Financial Results 25

For the six months to 31 March 2025 | Paragon Banking Group PLC

Agenda

Financial overview
Richard Woodman, Chief Financial Officer

Business performance and outlook
Nigel Terrington, Chief Executive Officer

Conclusions

Strong financial performance

Full year guidance reconfirmed and upgraded

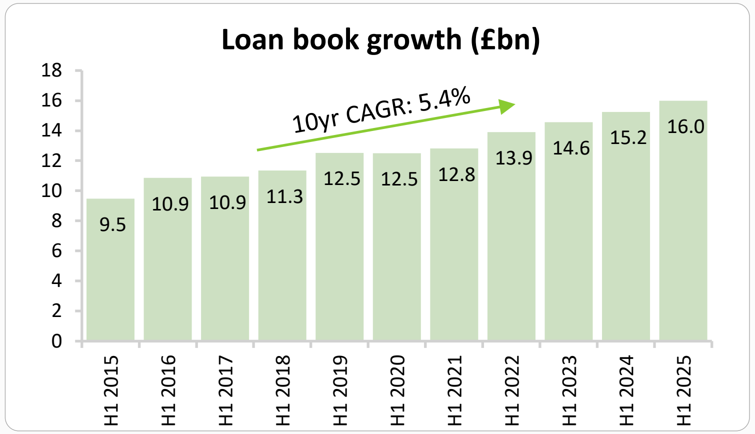
- Underlying operating profit £149.4 million, +2.1%
- Underlying EPS 54.7p, +9.6%
- NIM 3.13%, -0.06%
- Cost:income ratio 35.2%
- Underlying RoTE 17.8%, +0.4%
- Interim dividend 13.6p; DPS +3.0%

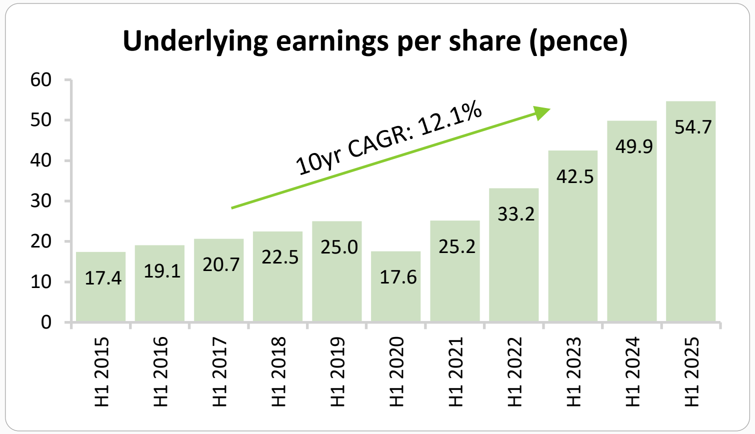
Our purpose is to support the ambitions of the people and businesses of the UK by delivering specialist financial services

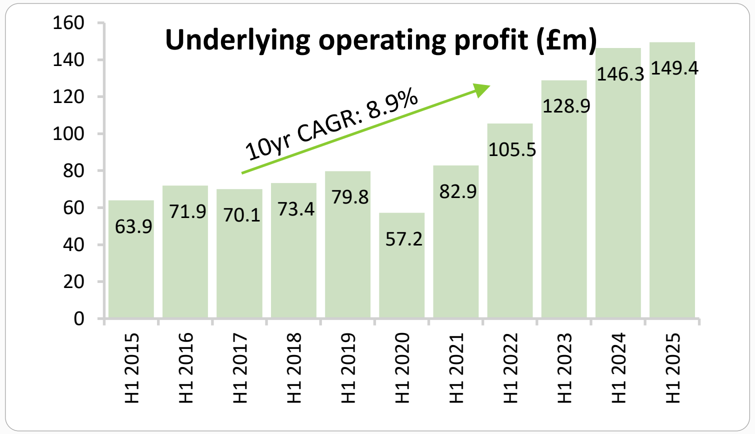
The 10-year view – consistent strategic delivery

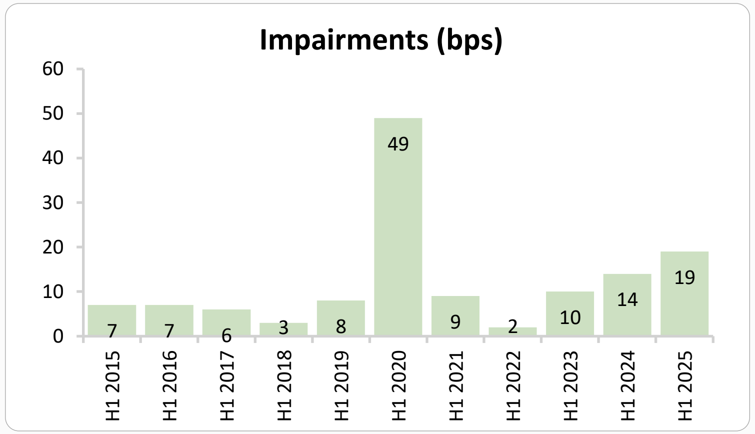
Low risk and low volatility operating model

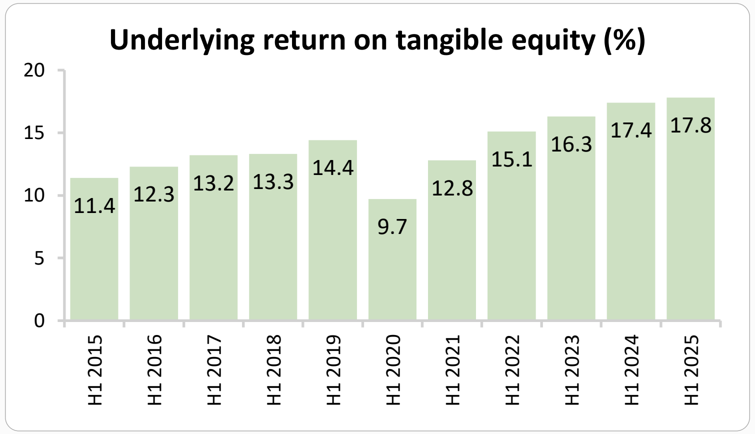
- 10-year underlying operating profit CAGR 8.9%
- 10-year underlying EPS CAGR exceeds 12%
- Capital repatriation of £1.2 billion
  (includes full £100.0 million 2025 buy-back)











- Only £1.7 million write-offs out of £17.0 billion post-GFC in BTL lending

For the six months to 31 March 2025

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2025 strategic priorities delivery

Growth

- Loan book +4.9% in line with 10-year CAGR
- Deposit book +6.8%
- Development finance new business pipeline +44.0%
- Investing in our future growth potential as we boost diversification and digital capabilities
- Focused on expanding customers, products and teams organically or, if appropriate, through M&A

Diversification

- Strategy aims to deliver increased diversification in areas we can scale and drive shareholder value
- Commercial has grown at 3x rate of Mortgages over past 3 years and now 41% of new lending and 28% of Group income
- Spring launched – not just a new product
- Covered bond programme launched
- Enhanced Repo capability established

Digitalisation

- Front-end lending transformation substantially complete – new mortgage platform now launched market-wide
- Focus shifting to:
  - back office improving efficiency and effectiveness
- Spring delivering advanced technology with market-leading functionality. A new way to engage and transact
- Using AI where appropriate to enable and enhance our specialist capabilities

Capital management

- Strong internal capital generation, 1.3% H1 underlying accretion to CET1
- Disciplined use and allocation of capital
- £0.3bn surplus to reg capital
- FY25 buy-backs increased to £100m
- Total capital repatriation over last 10 years £1.2bn
- IRB progress continuing

Sustainability

- Focused on doing the right thing for our people, customers, communities and climate
- Operational emissions reduced by 48% since 2019
- On target for 2030 net zero emissions
- EPC stock improving monthly

For the six months to 31 March 2025

Our purpose is to support the ambitions of the people and businesses of the UK by delivering specialist financial services

Financial overview

Richard Woodman Chief Financial Officer

Income statement

£ million	H1 2025	H1 2024	Change
Net interest income	247.9	239.9	+3.3%
Other income	6.1	6.7	(9.0%)
Total operating income	254.0	246.6	+3.0%
Operating expenses	(89.3)	(90.0)	(0.8%)
Pre-provision profit	**164.7**	**156.6**	**+5.2%**
Impairments	(15.3)	(10.3)	+48.5%
Underlying operating profit	**149.4**	**146.3**	**+2.1%**
Provisions for liabilities	(6.5)		
Fair value net gains / (losses)	(2.8)	(35.7)	
Profit before taxation	**140.1**	**110.6**	**+26.7%**
Reported earnings per share	**50.1p**	**38.4p**	**+30.5%**
Underlying earnings per share	**54.7p**	**49.9p**	**+9.6%**

