercise (Years)	**Number of awards**	**IFRS 2 fair value**	**Number of awards**	**IFRS 2 fair value**
1	2,048	738.10p	5,643	591.9p
2	2,153	700.70p	9,080	557.0p
3	7,576	666.52p	16,771	524.8p
4	7,964	631.49p	10,913	494.4p
5	7,279	599.49p	11,139	465.8p
6	6,171	569.12p	8,667	438.8p
7	6,489	540.28p	9,246	413.5p
	39,680		71,459	

NOTES TO THE ACCOUNTS – EMPLOYMENT COSTS

YEAR ENDED 30 SEPTEMBER 2025

21. SHARE BASED REMUNERATION (CONTINUED)

(e) Restricted Stock Units (‘RSU’)

The Company permitted certain employees to elect to receive RSU awards instead of PSP awards in respect of financial years between 2016 and 2022. The use of such awards is no longer part of the Group’s remuneration policy and hence no RSU awards have been made in recent years.

In addition, in the financial year ended 30 September 2022, a one-off RSU grant with a four-year vesting period was made to certain employees designated as MRTs.

For RSU awards to vest, the grantee’s personal performance must be satisfactory during the financial year preceding the vesting date. In addition, a risk based performance condition, assessed against the Group’s risk management metrics must also be met. The level to which this condition is met will be determined by the Remuneration Committee and vesting levels scaled back as appropriate.

The conditional entitlements outstanding under this scheme at 30 September 2025 and 30 September 2024 were:

Grant date	Period exercisable	Number 2025	Number 2024
15/12/2021	16/12/2024 to 15/12/2031	-	26,603
15/12/2021	07/12/2025* to 15/12/2031	338,322	355,880
		338,322	382,483

*Estimated Date

NOTES TO THE ACCOUNTS – EMPLOYMENT COSTS

YEAR ENDED 30 SEPTEMBER 2025

22. RETIREMENT BENEFIT OBLIGATIONS

(a) Defined benefit plan - Description

The Group operates a funded defined benefit pension scheme in the UK, the Paragon Pension Plan (the 'Plan'). The Plan assets are held in a separate fund, administered by a corporate trustee, to meet long-term pension liabilities to past and present employees. The Trustee of the Plan is required by law to act in the best interests of the Plan's beneficiaries and is responsible for the investment policy adopted in respect of the Plan's assets. The appointment of directors to the Trustee is determined by the Plan's trust documentation. The Group has a policy that one third of all directors of the Trustee should be nominated by active and pensioner members of the Plan.

Employee contributions and benefits

The scheme was closed to new entrants in February 2002. Employees who are members of the Plan are entitled to receive a pension of 1/60 of their final basic annual salary per year of service up to 30 June 2021. After that date further accrual is at a rate of 1/70 or 1/75 of capped final salary depending on the level of contributions. After 1 July 2021 employee contributions were either 5% or 8% of capped salary. Before that date all active members contributed at a rate of 5% of salary.

Benefits accrued before 1 July 2021 may be accessed from the age of 60 without any reduction for early payment. Benefits accruing after 1 July 2021 may be accessed without penalty from the age of 65.

Dependants of Plan members are eligible for a dependant's pension and the payment of a lump sum in the event of death in service.

Actuarial risks

The principal actuarial risks to which the Plan is exposed are:

- **Investment risk** – The present value of the defined benefit liabilities is calculated using a discount rate set by reference to high quality corporate bond yields. If plan assets underperform corporate bonds, this will reduce the surplus. The strategic allocation of assets under the Plan has been derisked and now only around 20% is invested in equity assets and diversified growth funds. In consultation with the Company, the Trustee keeps the allocation of the Plan's investments under review to manage this risk on a long-term basis

- **Interest risk –** A fall in corporate bond yields would reduce the discount rate used in valuing the Plan liabilities and increase the value of the Plan liabilities. The Plan assets would also be expected to increase, to the extent that bond assets are held, but this would not be expected to fully match the increase in liabilities, given the weighting towards equity assets and diversified growth funds noted above

