Penarth Master Issuer Plc

Annual report and accounts

2025

Member of Lloyds Banking Group

Strategic report

For the year ended 31 December 2025

The Directors present their Strategic report for Penarth Master Issuer Plc (the "Company") for the year ended 31 December 2025.

Principal activities

The principal activity of the Company is the investment of the proceeds of the issue of publicly listed floating rate asset-backed global loan notes, which are denominated in Sterling (the "Notes") and listed on the London Stock Exchange. The Notes have been designated Class A, Class B, Class C and Class D in accordance with the relevant note series to which such notes relate. The notes carry variable interest rate with scheduled maturity date. These proceeds have been invested in loans to a related undertaking, Penarth Funding 1 Limited (“F1 Ltd”), to enable it to purchase an interest in the Penarth Receivables Trust (“the Trust”). The Trust holds a pool of securitised credit cards (“the Trust assets”), which have been transferred from Bank of Scotland plc, in Penarth Receivables Trustee Limited (“PRT Ltd”). F1 Ltd receives a share of the income from the Trust in proportion to its investment in the credit card assets of the Trust. The Company receives interest on loans made to the F1 Ltd. No future changes in activity are envisaged.

The activities of the Company and its immediate parent company, Penarth Asset Securitisation Holdings Limited (“Holdings Ltd”), are conducted primarily by reference to a series of securitisation transaction documents (the "Programme Documentation"). The securitisation structure (the “Penarth Transaction”) has been established as a means of raising finance for Bank of Scotland plc, and subsequently Lloyds Banking Group plc. The Programme Documentation sets out the workings of the transaction and the principal risks to the holders of the Notes. Principal risks are explained under the heading 'Principal risk and uncertainties' below. Bank of Scotland plc and Lloyds Bank plc are originators of the underlying credit card receivables (the “Originators”). Bank of Scotland plc holds the servicing and cash management relationship (the "Servicer" and "Cash Manager") on behalf of the Originators, having purchased designated credit card receivables from Lloyds Bank plc.

Business Structure

The Company is a wholly owned subsidiary of Holdings Ltd, a company registered in England and Wales.

Holdings Ltd holds 49,998 quarter paid £1 ordinary shares and one fully paid £1 ordinary share in the Company. CSC Corporate Services (London) Limited also holds one fully paid £1 ordinary share in the Company as a nominee shareholder for the benefit of Holdings Ltd. These shares comprise the entire issued share capital of the Company.

As at 31 December 2025, the Holdings Ltd Group (the “Group”) comprised the Company, Holdings Ltd, Penarth Funding 2 Limited (“F2 Ltd”), PRT Ltd and F1 Ltd.

Business review

The results for the year are set out on page 8. The profit for the year amounted to £5,000 (2024: profit of £5,000).

Profits on a cashflow basis are pre-determined under the Programme Documentation. Under the terms of the intercompany loans with F1 Ltd, the Company has the right to a retained cash profit before tax of the lesser of one-twelfth of (i) £12,000 and (ii) the aggregate of £1,200 per Series of notes outstanding during the course of the previous 11 monthly periods from available revenue receipts per month.

During the year, the Company had no redemptions (2024: none); the debt securities in issue and the loans receivable from F1 Ltd also had no redemptions. The Company did not issue any notes during the current year or prior year.

Further receivables of £249,999,000 were added to the Trust during the year (2024: £753,000,000). The Directors do not expect any changes in the activities of the Company.

Future Outlook

No changes to the Company's activities are envisaged. From the perspective of the Company, the principal risks and uncertainties are managed within the framework established for the Lloyds Banking Group and are not managed separately for the Company. Significant uncertainties are discussed in detail below.

Key Performance Indicators (KPIs)

A defined set of KPIs for the securitisation transaction are set out in the Programme Documentation and published as part of a monthly Investor report.

The KPIs include monitoring the excess spread on the credit card portfolio as the first line of credit enhancement to the Notes, the losses that have occurred and the level of arrears in the underlying credit card receivables, the rate of repayment of the receivables within the credit card portfolio, monitoring of cash flows and an analysis of the characteristics of the underlying receivables in the credit card portfolio. During the year, all payments were made as expected including necessary payments on the Notes in accordance with the scheduled repayment dates. Further details are shown in note 10.1.