Volume benefit offset by slight year-on-year NIM reduction

Benefits from tight cost management and change control

Increase predominantly in development finance, but below H2 2024

Motor Commission accrual

Fair value charge materially lower year-on-year

For the six months to 31 March 2025

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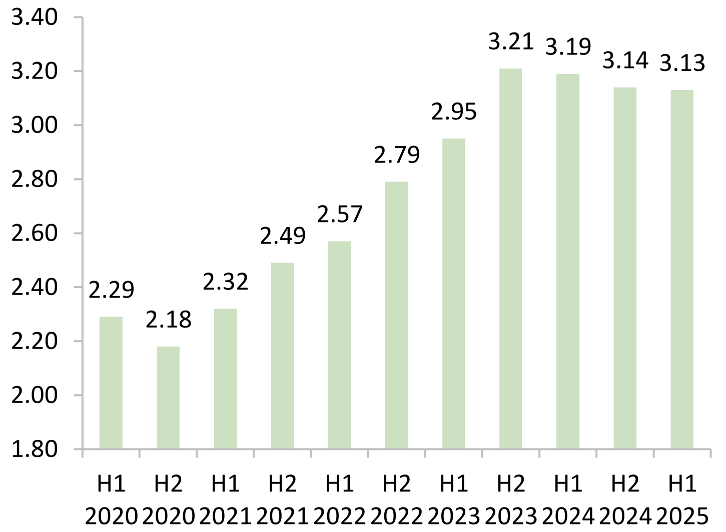
Net interest margin

Full year guidance upgraded to over 300 basis points

- Structural NIM dynamics maintained, commercial margins c2.5x mortgages and commercial loans up 7.3% v 4.5% year-on-year growth in Mortgages
- Deposit spreads continuing to tighten, details on following slide
- **Detailed NIM guidance difficult with current market volatility, but good H1 underpins increase in guidance for the year from ‘around’ to ‘over’ 300 basis points**

NIM progression – Group (%)



Portfolio spread over SONIA

	H1-24	H2-24	H1-25
Mortgages	1.78%	1.83%	1.89%
Commercial Lending	5.76%	5.89%	5.97%

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Deposit spreads

Tightening of liability spreads below management expectations in H1

- Trend tightening of deposit spread highlighted in table
- Fixed rate deposit book spread (swapped) moved above SONIA in early H2 2024
- Variable rate to SONIA spread reduced from 76bp at September 2024 to 59bp at March 2025
- Fixed rate balances reduced across period, with additional term funding delivered by inaugural Covered Bond issue
- Available contingent collateral increased to £4.9 billion in the period, optimising repo optionality

	Sep-23	Mar-24	Sep-24	Mar-25
Fixed rate balances (£m)	8,690.0	8,447.7	8,257.2	7,533.3
Fixed rate inc. swap	4.95%	5.07%	4.99%	4.53%
Swapped fixed rate – SONIA	-0.24%	-0.12%	0.04%	0.07%
Volume weighted (£m)	**-20.9**	**-10.1**	**3.3**	**5.3**
Variable rate balances (£m)	4,575.1	6,319.4	8,040.8	8,234.7
Variable deposit rate	3.74%	4.25%	4.19%	3.87%
Variable rate – SONIA	-1.45%	-0.94%	-0.76%	-0.59%
Volume weighted (£m)	**-66.3**	**-59.4**	**-61.1**	**-48.6**
Annualised total benefit (£m)	**-87.2**	**-69.5**	**-57.8**	**-43.3**
% equivalent	**-0.66%**	**-0.47%**	**-0.35%**	**-0.27%**

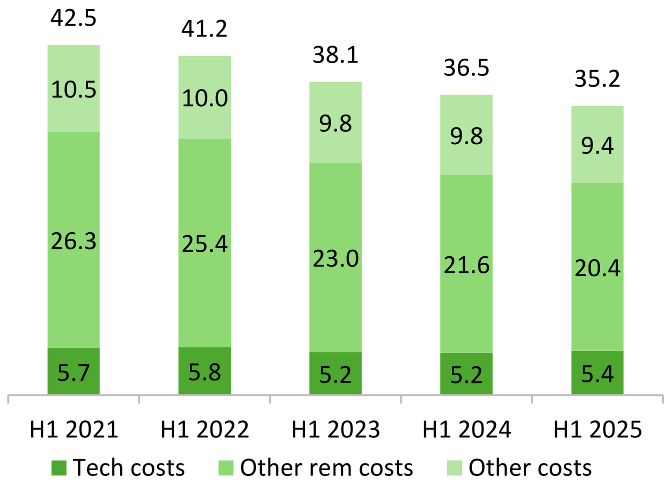
SONIA rates: Mar-25 4.46%, Sep-24 4.95%, Mar-24 5.19%, Sep-23 5.19%
Swap costs exclude the swap on the Tier 2 bond

Operating expenses

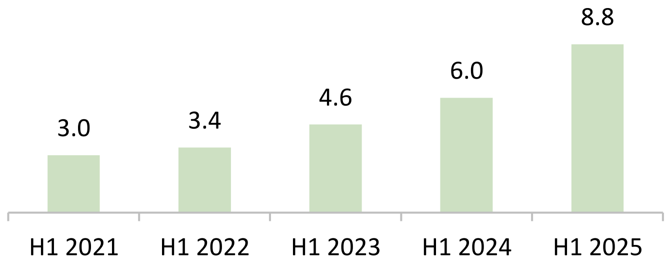
Cost discipline remains a focus with absolute costs down year-on-year

- Absolute costs down 0.8% year-on-year despite continued core inflation
- Costs include £2.0 million BoE levy (H1 2024: £2.1 million)
- Continued policy to expense tech spend where possible rather than capex
- Second chart shows growth of intangible software balance
- Expensing policy maintains cost discipline and focus on benefit realisation
- Increasing influence of expensed tech spend demonstrated in cost:income chart
- NIC increases to impact from April 2025 (circa £1 million)
- Cost forecast now expected to be a little below original £185 million guidance

Underlying cost:income ratio (%)



Balance of capitalised software (£m)



Economic outlook

Continued cautious stance on MES

- Weightings remain same as year-end
- Terminal base rate expectation 3.5%
- GDP growth remains muted and CPI forecast nudged higher from its position at 2024 year-end
- Weighting of severe scenario means 100% weighting of downside has Immaterial impact

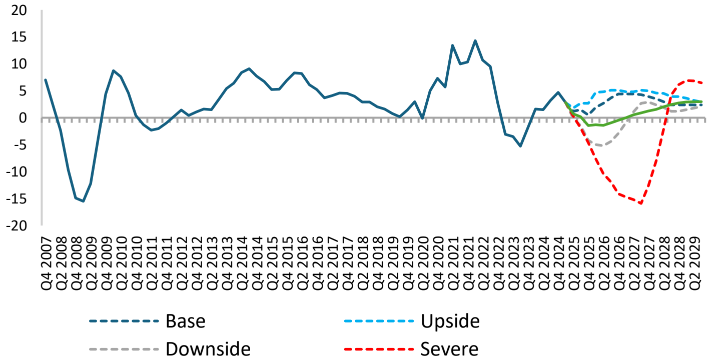
Scenarios

	Base	Upside	Downside	Severe
Weighting	45%	10%	30%	15%
Impact of 100% weighting	£69.7m	£67.1m	£76.5m	£102.6m
Variance to reported	(£6.4m)	(£9.0m)	+£0.4m	+£26.5m

2025 assumptions compared

Forecast for quarter ended 30-Sept-2025	H1:25 MES	2024 MES
GDP	+0.3%	+0.3%
CPI	3.7%	3.1%
Unemployment	4.9%	4.9%
House prices	(1.0%)	(1.9%)

House price change (%)



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Impairments

Coverage level reduced by 1 basis point from FY24 year-end position

- Total ECL £76.1 million, representing 47 basis point coverage
- Overlays trimmed in Commercial Lending book as pre-inflation / rate rise cohort seasons
- Continued material impact of discounting on development finance impairments given high charging rates, £6.4 million of which will unwind over time as developments realised