- **Inflation risk –** Pensions in payment are increased annually in line with the Retail Price Index ('RPI') or the Consumer Price Index ('CPI') for Guaranteed Minimum Pensions built up since 1988. Pensions built up since 5 April 2006 are capped at 2.5% and pensions built up before 6 April 2006 are capped at 5%. For employees who have left the Company but have deferred pensions, these also revalue over the period to retirement predominantly in line with RPI. Therefore, an increase in inflation would also increase the value of the pension liabilities. The Plan assets would also be expected to increase, to the extent that they are linked to inflation, but this may not fully match the increase in liabilities

NOTES TO THE ACCOUNTS – EMPLOYMENT COSTS

YEAR ENDED 30 SEPTEMBER 2025

22. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

(a) Defined benefit plan – Description (continued)

- **Longevity risk** – The value of the Plan surplus is calculated by reference to the best estimate of the mortality rate among Plan members both during and after employment. An increase in the life expectancy of the members would reduce the surplus in the Plan
- **Salary risk** – The valuation of the Plan assumes a level of future salary increases based on the expected rate of inflation. Should the salaries of Plan members increase at a higher rate, then the surplus will be lower. For service from 1 July 2021, a 2.5% annual cap on individual pensionable salary increases applies, mitigating this risk

The risks relating to death in service payments are insured with an external insurance company.

As a result of the Plan having been closed to new entrants since February 2002, the service cost as a percentage of pensionable salaries is expected to increase as the average age of active members rises over time. However, the membership is expected to reduce so that the service cost in monetary terms will gradually reduce. The changes referred to above will also reduce this cost going forward.

Actuarial valuation and recovery plan

The most recent full actuarial valuation of the Plan's liabilities, obtained by the Trustee, was carried out at 31 March 2022, by Aon Solutions UK Limited, the Plan's independent actuary. This showed that the value of the Plan's liabilities on a buy-out basis in accordance with Section 224 of the Pensions Act 2004, the level of assets which would be required to buy insurance policies for benefits earned to the valuation date, was £195.5m, with a shortfall against the assets of £44.2m (2019: £85.0m). The deficit on the Technical Provisions Basis, the basis agreed by the Trustee as being appropriate to meet member benefits, assuming the Plan continues as a going concern, was £5.1m (2019: £18.2m). Many of the demographic assumptions used within the Technical Provisions Basis are also used within the IAS 19 valuation.

An updated valuation, as at 31 March 2025, is in progress, but was not complete at the time of signing those accounts. However, the conclusions of the early stages of the process have been incorporated in the IAS 19 valuation.

Following the agreement of the 2022 actuarial valuation, the Trustee put in place a revised recovery plan. This recovery plan was designed to ensure that the statutory funding objective was met during the 2024 financial year, but included provision for the Company to make further additional payments after that point. The recovery plan continues to include a Pension Funding Partnership ('PFP') arrangement effectively granting the Plan a first charge over the Group's head office building as security for certain payments under the plan. However, payments under the PFP are paused when the Plan reaches a prescribed funding level, and this point was reached in April 2024. No amount is included in the Plan assets in respect of the building, which remains within the Group's Property, Plant and Equipment balance but this arrangement provides the Plan with additional security in a stress event.

NOTES TO THE ACCOUNTS – EMPLOYMENT COSTS

YEAR ENDED 30 SEPTEMBER 2025

22. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

(b) Defined benefit plan – Financial impact

For accounting purposes, the valuation at 31 March 2022 was updated to 30 September 2025 in accordance with the requirements of IAS 19 (revised) by Mercer, the Group's independent consulting actuary.

The major categories of assets in the Plan at 30 September 2025 and 30 September 2024 and their fair values were:

	2025 £000	2024 £000
Cash	955	1,089
Equity instruments	22,677	21,193
Debt instruments	81,112	91,419
Total fair value of Plan assets	104,744	113,701
Present value of Plan liabilities	(81,268)	(91,501)
Surplus in the Plan	23,476	22,200

The Company has recognised the surplus as an asset at the balance sheet date as it anticipates being able to access economic benefits at least as great as the carrying value with the Company ultimately able to access any remaining surplus in the Plan once all benefits have been paid. However, such assets are eliminated from capital for regulatory purposes.

At 30 September 2025 the Plan assets were invested in a diversified portfolio that consisted primarily of debt and equity investments. These are held in the form of investments in managed funds, which are not publicly traded. The majority of the Plan's equity investments are in developed markets. During the year the Trustee has revised its investment strategy, reducing the proportion of growth assets, including equities, held by the Plan.