Strategic report (continued)
For the year ended 31 December 2025

Key Performance Indicators (KPIs) (continued)

A primary key performance indicator used by the Directors in assessing the performance of the Company is the monitoring of actual cash flows against planned cash flows. The Company has made all necessary payments on the Notes in accordance with the scheduled repayment dates for the years ended 31 December 2025 and 31 December 2024.

To manage the mitigation of key risks, there is a Lloyds Banking Group plc internal monthly securitisation and covered bonds governance meeting. This meeting analyses and discusses the KPIs for the month and identifies any issues or required changes. Any such issues are then further discussed and collectively agreed in accordance with the Programme Documentation that governs the transaction.

At the time of issue each series and class of notes is assigned a credit rating which reflects the likelihood of full and timely payment to the holders of the Notes of interest on each interest payment date and the payment of principal on the final maturity date. A rating may be subject to revision, suspension, or withdrawal at any time by the rating agencies if the Company's circumstances change. Any change in the credit rating assigned to a note would be used as an indicator as to the performance of the Company. No downgrade in credit ratings has been applied to the Notes in the year under review and subsequently up to the date of approval of these financial statements.

Economic environment

In 2025, the UK economy experienced modest growth alongside persistent inflation pressures. Elevated input costs and continued global uncertainty limited business investment. Technological developments, including increased adoption of artificial intelligence, supported incremental productivity gains; however, challenges such as new US trade tariffs, geopolitical tensions including ongoing conflict in both Eastern Europe and the Middle East and ongoing supply chain disruption continued to weigh on economic activity.

Globally, recovery remained uneven, with inflation and differing monetary policy paths contributing to variable demand conditions. As a result, many UK businesses maintained a cautious approach to investment and expansion.

Consistent with the Group's purpose of Helping Britain Prosper and its commitment to supporting customers, the Group continued to assist those most affected by developments in the economic environment.

The Directors' assessment suggest that performance of the portfolio of credit card receivables should continue to be satisfactory. There has been no material impact on the Company as of the Strategic report date. The situation will continue to be monitored and the Servicer, Bank of Scotland plc, will continue to adopt appropriate forbearance measures on behalf of the Company.

Taxation

The Company's tax charge is based on the permanent tax regime for securitisation companies.

Principal risks and uncertainties

The Board of Directors is responsible for assessing the risk of irregularities, where caused by fraud or error in the financial reporting and ensuring that the processes are in place for the timely identification of internal and external matters with a potential effect on financial reporting.

The majority of the Company's assets and liabilities have been classified as financial instruments in accordance with International Financial Reporting Standard (IFRS) 9 'Financial Instruments'. The Company's financial instruments comprise intercompany loan to F1 Ltd, the Notes issued in the capital markets and cash and cash equivalents.

Given the nature of the underlying receivables, the Directors have considered the conduct provision risk related to Payment Protection Insurance ("PPI") and have assessed this to be low. There have been no such claims during the current year or the prior year, and this will continue to be monitored.

Further details of the Company's risk management policy are contained in note 10 to the financial statements.

The principal risks and uncertainties for the Company arise from the Company's financial instruments. The key risks are credit risk, liquidity risk and interest rate risk. These and other risks that may affect the Company's performance are detailed below. Further analysis of the risks and the Company's financial risk management policies is provided in note 10.

From the perspective of the Company, the principal risks and uncertainties are managed within the framework established for Lloyds Banking Group and are not managed separately for the Company. Significant uncertainties are discussed in detail below.

Credit risk

Credit risk arises where there is a possibility that a counterparty may default on its financial obligations resulting in a loss to the Company. The intercompany loans are ultimately secured against a beneficial interest in a credit card portfolio held in the Trust for F1 Ltd. The primary credit risk of the Company therefore relates to the credit risk associated with the securitised pool of credit cards originated within Bank of Scotland plc and Lloyds Bank plc.

Principal risks and uncertainties (continued)

Credit risk (continued)

In terms of arrears management, the Company has engaged Bank of Scotland plc the Servicer of the receivables in the portfolio to help reduce the risk of loss. The Servicer is required to monitor repayments on the receivables in accordance with its usual credit policies and for ensuring credit card receivables in the Trust meet the eligibility criteria set out in the Programme Documentation.