Impairment overlay

	FY 2022 (£m)	FY 2023 (£m)	FY 2024 (£m)	H1 2025 (£m)
Calculated provision	£48.5	£67.1	£70.0	£71.1
Judgmental overlay	£15.0	£6.5	£6.5	£5.0
Total	**£63.5**	**£73.6**	**£76.5**	**£76.1**
Coverage ratio	0.44%	0.49%	0.48%	0.47%
BTL portfolio LTV	57.9%	62.8%	62.8%	62.8%

	Transition weights no PMAs	H1 2025 weights no PMAs	H1 2025 weights full PMA
Central	40%	45%	45%
Upside	30%	10%	10%
Downside	25%	30%	30%
Severe	5%	15%	15%
Total provision	**£67.3m**	**£71.1m**	**£76.1m**
Coverage ratio	0.42%	0.44%	0.47%

Indexed credit behavioural scores by portfolio

	Mar-24	Mar-25
Buy-to-let		
New	100.0	99.8
Legacy	100.0	99.7
Second charge mortgages	100.0	100.1
Motor finance	100.0	100.4

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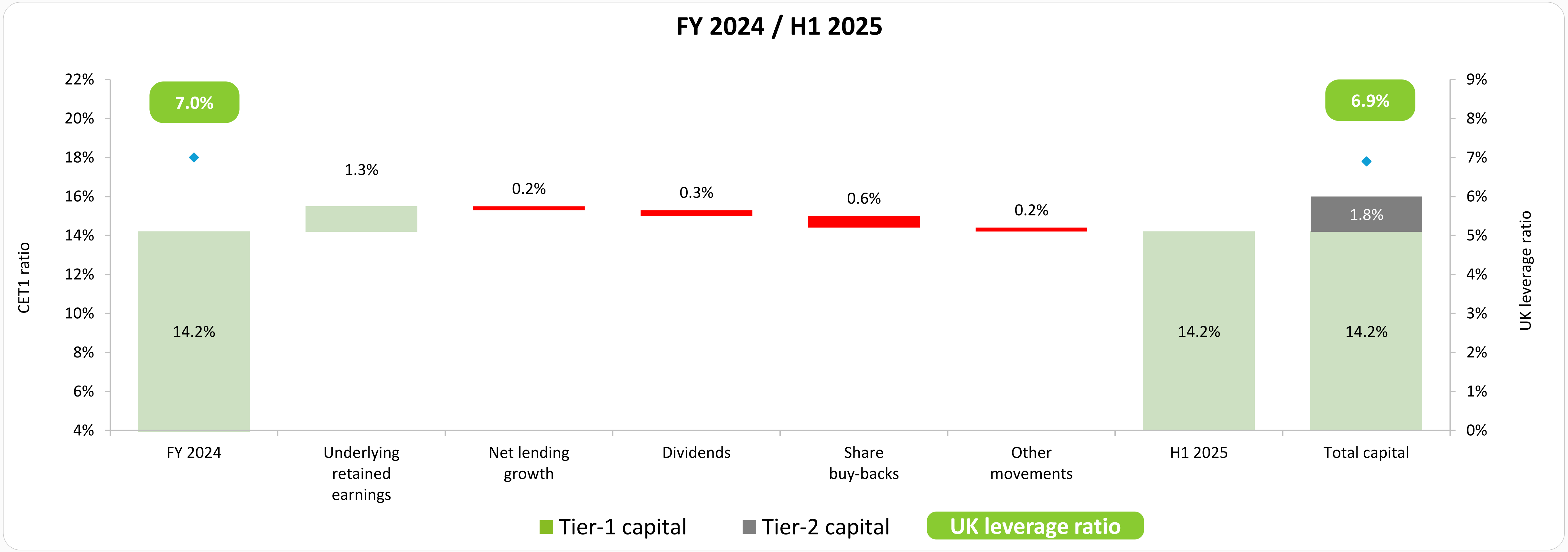
Capital movements during the period



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Group capital

Capital ratios remain strong as new capital generation franks loan growth and distributions

Capital ratios

- Average loan book risk weight at 45.1%
- Total capital ratio reflects CET1 and Tier 2 capital
  No AT1 issuance
- Minimum regulatory requirements:
  - CET1 9.1%
  - Tier 1 10.6%
  - Total capital 12.6%
  - With no AT1 the T1 level is binding at CET1

IRB

- Engagement continues with PRA

Basel 3.1

- Accepted to Interim Capital Regime (delays Basel 3.1 impact for additional 12 months)

Group consolidated capital

Core Equity Tier-1 capital *	£1,193.2m
Tier-2 capital	£150.0m
Total capital resources	**£1,343.2m**
Credit risk	£7,509.2m
Operational risk	£848.0m
Market risk	-
Other	£27.8m
Total risk exposure	**£8,385.0m**
CET1 ratio *	14.2%
Total capital ratio (TCR) *	16.0%

Group consolidated leverage ratio

Tier-1 equity *	£1,193.2m
Leverage exposure **	£17,192.0m
UK leverage ratio *	6.9%

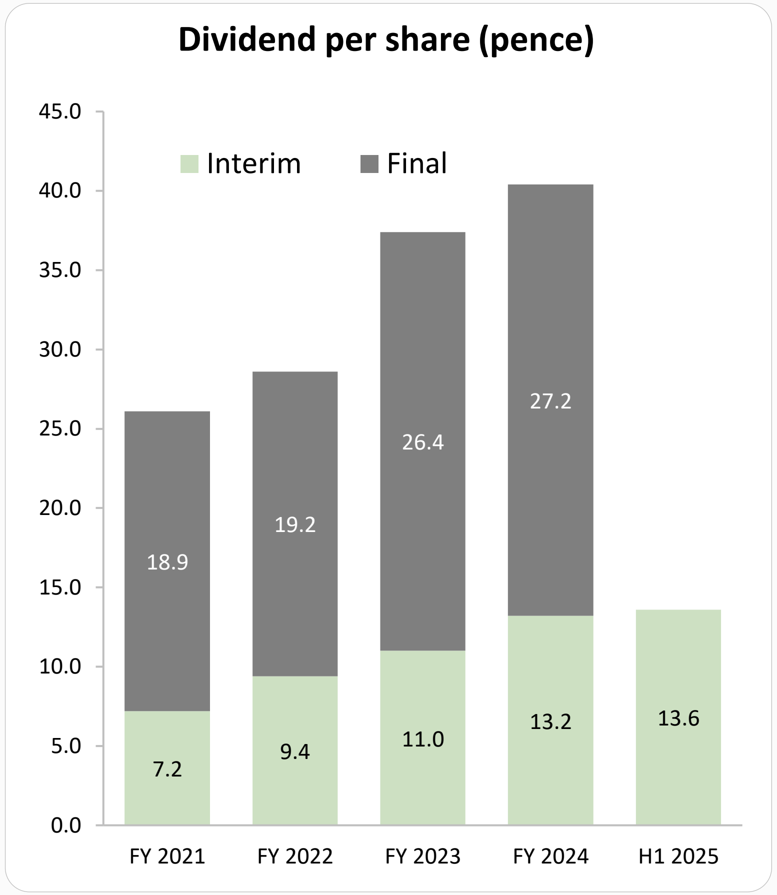
* Including IFRS 9 transitional relief of £0.0m, adjusted for dividends and subject to verification
** Excludes qualifying central bank claims in accordance with rule modification applied to UK Leverage Ratio Framework

Capital management

Interim dividend of 50% prior year final at 13.6p

2025 buy-back upgraded to £100.0 million

- 2025 dividend policy remains at around 40% of underlying basic EPS
- Additional £50.0 million buy-back announced
- Basic share count down 22.4% over 5 years and 35.1% over 10 years at 197.2 million
- TNAV / share at 31 March 2025: 627 pence



Business performance review and strategic priorities

Nigel S Terrington Chief Executive Officer

The trading environment

- Significant geopolitical and market volatility
- UK economy appears resilient, but growth remains weak
- Credit environment benign
- Falling interest rates will support affordability and may stimulate demand, particularly in geared sectors like property
- Regulatory environment is likely to change for the better
- Technology is transforming the way business is done

Investment in technology transformation is delivering

Set objectives from beginning

- Improve customer experience
- Improve productivity
- Improve quality of data

Clear technology principles

- Modular architecture enabling flexibility in design
- Preferred cloud and API driven platforms
- Resilience and security by design

Strong track record of delivery

- ✓ **Platforms savings** – built and delivered new tech platform, enables Savings products to be seen on other channels
- ✓ **Development Finance** – Re-platform and delivered new front-back system enabling growth
- ✓ **SME origination** – New front-end platform accessing 2,900 individual data sources, supporting auto-decisioning
- ✓ **Mortgage customer retention tool** – Resulted in 70-80% of our customers remaining with us at the end of their term
- ✓ **Mortgage origination** – New platform released to market in April 2025; positive feedback from brokers and increased underwriter productivity due to use of machine-learning AI
- ✓ **Spring** – Launched to market, Paragon's first mobile-only application for easy access savings products – digital B2C offering

94% of core applications for Paragon now Cloud-based

Enhanced underlying technologies delivered for Financial Crime, Cyber, Marketing & Product Development

Next steps include back-office transformation focus for productivity improvement (2026–2028)

Spring … a key milestone in our multi-year digitalisation strategy

What is Spring?