The Plan has a benchmark allocation at 30 September 2025 of 54% of total assets to Liability Driven Investments ('LDI') to provide hedging against inflation and interest rate risk (2024: 54%). This target was maintained at this level throughout the period (2024: 42%). The hedging provided now represents some 90% of the Plan's risks (2024: 85%), with the increased hedging protecting the current surplus position.

During October 2018, the High Court made a ruling in the Lloyds Banking Group Pension Scheme GMP ('Guaranteed Minimum Pension') equalisation case, which effectively directs defined benefit pension schemes to change their rules to equalise the benefits of male and female members for the effects of GMPs for employees who were, at one time, contracted out of state schemes. The Court did not specify a single method which schemes should employ and hence the impact of this on the Plan will not be certain until the Trustee has determined which method should be adopted and detailed calculations have been performed to evaluate the impact, as the impact on members will vary from person to person.

NOTES TO THE ACCOUNTS – EMPLOYMENT COSTS

YEAR ENDED 30 SEPTEMBER 2025

22. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

(b) Defined benefit plan – Financial impact (continued)

The estimated effect of this ruling was accounted for in the accounts of the Company for the year ended 30 September 2019 as a 'past service cost'. This estimate is based on one permissible method, 'method C2'. During the year, the Trustee, with the consent of the Company, chose to adopt an alternative approach, 'method B'. However, the accounting impact of this is likely to be minimal. Once detailed calculations are performed it is possible that the final impact may vary due to idiosyncratic impacts on individual members, or due to the development of a wider legal and accounting consensus on the proper interpretation of the courts' requirements as further cases are determined.

In June 2023, the High Court made a ruling in the case of Virgin Media, which related to the validity of changes made to a pension scheme where an actuarial certificate could not be produced. In July 2024, the Court of Appeal dismissed an appeal brought against aspects of this ruling, and the conclusions reached in this case may have consequences for other UK defined benefit plans, such as the Group's. The Group and the Trustee have identified a number of amendments made to the Plan which are within the scope of this ruling. These were investigated and the Trustee was able to conclude that there was no significant impact on the Plan. The defined benefit liability has therefore been calculated on the basis that no additional liabilities arise as a result of the Virgin Media ruling.

The movement in the fair value of the Plan assets during the year was as follows:

	2025 £000	2024 £000
At 1 October 2024	113,701	102,018
Interest on Plan assets	5,720	5,642
Cash flows		
Contributions by the Group	2,641	2,811
Contributions by Plan members	191	208
Benefits paid	(3,959)	(3,166)
Administration expenses paid	(743)	(882)
Remeasurement gain		
Return on Plan assets (excluding amounts included in interest)	(12,807)	7,070
At 30 September 2025	104,744	113,701

The actual return on Plan assets in the year ended 30 September 2025 was a loss of £7,087,000 (2024: gain of £12,712,000).

NOTES TO THE ACCOUNTS – EMPLOYMENT COSTS

YEAR ENDED 30 SEPTEMBER 2025

22. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

(b) Defined benefit plan – Financial impact (continued)

The movement in the present value of the Plan liabilities during the year was as follows:

	2025 £000	2024 £000
At 1 October 2024	91,501	89,360
Current service cost	357	379
Past service cost	-	-
Funding cost	4,566	4,880
Cash flows		
Contributions by scheme members	191	208
Benefits paid	(3,959)	(3,166)
Remeasurement (gain) / loss		
Arising from demographic assumptions	(4)	(2,388)
Arising from financial assumptions	(11,532)	3,720
Arising from experience adjustments	148	(1,492)
At 30 September 2025	81,268	91,501

The liabilities of the Plan are measured by discounting the best estimate of future cash flows to be paid out by the Plan using the Projected Unit method. This amount is reflected in the liability in the balance sheet. The Projected Unit method is an accrued benefits valuation method in which the Plan liabilities are calculated based on service up until the valuation date allowing for future salary growth until the date of retirement, withdrawal or death, as appropriate. The future service rate is then calculated as the contribution rate required to fund the service accruing over the next year again allowing for future salary growth.

Liabilities for benefits accruing for service up to 1 July 2021 are calculated separately from those accruing in respect of service after that date.