The likelihood of defaults in the credit card pool and the amounts that may be recovered in the event of default are related to a number of factors and may vary according to characteristics and product type. Significant changes in the economy, or that of a particular geographical zone that represents a concentration in the securitised assets, could also affect the cash flows from the credit card pool.

To mitigate this risk, credit enhancement is provided to the Company in the form of excess revenue receipts ("Excess Spread") and a series of subordinated loan notes that are held internally within Lloyds Banking Group. The Company has made all necessary payments on the notes in accordance with the scheduled repayment dates for the years ended 31 December 2025 and 31 December 2024.

Liquidity risk

The ability of the Company to meet its obligations to make principal and interest payments on the Notes and to meet its operating and administrative expenses is dependent on funds being received under the intercompany loans held with F1 Ltd. F1 Ltd is only obliged to pay interest and principal to the Company to the extent that it has such amounts available to it.

The Company has received all necessary payments on the intercompany loans with F1 Ltd, in accordance with the scheduled repayment dates for the year ended 31 December 2025 and 31 December 2024. The Company has a limited recourse obligation with respect to notes issued.

Interest rate risk

Interest rate risk arises where there is a mismatch between the interest profile of the securitised assets and that of the issued notes, for example where floating rate notes are backed by fixed rate assets. In the case of the Penarth structure, the interest rates on the issued notes are linked to the relevant currency's Sterling overnight index average rate ("SONIA"), and all assets are at floating rate. No interest rate swap has been applied to mitigate the mismatch in profiles as management is able to re-price the assets at its discretion and hence mitigate the interest rate risk arising.

Operational risks

The Company is exposed to operational risks through a number of contracts with third parties who have agreed to provide operational support to the Company in accordance with the Programme Documentation. CSC Management Services (UK) Limited (formerly Intertrust Management Limited) has been appointed to provide corporate administration services in accordance with a corporate services agreement. Other third parties who have agreed to provide services with respect to the Notes including the paying agents and the agent bank. Bank of Scotland plc has been appointed to act as account bank and cash manager on behalf of the Company. Any operational risk concerns would be raised and considered as part of Lloyds Banking Group's internal monthly Securitisation and Regulated Covered Bonds Reporting & Governance meetings.

Business risks

The principal business risks of the Company are set out in a number of ratings and non-ratings trigger events in the Programme Documentation. The occurrence of trigger events may lead to a different priority of payments of the Notes in accordance with established priorities.

Significant trigger events in the programme which lead to the rapid amortisation of notes are:

Breach of minimum seller share below 6%; excess spread 3-month average less than or equal to 0%; any note series not paid down on its scheduled redemption date. There have been no trigger events since the inception of the Programme.

Section 172(1) of the Companies Act 2006

The Company is a special purpose vehicle and as such performs a very limited range of activities. As a special purpose vehicle, the governance structure of the Company is such that the key policies have been predetermined at the time of its incorporation. The Directors have had regards to the matters set out in section 172(1) of the Companies Act 2006 as follows:

- the documents governing the financing and other principal transactions to which the Company is party (together, the "Programme Documentation) have been formulated with the aim of achieving the Company's purpose and business objectives, safeguarding the assets of the Company, and promoting the success of the Company;
- in accordance with relevant securitisation legislation the Company is only permitted to retain cash profit;
- the Company has no employees;

Strategic report (continued)

For the year ended 31 December 2025

Section 172(1) of the Companies Act 2006 (continued)

- the Company has appointed various third parties to perform certain roles strictly governed by the Programme Documentation, fee arrangements agreed in advance and invoices paid strictly in accordance with the Programme Documentation (including a specified priority of payments);
- as a special purpose vehicle, the Company has no physical presence or operations and accordingly has minimal impact on the community and the environment;
- the Company has a sole member with the issued shares all held on a discretionary trust basis for charitable purposes;
- the Company's strategy has been closely aligned to that of Lloyds Banking Group, which is to achieve both long-term and sustainable returns central to which is ensuring engagement with stakeholders, and considering in all instances the long-term implications of decisions made, acting all times maintain the highest possible standards of conduct; and
- the Company confirms that there has been engagement with key stakeholders of the Company on an annual basis, as well as confirm that they have treated all key stakeholders fairly in their activities, to ensure that there has been appropriate use of knowledge and expertise when making business decisions around the long-term strategy of the Company and its activities during the year.

