

PARAGON BANKING GROUP PLC
Half Year Pillar 3 Disclosures
For the six months ended 31 March 2026

Introduction

As a UK banking group regulated by the Prudential Regulation Authority ('PRA'), Paragon Banking Group PLC is required to make half yearly disclosures of key metrics related to the capital and liquidity position of the accounting group of companies which it heads ('the Group') by the Disclosure (CRR) Part of the PRA Rulebook ('the Rulebook').

These disclosures were reviewed and approved by the directors of Paragon Banking Group PLC on 2 June 2026.

Form and content of disclosures

The disclosures are provided for the Group as at 31 March 2026, and the reporting currency is the pound sterling. The Group's accounts are prepared in accordance with International Accounting Standards as adopted in the United Kingdom. The scope of disclosures includes all entities in the Group.

The Group does not qualify as a Large Institution, as defined by the Disclosure Part, having a balance sheet of less than €30.0 billion.

The PRA has redefined the threshold for presenting detailed Pillar 3 information to exclude Small Domestic Deposit Takers ('SDDTs'). The Group would currently meet the SDDT criteria, but this status requires a PRA waiver. The Group has not applied for such a waiver. Its balance sheet also exceeds the grandfathered €5.0 billion threshold set in the previous version of the Rulebook for reduced disclosure.

The Group is therefore defined as an 'Other Institution' under these rules and its disclosure requirements are those set out in the Article 433c chapter of the Rulebook, including these applicable only to listed institutions. For a half yearly report the requirement is for a table of key metrics. The required disclosures are required to be presented in accordance with the fixed template, template UK KM1 set out in the Rulebook.

In addition to the key metric template, 'Other Institutions' are required to give disclosures relating to own funds and eligible liabilities ratios, calculated in accordance with Articles 92a and 92b of the Rulebook. These articles are not applicable to the Group and hence no such disclosures are given.

The Group discusses its capital and liquidity position at 31 March 2026 in its half yearly report which is available on its investor relations website at www.paragonbankinggroup.co.uk.

Full Pillar 3 disclosures for the Group are required only at year end. The Group's most recent Pillar 3 disclosures, for the year ended 30 September 2025, can be found on the investor relations website. Full year Pillar 3 disclosures under the Rulebook are published annually at approximately the same time as the Group's annual report and accounts for the same financial year.

Key metrics table

Presented in accordance with Template UK KM1, set out in Annex I to the Disclosure (CRR) Part of the PRA Rulebook.

		31 Mar 2026	30 Sep 2025	31 Mar 2025	Notes
		£m	£m	£m	
Available own funds (amounts)					
1	Common Equity Tier 1 (CET1) capital	1,171.3	1,172.4	1,193.2	
2	Tier 1 capital	1,319.7	1,172.4	1,193.2	
3	Total capital	1,469.7	1,322.4	1,343.2	
Risk-weighted exposure amounts					
4	Total risk-weighted exposure amount	8,685.7	8,630.7	8,385.2	
Capital ratios (as a percentage of risk-weighted exposure amount)					
5	Common Equity Tier 1 ratio (%)	13.5	13.6	14.2	
6	Tier 1 ratio (%)	15.2	13.6	14.2	
7	Total capital ratio (%)	16.9	15.3	16.0	
Additional own funds requirements based on SREP (as a percentage of risk-weighted exposure amount)					
UK 7a	Additional CET1 SREP requirements (%)	0.1	0.1	0.1	[a]
UK 7b	Additional AT1 SREP requirements (%)	-	-	-	[a]
UK 7c	Additional T2 SREP requirements (%)	-	-	-	[a]
UK 7d	Total SREP own funds requirements (%)	8.1	8.1	8.1	
Combined buffer requirement (as a percentage of risk-weighted exposure amount)					
8	Capital conservation buffer (%)	2.5	2.5	2.5	
UK 8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	-	-	-	[b]
9	Institution specific countercyclical capital buffer (%)	2.0	2.0	2.0	
UK 9a	Systemic risk buffer (%)	-	-	-	[b]
10	Global Systemically Important Institution buffer (%)	-	-	-	[b]
UK 10a	Other Systemically Important Institution buffer	-	-	-	[b]
11	Combined buffer requirement (%)	4.5	4.5	4.5	
UK 11a	Overall capital requirements (%)	12.6	12.6	12.6	

		31 Mar 2026	30 Sep 2025	31 Mar 2025	Notes
		£m	£m	£m	
12	CET1 available after meeting the total SREP own funds requirements (%)	8.8	7.2	7.9	[c]
Leverage ratio					
13	Total exposure measure excluding claims on central banks	18,292.4	17,645.6	17,117.1	[h]
14	Leverage ratio excluding claims on central banks (%)	7.2	6.6	7.0	[h]
Additional leverage ratio disclosure requirements					
14a	Fully loaded ECL accounting model leverage ratio excluding claims on central banks (%)				[d]
14b	Leverage ratio including claims on central banks (%)				[d]
14c	Average leverage ratio excluding claims on central banks (%)				[d]
14d	Average leverage ratio including claims on central banks (%)				[d]
14e	Countercyclical leverage ratio buffer (%)				[d]
Liquidity Coverage Ratio					
15	Total high-quality liquid assets (HQLA) (Weighted value - average)	2,282.5	2,439.5	2,924.8	[e]
UK 16a	Cash outflows - Total weighted value	1,918.2	1,931.2	1,936.6	[e]
UK 16b	Cash inflows - Total weighted value	350.2	347.8	342.0	[e]
16	Total net cash outflows (adjusted value)	1,568.1	1,583.5	1,594.5	[e]
17	Liquidity coverage ratio (%)	145.6	154.0	183.2	[f]
Net Stable Funding Ratio					
18	Total available stable funding	17,449.7	18,036.8	19,076.8	[g]
19	Total required stable funding	12,931.1	13,007.8	13,439.0	[g]
20	NSFR ratio (%)	134.9	138.7	142.0	[g]

The notes column does not form part of the template, but provides additional information for users.