NOTES TO THE ACCOUNTS – EMPLOYMENT COSTS

YEAR ENDED 30 SEPTEMBER 2025

22. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

(b) Defined benefit plan – Financial impact (continued)

The major weighted average assumptions used by the actuary were (in nominal terms):

	2025	**2024**
In determining net pension cost for the year		
Discount rate	5.10%	5.55%
Rate of compensation increase		
Pre July 2021-accrual	3.05%	3.25%
Post 1 July 2021 accrual	2.50%	2.50%
Rate of price inflation	3.05%	3.25%
Rate of increase of pensions	2.85%	3.00%
In determining benefit obligations		
Discount rate	6.05%	5.10%
Rate of compensation increase		
Pre July 2021-accrual	3.00%	3.05%
Post 1 July 2021 accrual	2.50%	2.50%
Rate of price inflation	3.00%	3.05%
Rate of increase of pensions	2.80%	2.85%
Further life expectancy at age 60		
Male member aged 60	28	27
Female member aged 60	29	29
Male member aged 40	29	29
Female member aged 40	31	31

In the 2025 valuation the base mortality table used was the standard S4PMA/S4PFA (All) Year of Birth table, with future improvements projected by the CMI 2024 projection model with a 1.5% per annum long-term improvement rate.

In the 2024 valuation the base mortality table used was the standard S3PMA/S3PFA_M (All) Year of Birth table, with future improvements projected by the CMI 2022 projection model with a 1.5% per annum long-term improvement rate.

NOTES TO THE ACCOUNTS – EMPLOYMENT COSTS

YEAR ENDED 30 SEPTEMBER 2025

22. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

(b) Defined benefit plan – Financial impact (continued)

The amounts charged in the profit and loss account in respect of the Plan are:

	Note	2025 £000	2024 £000
Current service cost		357	379
Past service cost		-	-
Total service cost		357	379
Administration expenses		743	882
Included within operating expenses		1,100	1,261
Funding cost of Plan liabilities		4,566	4,880
Interest on Plan assets		(5,720)	(5,642)
Net interest income	2	(1,154)	(762)
Components of defined benefit costs recognised in profit and loss		(54)	499

The amounts recognised in the statement of comprehensive income in respect of the Plan are:

	2025 £000	2024 £000
Return on Plan assets (excluding amounts included in interest)	(12,807)	7,070
Actuarial gains / (losses)		
Arising from demographic assumptions	4	2,388
Arising from financial assumptions	11,532	(3,720)
Arising from experience adjustments	(148)	1,492
Total actuarial gain	(1,419)	7,230
Tax credit thereon	201	(1,808)
Net actuarial (loss) / gain	(1,218)	5,422

Of the remeasurement movements reflected above:

- The return on plan assets to 30 September 2025 reflects market performance of the Plan's investments in the year, reflecting the hedging strategy noted above. The 2024 financial year saw a recovery in values, as a result of a generally more benign global economic climate.
- Despite the adoption of revised mortality tables in the current year, the resulting demographic gain / (loss) was not significant. The gain in the 2024 financial year reflected the adoption of revised commutation factors by the Trustee.

NOTES TO THE ACCOUNTS – EMPLOYMENT COSTS

YEAR ENDED 30 SEPTEMBER 2025

22. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

(b) Defined benefit plan – Financial impact (continued)

- The change in financial assumptions in the year ended 30 September 2025 reflected the increase in the discount rate, based on bond yields, with only a small movement in market-implied inflation, based on gilt yields.

  The change in financial assumptions in the year ended 30 September 2024 reflected principally a widening of the gap between the assumed discount and inflation rates as bond yields, which fell faster than gilt yields.

- The experience adjustments in both years shown represent the impact of the difference between actual and forecast UK inflation in the year on expected benefits, with an experience loss in the current year offset by a gain in respect of member mortality experience.

(c) Defined benefit plan – Future cash flows

The sensitivity of the valuation of the defined benefit obligation to the principal assumptions disclosed above at 30 September 2025, calculating the obligation on the same basis as used in determining the IAS 19 value, is as follows:

Assumption	**Increase in assumption**	**Impact on scheme liabilities**	
		2025	**2024**
Discount rate	0.25% p.a.	3.7% decrease	3.9% decrease
Rate of inflation *	0. 25% p.a.	3.9% increase	3.9% increase
Rate of salary growth	0. 25% p.a.	0.9% increase	0.8% increase
Rates of mortality	1 year of life expectancy	1.9% increase	3.1% increase

* maintaining a 0.0% assumption for real salary growth

The rate of growth for pensions in payment primarily relates to forecast inflation rates.