The Directors have identified investors, regulators, and the general public as the key stakeholders of the Company. Further, in accordance with the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, the Directors also confirm that they have both engaged with and had regard to the interest of key stakeholders, in their duties as Directors of the Company.

In accordance with section 426B of the Companies Act 2006 the above statement is available at the following website address https://connect.cscgfm.com/issuer/2622916

As approved by the board of Directors and signed on its behalf by:

Oskari Tammenmaa
Per pro CSC Directors (No.3) Limited
As Director
Date: 11 June 2026

Directors' report

For the year ended 31 December 2025

The Directors present their annual report and the audited financial statements for the Company for the year ended 31 December 2025.

General information

The Company is a public limited company, limited by shares, domiciled, registered, and incorporated in England and Wales under the Companies Act 2006 (registered number: 06615304).

Corporate governance

The Directors have been charged with governance in accordance with the Programme Documentation describing the structure and operation of the transaction. The governance structure of the Company is such that the key policies have been predetermined at the time of issuance and the operational roles have been assigned to third parties with their roles strictly governed by the Programme Documentation.

The Programme Documentation provides for procedures that have been designed for safeguarding assets against unauthorised use or disposition; for maintaining proper accounting records; and for the reliability and usefulness of financial information used within the business or for publication. Such procedures are designed to manage rather than eliminate the risk of failure to achieve business objectives whilst enabling them to comply with the regulatory obligations.

Due to the nature of the securities which have been listed, the Company is largely exempt from the requirements of the Financial Conduct Authority Disclosure and Transparency Rules 7.1 Audit Committees and 7.2 Corporate Governance Statements (save for the rule 7.2.5 requiring descriptions of the features of the internal control and risk management systems), which would otherwise require the Company to have an audit committee in place and include a corporate governance statement in the report of the Directors. The Directors are therefore satisfied that there is no requirement for an audit committee, or a supervisory body entrusted to carry out the functions of an audit committee or to publish a corporate governance statement. Financial risk management is detailed in the Strategic report.

From the perspective of the Company, the daily operational internal controls and risk management systems are integrated with those of the Lloyds Banking Group, the Company's ultimate controlling party. Therefore, additional information may be found in section 'Internal Control' of the 2025 Annual Report of Lloyds Banking Group plc, which does not form part of this report. Details of where to get access to the 2025 Annual Report of Lloyds Banking Group plc can be found in note 14.

Directors and directors' interest

The Directors who served the Company during the year and up to the date of signing the financial statements were:

Paivi Helena Whitaker
CSC Directors (No. 3) Limited
CSC Directors (No. 4) Limited

The Directors are also all Directors of Holdings Ltd. None of the Directors has any beneficial interest in the ordinary share capital of the Company. None of the Directors has any interest in any material contract or arrangement with the Company either during or at the end of the year.

Company secretary

The Company secretary during the year, and subsequently, was CSC Corporate Services (London) Limited.

Directors' indemnities

Qualifying third party indemnity provisions for the benefit of the Directors were in force during the year under review and remain in force as at the date of approval of the annual report and financial statements.

Registered office

The Company's registered office is 5 Churchill Place, 10th Floor, London, E14 5HU.

Streamlined energy and carbon reporting ("SECR")

The Company has taken an exemption from Streamlined Energy and Carbon Reporting (SECR) in its own Directors' Report. It is included within the group SECR report given in the Lloyds Banking Group plc 2025 Annual Report and Accounts, available on the Lloyds Banking Group plc website.

Directors' report (continued)

For the year ended 31 December 2025

Dividend

The Directors did not recommend the payment of a dividend for the year ended 31 December 2025 (2024: £nil)

Post balance sheet events

Further information on post balance sheet events impacting these financial statements can be found in note 13.