- Quick, opened in minutes
- Flexible and easy-to-use
- Puts customers in more control of their savings, helping them earn more interest on their everyday money
- Able to link directly to a customer's current account

Why does it matter?

- £526 billion of UK savers' money sitting in zero or low-interest accounts
- Impacts 55% of adult population – 29 million people
- UK consumers missing out on £20 billion of lost interest each year

How does it work?

- Advanced technology:
  - Open Banking
  - Extensive Cloud-based API functionality
  - State-of-the-art financial crime capability

What does this mean for Paragon?

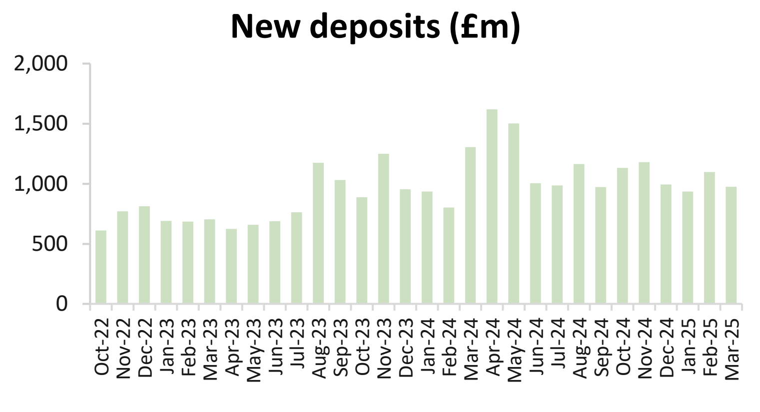
- Targeting UK's largest savings pool
- New distribution channel
- New customer demographics
- Further diversification of funding, enhanced pricing control
- Technology and functionality can be leveraged in other areas

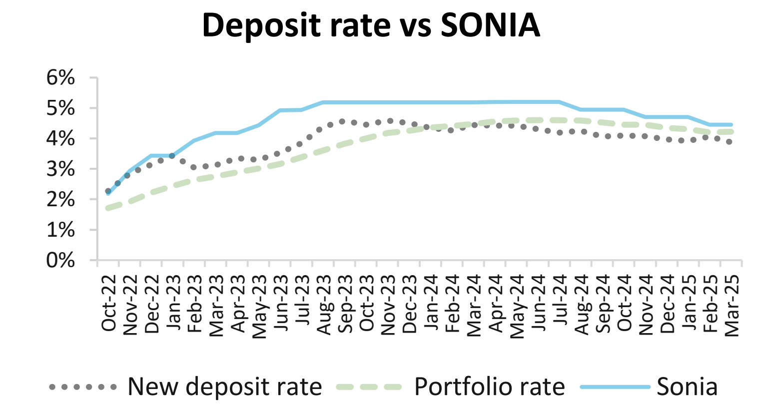
Funding

Strong franchise growth

Best Easy Access Cash ISA Provider

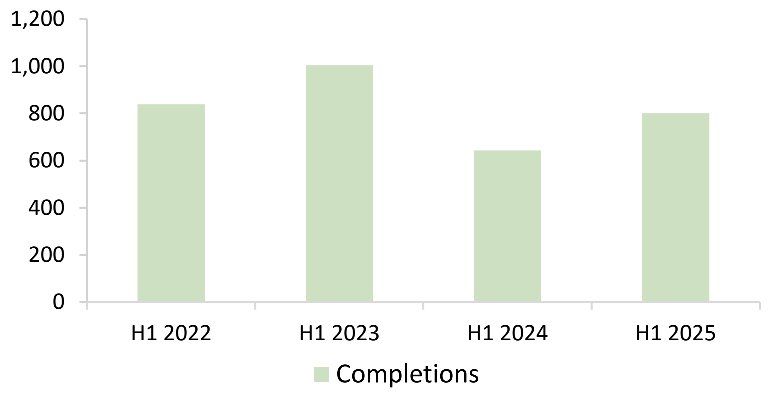
- Significant interest rate volatility in a falling rate environment
- Diversification strategy brings increased pricing control to enhance NIM management
  - Paragon savings: award-winning franchise
  - Platform relationships provide optionality
  - Spring launched
- Wholesale options enhanced
  - Covered bond £500 million tranche issued
  - Market Repo lines increased
  - Contingent collateral at £4.9 billion
- Strong investment grade ratings
  - Fitch BBB+
  - Moody's Baa3



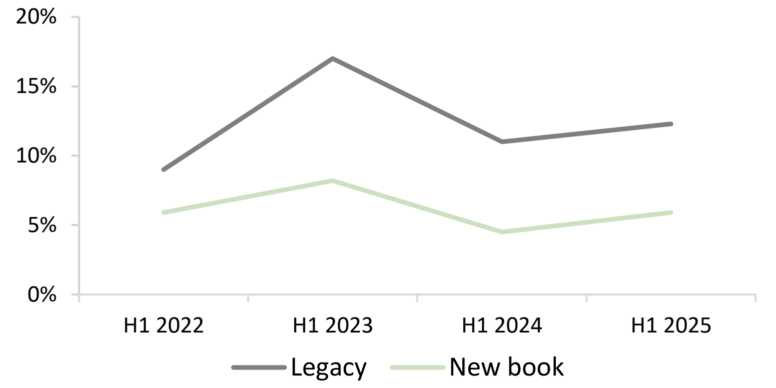


Mortgages – strong loan book growth

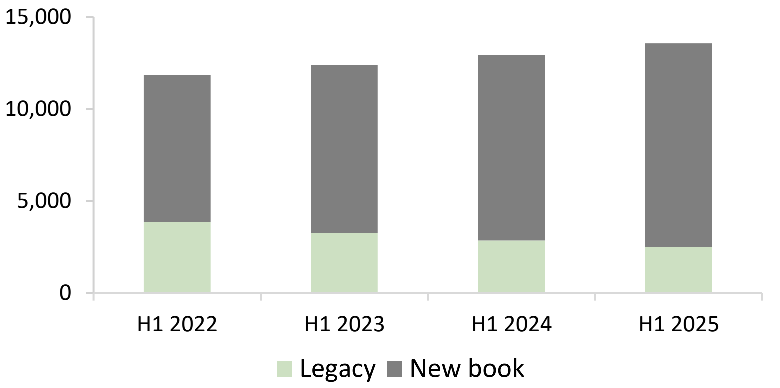
Specialist new business (£m)



Redemptions (% of book)



Net loan book (£m)



New lending

- Specialist lending completions 98.6% (H1 2024: 99.1%)
- £812.2 million advances (H1 2024: £649.3m +25.1%)
- Pipeline £662.2 million (H1 2024: £874.0m -24.2%)
- FY 2025 new lending guidance unchanged at £1.6bn – £1.8bn

Customer retention

- Continued strong customer retention
- Annualised buy-to-let redemptions at 7.1% (H1 2024: 6.0%)
- Strategic focus of supporting customers at end of fixed-rate periods