The sensitivity analysis presented above may not be representative of an actual future change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation, as some of the assumptions will be correlated. There has been no change in the method of preparing the analysis from that adopted in previous years. The impacts of equivalent decreases in assumptions are broadly equal and opposite to the effects of the increases shown above.

In conjunction with the Trustee, the Group has continued to conduct asset-liability reviews of the Plan. These studies are used to assist the Trustee and the Group to determine the optimal long-term asset allocation with regard to the structure of liabilities within the Plan. The results of the studies are used to assist the Trustee in managing the volatility in the underlying investment performance and risk of a significant increase in the scheme deficit by providing information used to determine the investment strategy of the Plan. There have been no changes in the processes by which the Plan manages its risks from previous periods.

NOTES TO THE ACCOUNTS – EMPLOYMENT COSTS

YEAR ENDED 30 SEPTEMBER 2025

22. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

(c) Defined benefit plan – Future cash flows (continued)

Following a review of the Plan's investment strategy, the current target asset allocations for the year ending 30 September 2026 are 38% growth assets (primarily equities), and 62% matching assets (primarily bonds) which includes LDI balances, with the hedge ratio remaining at 90%.

Following the finalisation of the March 2022 valuation, the agreed rate of employer contribution reduced to 12.5% of capped pensionable salary from 15 March 2023, having been 25% since 1 July 2021. An additional contribution for deficit reduction of £1.9m payable over the nine-month period ending on 30 November 2023, and an additional contribution of £2.5m per annum, payable monthly from 1 December 2023 were also agreed. These include amounts payable under the PRP and replace the £2.5m per annum contribution for deficit reduction included in the previous funding plan. The additional contribution is reduced to a rate of £1.9m per annum if the funding level meets the target set by the PFP arrangement, which was reached in April 2024. The Group continues to make an additional £0.4m per annum contribution in respect of the Plan's running costs, payable monthly.

The present best estimate of the contributions to be made to the Plan by the Group in the year ending 30 September 2026 is £3.0m.

The average durations of the discounted benefit obligations in the Plan at the year end are shown in the table below:

	2025	2024
	Years	Years
Category of member		
Active members	18	19
Deferred pensioners	17	18
Current pensioners	10	11
All members	15	16

(d) Defined contribution arrangements

The Company sponsors a defined contribution (Worksave) pension scheme, open to all employees who are not members of the Plan. The Company first completed the auto-enrolment process mandated by the UK Government in November 2013, using this scheme, with subsequent re-enrolment every three years, most recently in 2022. A new automatic re-enrolment process commenced on 1 November 2025. Since the year ended 30 September 2020 the Group's contribution to the scheme for those employees making the maximum 6% contribution has been 10% of salary.

The Group also sponsors a number of other defined contribution pension plans relating to acquired entities and makes contributions to these schemes in respect of employees.

The assets of these schemes are not Group assets and are held separately from those of the Group, under the control of independent trustees. Contributions made by the Group to these schemes in the year ended 30 September 2025, which represent the total cost charged against income, were £5.0m (2024: £4.8m) (note 20).

NOTES TO THE ACCOUNTS – FINANCIAL RISK

YEAR ENDED 30 SEPTEMBER 2025

The notes below describe the processes and measurements which the Company use to manage their exposure to financial risks including credit, liquidity, interest rate and foreign exchange risk.

23. FINANCIAL RISK MANAGEMENT

The Company's operations were financed principally by a mixture of share capital and loans from other group companies. In addition, various financial instruments, for example debtors and accruals, arise directly from the Company's operations.

The principal risks arising from the Company's financial instruments are credit risk, liquidity risk and interest rate risk. The board of the Company's holding company reviews and agrees policies for all companies in the group managing each of these risks and they are summarised below. These policies have remained unchanged throughout the year and since the year end.

Credit risk

The Company has exposure to other debtors including the tax debtor, which carry credit risk, but given that these exposures are principally to other group companies and HMRC, credit risk is considered not to be significant.