Statement of going concern

As at 31 December 2025, the Company is showing a net assets position in the financial statements. The Company has continued to perform in line with the Programme Documentation. There are certain rating and non-rating triggers included in the Programme Documentation as referred to in the KPI section of the Strategic report and explained in the note on Management of risk (note 10). In the course of their regular monitoring of these KPIs and review of risk, the Directors are confident that these triggers remain un-breached and will remain so for the period of at least twelve months from when the financial statements are authorised for issue. The Directors have also considered the credit enhancement features of the transaction and the limited recourse nature of the issued notes. Notes due to be redeemed in the year were extended in January 2025. Further details on this can be found in note 8.

For these reasons, the Directors continue to adopt the going concern basis in preparing the financial statements for a period of at least 12 months from the date of this report.

Employees

The Company employed no staff during the year ended 31 December 2025 or the previous year. During the year under review, the Directors did not receive any remuneration or emoluments from the Company in respect of qualifying services provided to the Company (2024: £nil).

Statement of directors' responsibilities in respect of the financial statements

The Directors are responsible for preparing the Annual Report and the 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, the Directors have prepared the Company's financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

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 the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether the financial statements comply with UK adopted international accounting standards in conformity with the requirements of the Companies Act 2006, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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 the financial statements comply with the Companies Act 2006.

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

Disclosure of information to auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- the Directors have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

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

Directors' report (continued)
For the year ended 31 December 2025

Independent auditor

The auditor, Deloitte LLP, has expressed its willingness to continue in office until the next annual general meeting and, pursuant to section 489 of the Companies Act 2006, a resolution for the re-appointment of Deloitte LLP, as the auditor of the Company will be proposed at the forthcoming annual general meeting of the Company.

Information included in the Strategic report

The disclosures for the Future outlook, Principal risks and uncertainties and Key performance indicators can be found in the Strategic report on pages 1 to 4.

As approved by the board of Directors and signed on behalf of board by:

Oskari Tammenmaa
Per pro CSC Directors (No.3) Limited
As Director
Date: 11 June 2026

Statement of comprehensive income

For the year ended 31 December 2025

	Note	**2025**	2024
		£'000	£'000
Interest receivable and similar income	4	**185,230**	205,803
Interest payable and similar charges		**(185,230)**	(205,803)
Net interest income		**-**	-
Income from group undertaking	5	**7**	7
Profit before tax		**7**	7
Taxation	6	**(2)**	(2)
Profit for the financial year being total comprehensive income		**5**	5

The accompanying notes are an integral part of the financial statements.

Balance sheet

As at 31 December 2025

	Note	**2025**	2024
		£'000	£'000
Assets			
Cash and cash equivalents		**119**	117
Loans to related company	7	**3,526,694**	3,527,359
Total assets		**3,526,813**	3,527,476
Liabilities			
Current tax liability		**2**	2
Debt securities in issue	8	**3,526,694**	3,527,362
Total liabilities		**3,526,696**	3,527,364
Equity			
Share capital	9	**13**	13
Retained earnings		**104**	99
Total equity		**117**	112
Total equity and liabilities		**3,526,813**	3,527,476

The accompanying notes are an integral part of the financial statements.

The financial statements were approved by the board of Directors on 11 June 2026 and were signed on behalf of the board by:

Oskari Tammenmaa

Per pro CSC Directors (No.3) Limited

As Director

Date: 11 June 2026

Statement of changes in equity

For the year ended 31 December 2025

	Share capital £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2025	**13**	**99**	**112**
Profit for the financial year being total comprehensive income	**-**	**5**	**5**
Balance at 31 December 2025	**13**	**104**	**117**
Balance as at 1 January 2024	13	94	107
Profit for the financial year being total comprehensive income	-	5	5
Balance as at 31 December 2024	13	99	112

The accompanying notes are an integral part of the financial statements.

Cash flow statement

For the year ended 31 December 2025

	Note	2025 £'000	2024 £'000
Cash flows from operating activities			
Profit before tax		**7**	7
Adjustments for:			
Interest receivable and similar income	4	**(185,230)**	(205,803)
Interest payable and similar charges		**185,230**	205,803
Income from group undertakings	5	**(7)**	(7)
Cash generated from operations		**-**	-
Tax paid	6	**(2)**	(2)
Net cash flows used in operating activities		**(2)**	(2)
Cash flows from investing activities			
Interest received on loans to Funding company		**185,902**	206,516
Net cash flows generated from investing activities		**185,902**	206,516
Cash flows from financing activities			
Interest paid to noteholders	8	**(185,898)**	(206,513)
Net cash flows used in financing activities		**(185,898)**	(206,513)
Change in cash and cash equivalents		**2**	1
Cash and cash equivalents at beginning of year		**117**	116
Cash and cash equivalents at end of year		**119**	117

The accompanying notes an integral part of the financial statements.