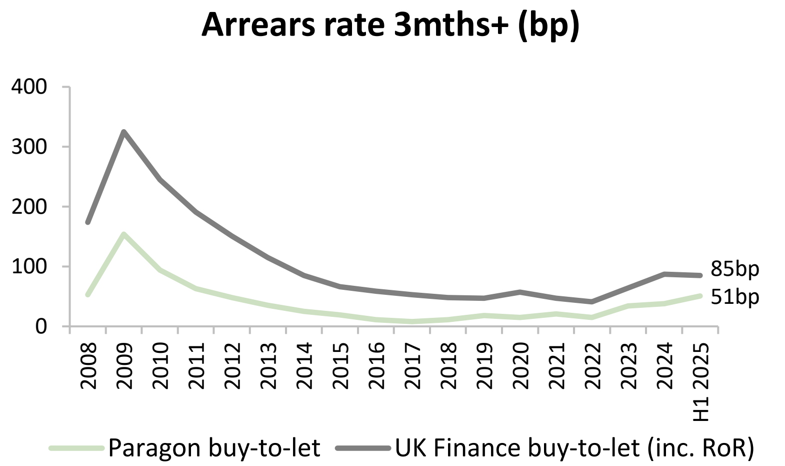
Net loan book

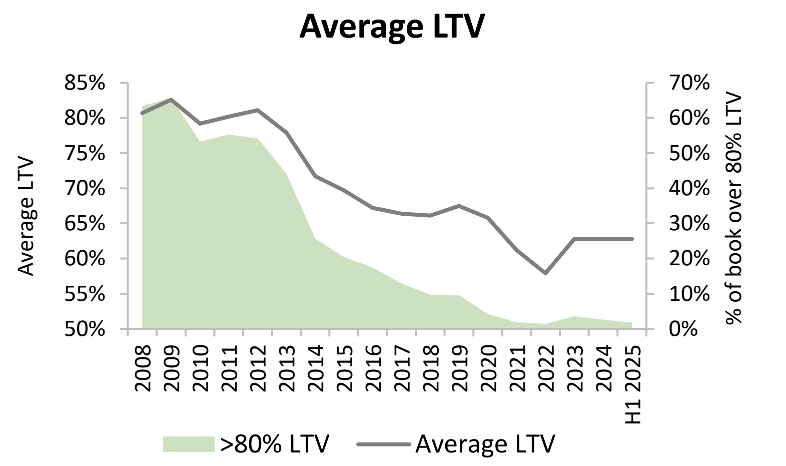
- £13.6 billion, up 4.9% on H1 2024
- New book at £11.1 billion, up 10.0%
- Legacy book now £2.5 billion (H1 2024: £2.9bn), down 13.2%

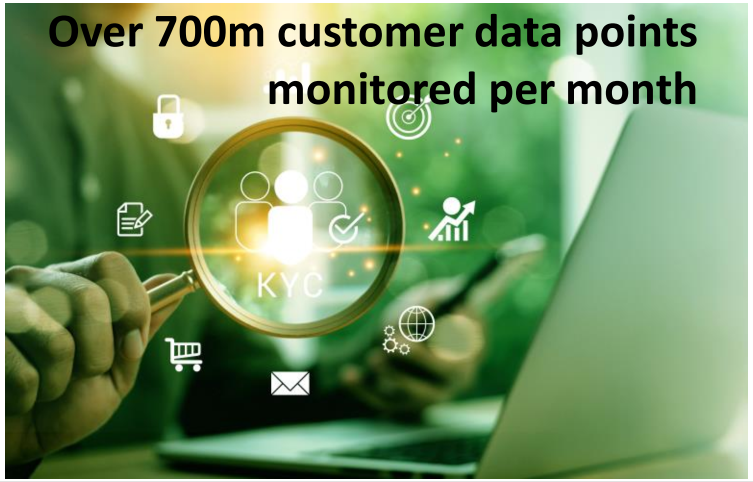
MI AWARDS

Mortgage Introducer Awards 2024
Buy-to-Let Lender of the Year

Mortgages – low LTVs with strong affordability







Through-the-cycle experience

- Our credit policies are informed by 29 years of BTL lending across numerous cycles
- We are unique in employing our own surveying teams which allow us to underwrite more complex property than peers, providing a clear competitive advantage
- Cumulative write-offs on £17.0 billion of lending since 2010 only £1.7 million

Low risk

- Average LTV 62.8% (FY 2008: 80.7%)
- Portfolio LTV greater than 80%, 1.8% (FY 2008: 63.4%)

Strong affordability

- Average ICR on pipeline 211.4% (H1 2024: 200.8%)

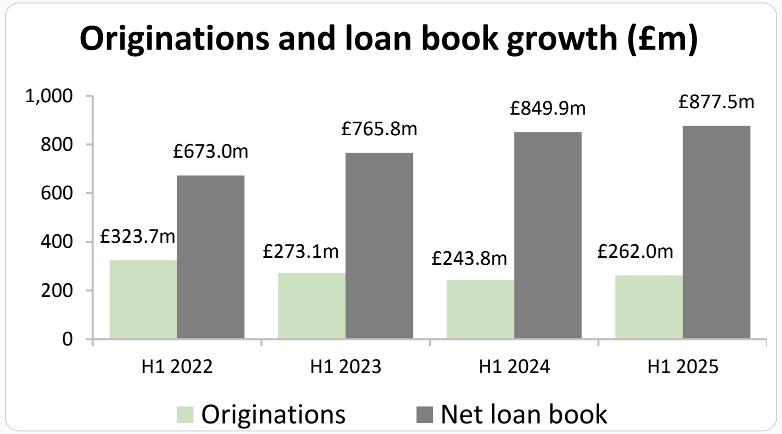
Technology and proprietary data analytics

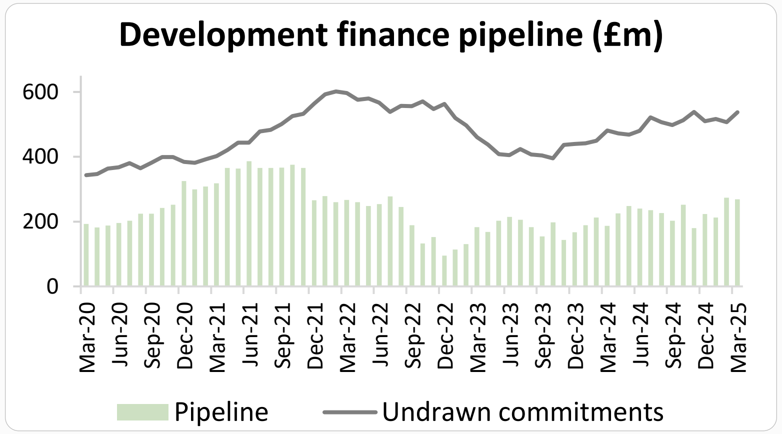
- New broker interface now live using API tech
  - 13 automated links
  - Data from Group and third parties (including credit bureau) direct into application
  - Machine-learning AI enables more efficient application processing
- Aspirant IRB bank hard wires this through-the-cycle experience into a tangible and valuable capability

Commercial Lending – Development Finance

Good growth in lending and pipeline with further upside potential to emerge with revised government housebuilding policy

- Good performance despite UK economic uncertainty
- Majority of funding relates to residential developments, but also funding an increasing number of specialist properties, eg student dwellings, care homes and build-to-rent propositions
- Level of drawings increased by 7.5% year-on-year to £262.0 million (H1 2024: £243.8m)
- New business pipeline 44.0% higher at £268.4 million (30-Sept-24: £202.1m; 31-Mar-24: £186.4m). Undrawn commitments up 11.7% at £537.8 million (31-Mar-24: £481.5m)
- Portfolio performs well; low LTVs. Impairments higher but will revert to norms over time
- Government policy to increase housebuilding (1.5m properties over 5 years), but overhaul of planning rules awaited





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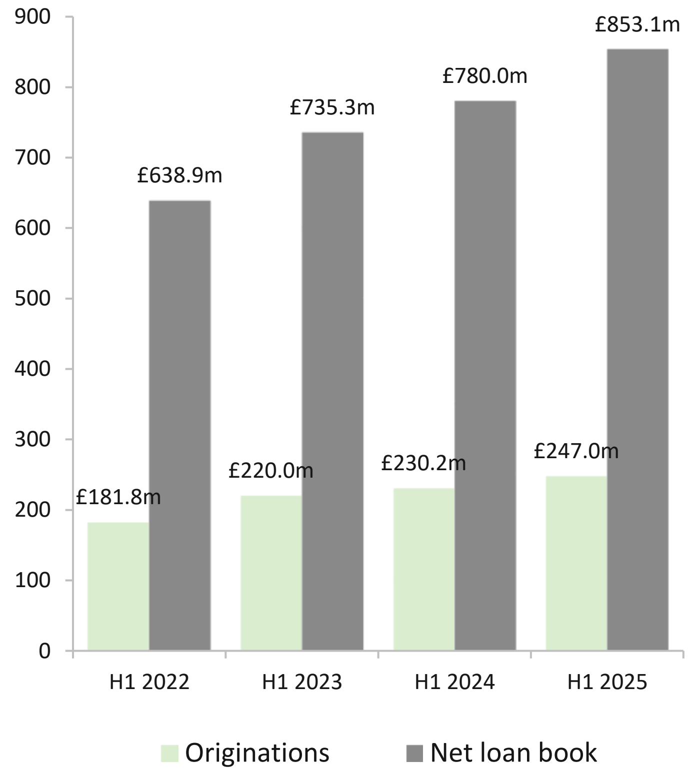
Commercial Lending – SME Lending