Notes

- [a]** The amount specified for CET1 capital is a minimum percentage. Percentages for AT1 and T2 capital are maximums and additional CET1 capital may be used to make up the total capital requirement if AT1 and / or T2 capital are not available.
- [b]** These buffers are not currently applicable to the Group.
- [c]** This assumes that AT1 and T2 capital are used in meeting the SREP own funds requirements to the maximum extent possible with the CET requirement comprising the balance of that requirement.
- [d]** These lines are only required for LREQ banks, as defined by the PRA Rulebook. The Group's balance sheet size is too small for it to be classified as an LREQ bank.
- [e]** These measures are based on a 12-month rolling average of month end positions.
- [f]** This measure is based on a 12-month rolling average of month end positions, therefore cannot be derived from the values given above it.
- [g]** These measures are based on a 4-quarter rolling average of quarter end positions.
- [h]** Following a review of definitions set out in the PRA Rulebook, the Group has changed the treatment of its IAS 39 fair value hedging adjustments for leverage purposes in the period. Comparative figures have been restated although the impact on the overall leverage ratio is not significant.

Summary of key metrics

In February 2026 the Group issued its inaugural Additional Tier 1 ('AT1') capital instrument. Notes with a principal value of £150.0 million were issued, raising additional regulatory capital of £148.4 million, net of costs. This resulted in an increase in both our Tier 1 and TCR ratios, as seen in rows 6 and 7 of the table above.

CET1 capital comprises equity shareholders' funds, adjusted as required by the Regulatory Capital Rules of the PRA, and can be used for all capital purposes. Tier 1 capital includes CET1 and AT1 amounts, while TRC, in addition, includes tier 2 capital in the form of our Tier-2 Bond. At least 56.25% of a firm's TCR must be met with CET1 capital, while up to a quarter of the TCR requirement can be met using T2 capital. AT1 capital may be used to meet any requirement except where the use of CET1 capital is mandated.

CET1 capital remained stable in the period, with positive operational performance continuing to support the capital position, even after allowing for paid and proposed distributions.

Our TCR at 31 March 2026 represents 8.1% of TRE, similar to its level at the previous year end (30 September 2025: 8.1%; 31 March 2025: 8.1%). This is only marginally greater than the minimum TCR allowed under the Basel 3.1 framework of 8.0%, giving us advantages in capital management.

The increases in TRE shown in line 4 above relate principally to growth in loan assets over the period. These, in turn, led to the increases in the TCR and buffer requirements shown.

CET1 capital must also cover the buffers required by the 'Capital Buffers Part' of the PRA Rulebook, set out on lines 8 to 11 above. Further buffers may be set by the PRA on a firm-by-firm basis, but may not be disclosed.

On 20 January 2026 the PRA issued final rules on the implementation of the Basel 3.1 capital reforms in the UK. It also confirmed 1 January 2027 as the implementation date. The PRA has been working to operationalise the Basel 3.1 supervisory approach ahead of implementation, as a Basel 3.1 TCR will be required for each firm. The Group has taken account of these changes in its capital planning forecasts.

We hold liquid assets to meet long and short-term cash requirements, as well as to provide a buffer under stress. There is also a regulatory requirement to hold liquidity in Paragon Bank. Our policy is to maintain strong levels of liquidity cover, and this policy impacts our operational capital and funding requirements.

The largest part of our liquidity holdings comprises deposits at the Bank of England. However, over recent periods we have diversified our position, and the proportion of our liquidity represented by highly-rated UK gilts and AAA-rated covered bonds issued by UK financial institutions has grown over time.

The Board regularly reviews liquidity risk appetite and closely monitors a number of key internal and external measures. The most significant of these, which are calculated for the Paragon Bank regulatory group on a basis which is standardised across the banking industry, are the Liquidity Coverage Ratio ('LCR') and Net Stable Funding Ratio ('NSFR').

The LCR, shown in lines 15 to 17 above, measures short-term resilience comparing available highly-liquid assets to forecast short-term stressed outflows, calculated according to a regulatory formula, with a 30-day horizon. Our liquidity management strategy over recent periods, has been to strategically reduce average LCR levels, releasing excess amounts, as our liquidity management processes mature, and in the absence of any requirement to build balances ahead of major debt repayments.

The NSFR, shown in lines 18 to 20 above, is a longer-term measure of liquidity with a one-year horizon, supporting the management of balance sheet maturities. At 31 March 2026, the Bank's NSFR was broadly similar to its 30 September 2025 level.

Paragon Banking Group PLC

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