The Company administers the mortgages and the collections process is the same as that utilised for all companies in the Group.

Liquidity risk

It is the Company's policy to ensure that adequate resources are available at all times to provide for the day to day activities of the Company and to meet regulatory requirements. Management considers the year end position satisfactorily reflects the policies and objectives set out above.

The Company has no external borrowings and liquidity is provided as part of the Group's working capital arrangements. The securitisation process and the terms of the warehouse facility effectively limit liquidity risk from the funding of the Group's loan assets. It remains to ensure that sufficient funding is available to fund the Group's participation in the SPVs, provide capital support for new loans and working capital for the Group. This responsibility rests with the Asset and Liability Committee which sets the Group's liquidity policy and uses detailed cash flow projections to ensure that an adequate level of liquidity is available at all times.

Interest rate risk

The Company's assets predominantly bear the Sterling Over Night Index Average ('SONIA') linked interest rates.

Currency risk

The Company has no material exposure to foreign currency risk.

NOTES TO THE ACCOUNTS – BASIS OF PREPARATION

YEAR ENDED 30 SEPTEMBER 2025

The notes set out below describe the accounting basis on which the Company prepare their accounts, the particular accounting policies adopted by the Company and the principal judgements and estimates which were required in the preparation of the financial statements.

They also include other information describing how the accounts have been prepared required by legislation and accounting standards.

24. BASIS OF PREPARATION

The Financial Statements have been prepared in accordance with applicable United Kingdom ('UK') accounting standards. Disclosures have been made in accordance with Financial Reporting Standard 101 – 'Reduced Disclosure Framework' ('FRS 101').

As permitted by FRS 100 – 'Application of Financial Reporting Requirements' ('FRS 100') the Company has applied the measurement and recognition requirements of International Financial Reporting Standards as adopted by the UK (UK-adopted international accounting standards) ('UK-IAS') but makes amendments where necessary in order to comply with the Companies Act 2006 and has set out below where advantage of disclosure exemptions provided by FRS 101 has been taken.

The particular accounting policies adopted have been set out in note 25 and the critical accounting estimates which have been regarded in preparing these financial statements are described in note 26.

Adoption of new and revised reporting standards

In the preparation of these financial statements, no new accounting standards are being applied for the first time.

Standards not yet adopted

On 9 April 2024 the IASB issued IFRS 18 – 'Presentation and Disclosure in Financial Statements', which was adopted for use in the UK on 10 December 2025. This is expected to impact the way in which information is disclosed in financial statements without impacting materially on the underlying accounting.

IFRS 18 will apply to the Company with effect from its financial year ending 30 September 2028. A detailed exercise to determine the impact of the new Standard on the Company's annual reporting will be carried out before the implementation date. However, it is expected that impact of the new standard on banking companies will be less than that for companies in general.

Other than IFRS 18, described above, there are no new reporting standards and interpretations in issue but not effective which address matters relevant to the Company's accounting and reporting.

24. BASIS OF PREPARATION (CONTINUED)

Disclosures

In preparing these financial statements the Company has taken advantage of the exemptions from disclosure provided by FRS 101 in respect of:

- The requirement to produce a cash flow statement and related notes
- The requirement to provide comparative period reconciliations in respect of fixed assets
- The requirement to provide comparative period reconciliations in respect of intangible assets
- Disclosures in respect of transactions with wholly owned subsidiaries
- Disclosures in respect of capital management
- Disclosures in respect of key management personnel
- Disclosures of transactions with a management entity which provides key management personnel services to the Company

As the consolidated financial statements of Paragon Banking Group PLC, the ultimate parent undertaking of the Company, include equivalent disclosures the Company has also taken advantage of these further exemptions provided by FRS 101:

- Certain disclosures required by IFRS 3 'Business Combinations' in respect of business combinations undertaken by the Company.
- Certain disclosures required by IFRS 13 – 'Fair Value Measurement'
- Certain disclosures required by IFRS 7 – 'Financial Instruments Disclosures'

The Company presently intends to continue to apply these exemptions in future periods.

25. ACCOUNTING POLICIES

The particular policies applied by the Company in preparing these financial statements in accordance with the measurements and recognition requirements of UK-IAS are described below.