Growth momentum supported by new technologies

- New lending up 7.3% to £247.0 million (H1 2024: £230.2m) despite challenging operating environment for SMEs
- Loan book up 9.4% to £853.1 million (H1 2024: £780.0m)
- Increasing number of applications processed through auto-decisioning process
- One-in-three underwriting decisions now made using machine-learning AI
- Enables specialist underwriters to focus on more complex cases
- Strong credit with 89% secured
- SME arrears 0.54% (31-Mar-24: 0.72%)

Originations and loan book growth (£m)



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Commercial Lending – Motor Finance and Structured Lending

Good growth with robust margin, despite market disruption

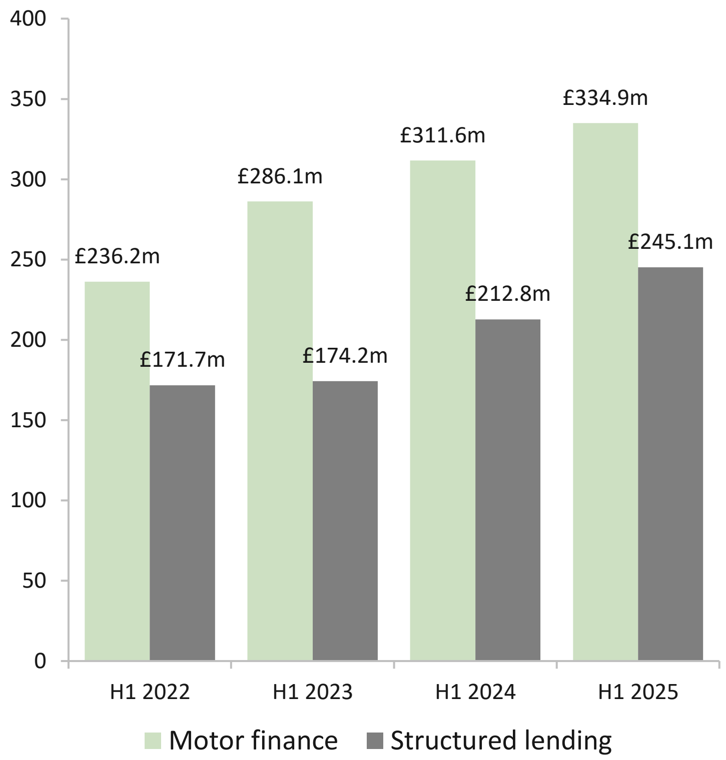
Motor Finance

- New lending down 0.8% to £71.0 million (H1 2024: £71.6m)
- Loan book up 7.5% to £334.9 million
- Motor arrears 1.06% (31-Mar-24: 1.08%)
- Motor commission provision of £6.5 million, previous disclosure unchanged. Distribution focus on brokers, not dealers

Structured Lending

- Portfolio continues to perform well, with no losses on any facilities
- While total drawn facilities lower than at FY24, available facilities increased by 12.9% over same period to £372.0 million (30-Sept-24: £330.0m; 31-Mar-24: £275.0m)
- Strong pipeline to enhance growth prospects

Loan book growth
Motor Finance and Structured Lending (£m)



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Conclusion

H1 2025 trading performance

- Strong financial and operating performance
  - Volumes in line with plan
  - Margin managed well
  - Costs under plan
  - Credit performance excellent
- Strong capital generation – further £50 million buy-backs announced, £100 million for the full year

Outlook

- UK focused – negligible direct tariffs impact
- Falling rates will support demand and affordability
- Technology changes are bringing clear benefits – more to come
- Changing regulatory environment is constructive
- Potential for banking consolidation

FY25 guidance summary

Volumes	
• Buy-to-let	£1.6 – £1.8 billion
• Commercial	£1.2 – £1.3 billion
NIM	Over 300 basis points
Opex	Below £185 million
U/L RoTE	15 – 20%
Buy-back	Up to £100 million

UPGRADED GUIDANCE

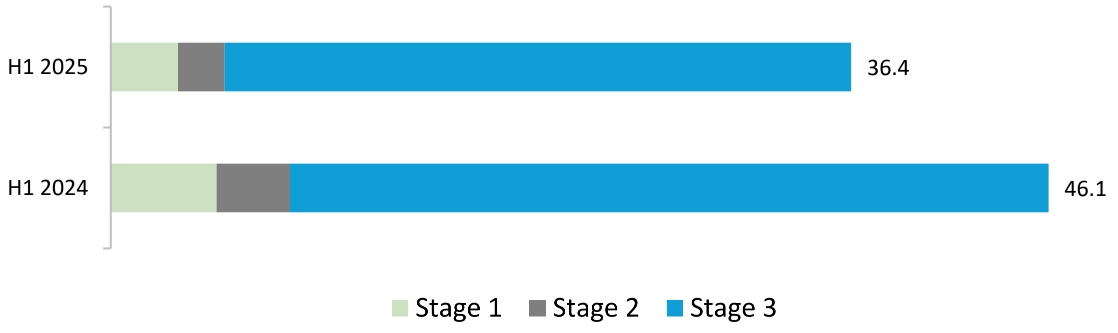
Appendix

Provisions by stage and segment

IFRS 9 impairments	Mortgage Lending	Commercial Lending	Total
Stage 1	12,936.7	2,039.7	14,976.4
Stage 2	596.9	136.0	732.9
Stage 3	175.7	174.6	350.3
POCI	9.0	0.0	9.0
Gross loan book (£million)	**13,718.3**	**2,350.3**	**16,068.6**
Stage 1	3.3	12.5	15.8
Stage 2	2.3	4.1	6.4
Stage 3	30.8	23.1	53.9
POCI	0.0	0.0	0.0
Impairment provisions (£million)	**36.4**	**39.7**	**76.1**
Stage 1	0.03%	0.61%	0.11%
Stage 2	0.39%	3.01%	0.87%
Stage 3	17.53%	13.23%	15.39%
POCI	0.00%	0.00%	0.00%
Coverage ratio H1 2025	**0.27%**	**1.69%**	**0.47%**
Coverage ratio H1 2024	**0.35%**	**1.46%**	**0.51%**

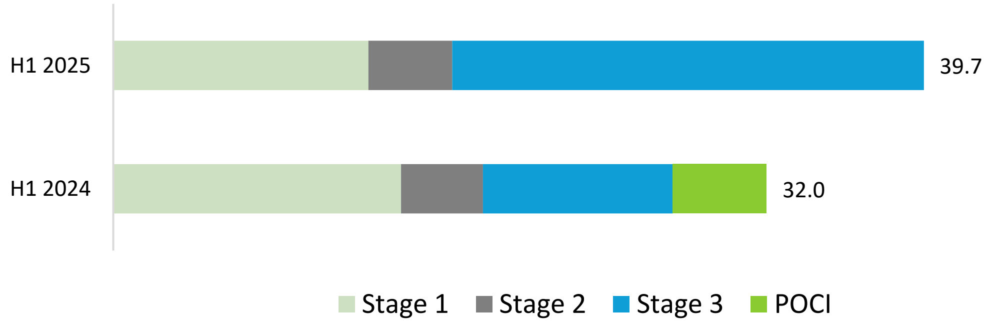
Impairments

IFRS 9 provisions (£m) – Mortgage Lending



- Stage 1 overlays now at £5.0 million
- Final commercial lending POCI exposure realised in the period

IFRS 9 provisions (£m) – Commercial Lending



Portfolio impairment movements

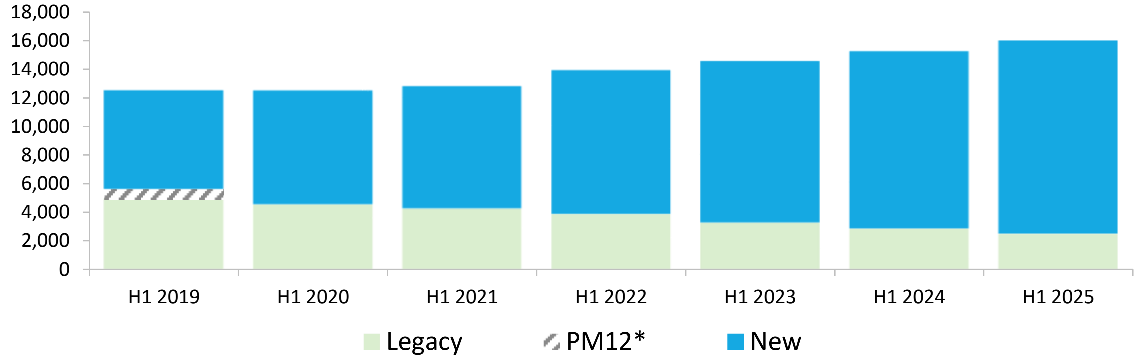
Impairments (£million)	Brought forward	Provided in period	Write-off / Other	Carried forward
H1 2023	63.5	8.7	-4.0	68.2
H1 2024	73.6	11.1	-6.6	78.1
H1 2025	76.5	16.0	-16.4	76.1

Diversification

Diversified loan growth

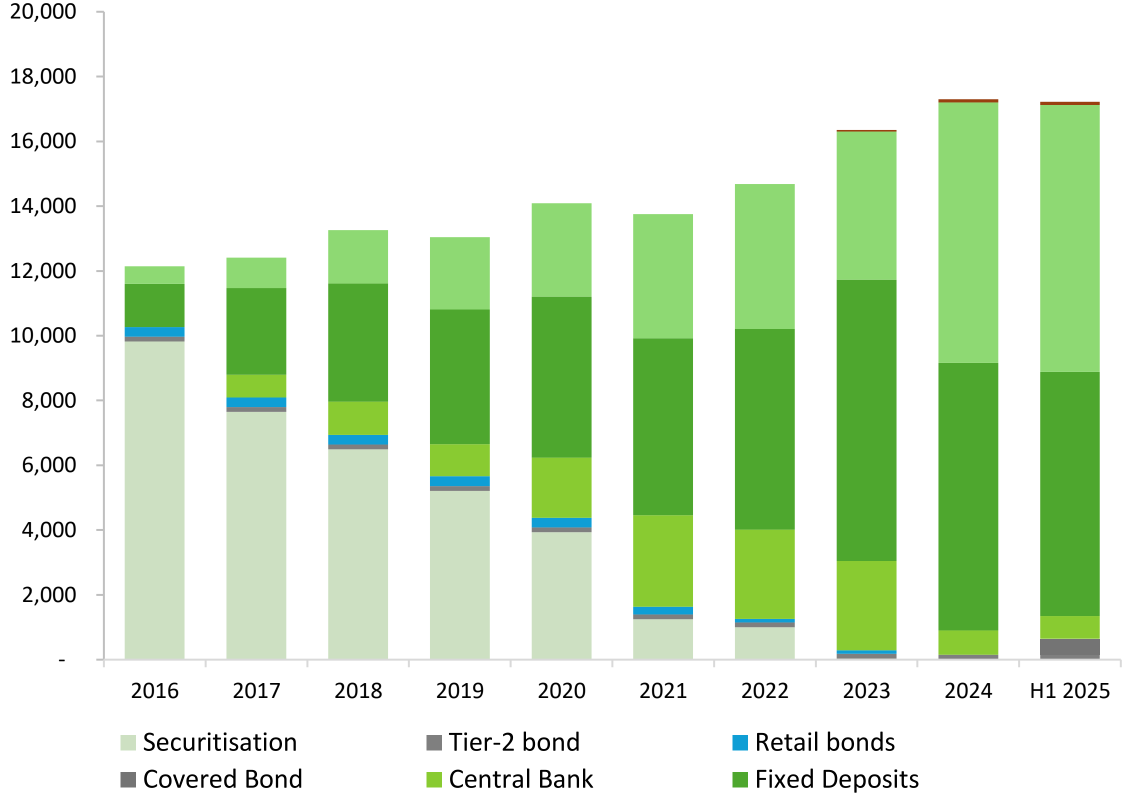
Originations (£million)	H1 2025	H1 2024	Change
Specialist BTL	800.9	643.4	+24.5%
Other mortgages	11.3	5.9	+91.5%
Commercial Lending	568.0	589.8	(3.7%)
Total	**1,380.2**	**1,239.1**	**+11.4%**

Total – loans and advances to customers (£m)



Diversified funding

Funding by type (£m)



* Assets now off-balance sheet under management

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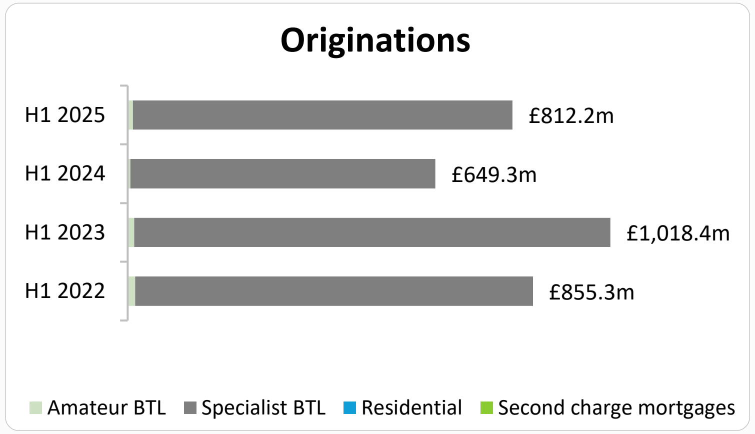
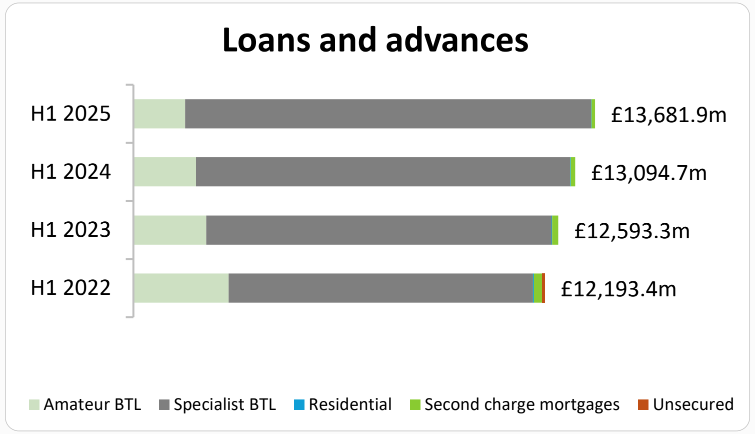
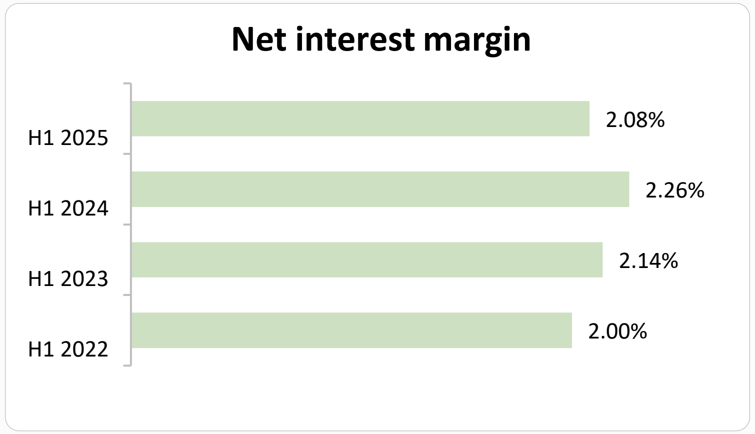
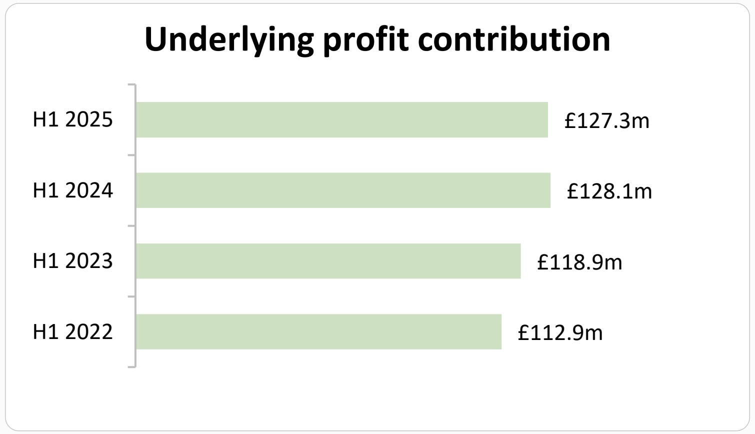
Mortgage Lending