Accounting convention

The financial statements have been prepared under the historical cost convention.

Consolidated accounts

The Company is exempt under Section 400 of the Companies Act 2006 from the obligation to prepare group financial statements, being a wholly owned subsidiary undertaking of Paragon Banking Group PLC.

Going concern

The financial statements have been prepared on the going concern basis.

The directors have adopted this basis following a going concern assessment for the Group and the Company covering a period of at least twelve months following the date of approval of these financial statements. Details of this assessment are set out in note 27.

NOTES TO THE ACCOUNTS – BASIS OF PREPARATION

YEAR ENDED 30 SEPTEMBER 2025

25. ACCOUNTING POLICIES (CONTINUED)

Leases

For leases where the Company is the lessee a right of use asset is recognised in property plant and equipment on the inception of the lease based on the discounted value of the minimum lease payments at inception. A lease liability of the same amount is recognised at inception, with the unwinding of the discount included in the interest payable.

Leases where the Company is lessor are accounted for as operating or finance lease in accordance with IFRS 16 – 'Lease'. A finance lease is one which transfers substantially all of the risks and rewards of the ownership of the asset concerned. Any other lease is an operating lease.

Rental income and costs on operating leases are charged or credited to the profit and loss account on a straight-line basis over the lease term. The associated assets are included within property plant and equipment.

Intangible assets

Intangible assets comprise purchased computer software and other intangible assets acquired in business combinations.

Purchased computer software is capitalised where it has a sufficiently enduring nature and is stated at cost less accumulated amortisation. Amortisation is provided in equal instalments over the expected useful life of the software concerned. These lives range between four and seven years.

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation.

The assets' residual values and useful lives are reviewed by management and adjusted, if appropriate, at each balance sheet date.

Depreciation on operating assets is provided on cost in equal annual instalments over the lives of the assets. Land is not depreciated. The rates of depreciation are as follows:

Short leasehold premises	over the life of the lease
Plant and machinery	25% per annum
Computer equipment	25% per annum
Furniture, fixtures and office equipment	15% per annum

Depreciation on right of use assets recognised in accordance with IFRS 16 is provided on a straight-line basis over the term of the lease.

Current tax

The charge for taxation represents the expected UK corporation tax and other income taxes arising from the Company's profit for the year. This consists of the current tax which will be shown in tax returns for the year and tax deferred because of temporary differences. This in general, represents the tax impact of items recorded in the current year but which will impact tax returns for periods other than the one in which they are included in the financial statements.

NOTES TO THE ACCOUNTS – BASIS OF PREPARATION

YEAR ENDED 30 SEPTEMBER 2025

25. ACCOUNTING POLICIES (CONTINUED)

Deferred taxation

Deferred taxation is provided in full on temporary differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Deferred tax assets are recognised to the extent that it is regarded as probable that they will be recovered. As required by IAS 12 – 'Income Taxes', deferred tax assets and liabilities are not discounted to take account of the expected timing of realisation.

Cash at bank

Balances shown as cash at bank in the balance sheet comprise demand deposits and short-term deposits with banks with initial maturities of not more than 90 days.

Borrowings

Borrowings are carried in the balance sheet on the amortised cost basis. The initial value recognised includes the principal amount received less any discount on issue or costs of issuance.

Interest and all other costs of the funding are expensed to the profit and loss account as interest payable over the term of the borrowing on an EIR basis.

Amounts owed by or to group companies

The balances owed by other group companies are carried at the current amount outstanding less any provision. The balances owed to other group companies are carried at the current amount outstanding. Where balances owing between group companies fall within the definition of either financial assets or financial liabilities given in IAS 32 – 'Financial Instruments – Presentation' they are classified as assets or liabilities at amortised cost as defined by IFRS 9.

Retirement benefit obligations

The expected cost of providing pensions within the funded defined benefit scheme, determined on the basis of annual valuations by professionally qualified actuaries using the projected unit method, is charged to the profit and loss. Actuarial gains and losses are recognised in full in the period in which they occur and do not form part of the result for the period, being recognised in the Statement of Comprehensive Income.

The retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation, as adjusted for unrecognised past service cost, and as reduced by the fair value of scheme assets at the balance sheet date.