Continued strong customer retention supporting steady growth in loan book



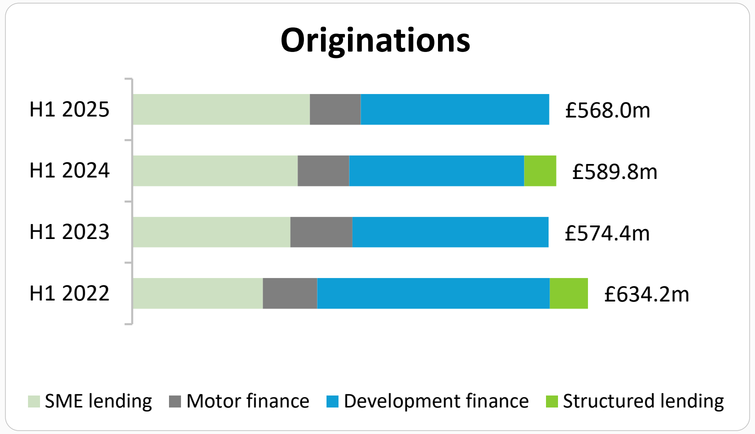


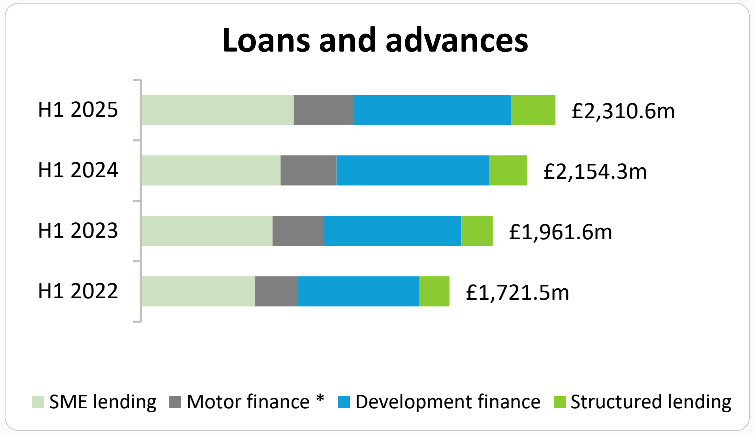


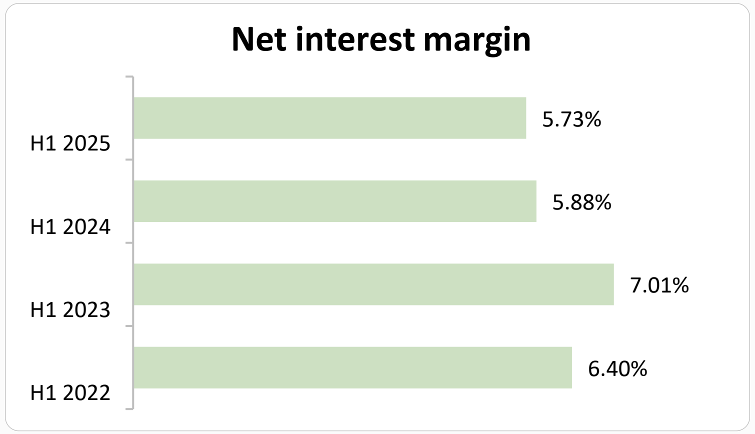


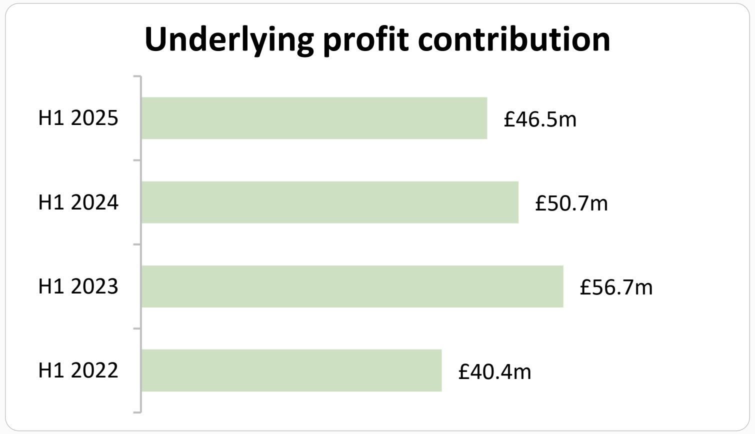
Commercial Lending

Loan book growth exceeds that of Mortgages. Credit performance cyclicality drives operating profit movements



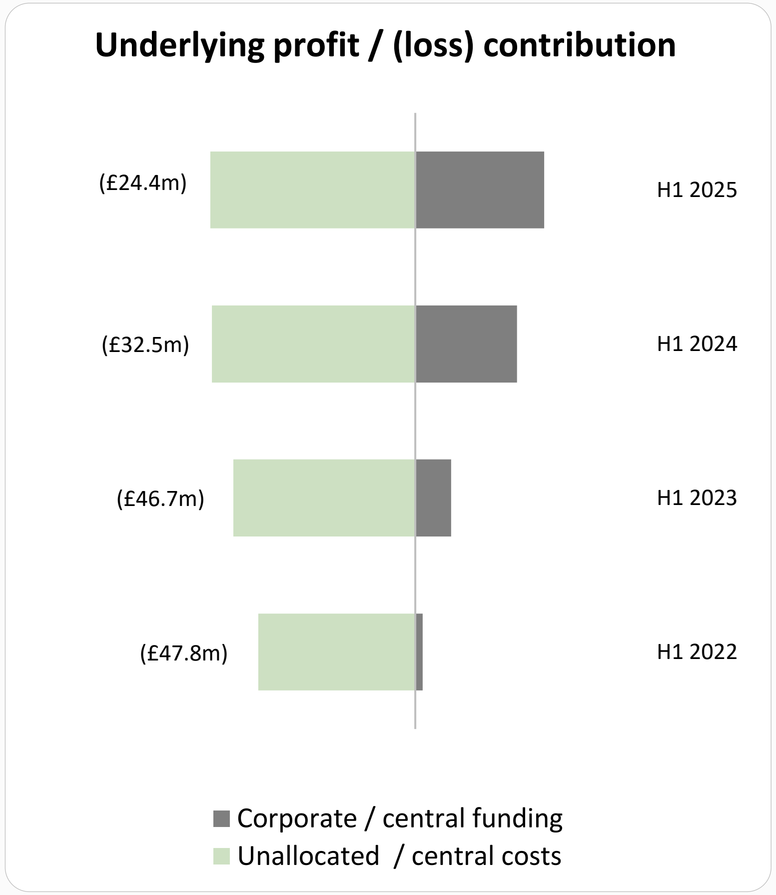






* Motor finance includes the Olympus portfolio

Stable central op-ex and continued net interest benefit from surplus funding



Balance sheet

£million	H1 2025	H1 2024	Change (%)
Mortgage Lending	13,681.9	13,094.7	+4.5%
Commercial Lending	2,310.6	2,154.3	+7.3%
Loans and advances to customers	**15,992.5**	**15,249.0**	**+4.9%**
Cash and equivalents	2,584.8	3,137.1	(17.6%)
Other assets	588.3	594.7	(1.1%)
Total assets	**19,165.6**	**18,980.8**	**+1.0%**
Capital and reserves	1,408.8	1,382.0	+1.9%
Retail deposits	15,768.0	14,768.5	+6.8%
Tier-2 bond	149.6	148.6	+0.7%
Retail bonds	0.0	112.5	(100.0%)
Covered bonds	499.1	0.0	
Securitisation funding	0.0	17.1	(100.0%)
Central bank facilities	700.0	1,850.0	(62.2%)
Other borrowings	101.4	101.2	+0.2%
Other liabilities	538.7	600.9	(10.4%)
Total liabilities and equity	**19,165.6**	**18,980.8**	**+1.0%**

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