The expected financing cost of the surplus, as estimated at the beginning of the period is recognised in the result for the period within interest payable. Any variances against the estimated amount in the year form part of the actuarial gain or loss.

The charge to the profit and loss account for providing pensions under defined contribution pension schemes is equal to the contributions payable to such schemes for the year.

NOTES TO THE ACCOUNTS – BASIS OF PREPARATION

YEAR ENDED 30 SEPTEMBER 2025

25. ACCOUNTING POLICIES (CONTINUED)

Revenue

The revenue of the Company comprises interest receivable and similar charges and other income. The accounting policy for the recognition of each element of revenue is described separately within these accounting policies.

Other income

Other income, which is accounted for in accordance with IFRS 15, includes event based administration fees charged to borrowers (other than the initial fees included in amortised costs) which are credited to the profit and loss account when the related service is performed and servicing fees from SPVs in line with the servicing agreement and management recharges, charged to fellow group companies.

Share based payments

In accordance with IFRS 2 – 'Share based payments' ('IFRS 2'), the fair value at the date of grant of awards to be made in respect of options and shares granted under the terms of the Group's various share based employee incentive arrangements are charged to the profit and loss account over the period between the date of grant and the vesting date.

National Insurance on share based payments is accrued over the vesting period, based on the share price at the balance sheet date.

Where the allowable cost of share based awards for tax purposes is greater than the cost determined in accordance with IFRS 2, the tax effect of the excess is taken to reserves.

26. CRITICAL ACCOUNTING ESTIMATES

Certain balances reported in the Financial Statements are based wholly or in part on estimates or assumptions made by the directors. There is, therefore, a potential risk that they may be subject to change in future periods. The most important of these, those which could, if revised significantly in the next financial year, have a material impact on the carrying amounts of assets or liabilities are:

Retirement benefits

The present value of the retirement benefit obligation is derived from an actuarial calculation which rests on a number of assumptions. These are listed in note 22. Where actual conditions differ from those assumed the ultimate value of the obligation would be different.

27. GOING CONCERN

The financial statements of the Company for the year ended 30 September 2025 have been prepared on the going concern basis, as defined in IAS 1 – 'Presentation of Financial Statements'. In order to prepare financial statements on this basis the directors must conclude that the management does not intend to liquidate the Company or cease trading, and that the Company has the ability to continue to trade and will be able to satisfy its liabilities as they fall due. Particular focus is given to the Group's financial forecasts to ensure the adequacy of resources available for the Company to meet its business objectives on both a short term and strategic basis.

NOTES TO THE ACCOUNTS – BASIS OF PREPARATION

YEAR ENDED 30 SEPTEMBER 2025

27. GOING CONCERN (CONTINUED)

The Group has a formalised process of budgeting, reporting and review. The Group's planning procedures forecast its profitability, capital position, funding requirement and cash flows on a company by company basis.

In compiling the most recent forecast, for the period commencing 1 October 2025, particular attention was paid to the potential consequences of the uncertain economic outlook for the UK on the Group's operations, customers, funding and prospects, both in the short and long term. While the economic outlook has not changed greatly over the course of the year, the principal UK economic indicators have been subject to fluctuations in the period. The longer-term results of the policies being adopted by the UK government elected in 2024, and the fiscal and economic measures announced in its October 2024 budget have yet to become clear, and there have been a number of significant leadership changes in major economies in the past twelve months which have the potential to impact on the global outlook.

To evaluate these impacts a number of different scenarios with impacts of varying duration and severity were examined. The economics used in the forecasting process were updated in October 2025 based on updated external projections, consistent with those used in the Group's IFRS 9 impairment provisioning at 30 September 2025.

On the basis of this analysis, the directors have concluded that the Company is able to continue as a going concern for at least twelve months from the date of approval of these financial statements and that therefore it is appropriate to continue to adopt the going concern basis in the preparation of these financial statements.

28. ULTIMATE PARENT COMPANY

The Company's immediate parent undertaking is Paragon Bank PLC. The Company's ultimate parent company and ultimate controlling party is Paragon Banking Group PLC. The smallest and largest group into which the Company is consolidated is that of Paragon Banking Group PLC, registered in England and Wales.

Copies of the financial statements of the Company and Paragon Banking Group PLC may be obtained from the Company Secretary, 51 Homer Road, Solihull, West Midlands, B91 3QJ.