Notes to the financial statements
For the year ended 31 December 2025

1. Basis of preparation

The financial statements of the Company have been prepared in accordance with United Kingdom adopted international accounting standards and in conformity with the requirements of the Companies Act 2006.

The financial statements are presented in sterling which is the Company's functional and presentation currency and have been prepared on the historical cost basis. Figures are rounded to the nearest thousands.

In preparation of these financial statements the Balance sheet has been arranged in order of liquidity.

The IASB has issued an amendment to IAS 21 The Effects of Changes in Foreign Exchange Rates, effective 1 January 2025. This amendment has not had a significant impact on the Company.

Details of those pronouncements which will be relevant to the Company, but which were not effective at 31 December 2025, and which have not been applied in preparing these financial statements are given in note 12.

As at 31 December 2025, the Company is showing a net assets position in the financial statements. The Company has continued to perform in line with the Programme Documentation. There are certain rating and non-rating triggers included in the Programme Documentation as referred in the KPI section of the Strategic report and explained in the note on Management of risk (note 10). In the course of their regular monitoring of these KPIs and review of risk, the Directors are confident that these triggers remain un-breached and will remain so for the period of at least twelve months from when the financial statements are authorised for issue. The Directors have also considered the credit enhancement features of the transaction and the limited recourse nature of the issued notes.

For this reason, the Directors continue to adopt the going concern basis in preparing the financial statements for a period of at least 12 months from the date of this report.

2. Material accounting policies

The material accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied in both years presented, unless otherwise stated.

2.1. Interest receivable and interest payable

Interest receivable and similar income and interest payable and similar charges are recognised in the Statement of comprehensive income for all interest-bearing financial instruments using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating the interest income or interest expense over the expected life of the financial instrument.

2.2. Accrued interest

Accrued interest has been incorporated within the outstanding balance of debt securities and loans to related company in issue on the Balance sheet.

2.3. Taxation

Tax expense comprises current tax. Current tax is charged or credited in the Statement of comprehensive income except to the extent that the tax arises from a transaction or event which is recognised, in the same or a different period, outside the Statement of comprehensive income (either in other comprehensive income, directly in equity, or through a business combination), in which case the tax appears in the same statement as the transaction that gave rise to it.

Current tax is the amount of corporate income taxes expected to be payable or recoverable based on the profit for the period as adjusted for items that are not taxable or not deductible and is calculated using tax rates and laws that were enacted or substantively enacted at the Balance sheet date.

Current tax includes amounts provided in respect of uncertain tax positions when management expects that, upon examination of the uncertainty by His Majesty's Revenue and Customs (HMRC) or other relevant tax authority, it is more likely than not that an economic outflow will occur. Provisions reflect management's best estimate of the ultimate liability based on their interpretation of tax law, precedent, and guidance, informed by external tax advice, as necessary. Changes in facts and circumstances underlying these provisions are reassessed at each Balance sheet date, and the provisions are re-measured as required to reflect current information.

2. Material accounting policies (continued)

2.4. Financial instruments

The Company's financial instruments comprise intercompany loans to F1 Ltd, Notes issued in the capital market and cash and cash equivalents. The main purpose of these financial instruments is to raise finance for Bank of Scotland plc and Lloyds Banking Group plc. These financial instruments are classified in accordance with the principles of IFRS 9 as described below.

2.4.1 Loans to related company

Under IFRS 9 loans to related company comprise intercompany loans to F1 Ltd and are stated at amortised cost. This loan meets the Solely Payments of Principal and Interest ("SPPI") test as the purpose of the Company is to collect payments accordingly. The financial assets are recognised at amortised cost using the effective interest rate method.

2.4.2 Cash and cash equivalents

The Company holds a transaction bank account. For the purposes of the Cash flow statement, Cash and cash equivalents comprise cash balances with banks and amounts due from banks with an original maturity of less than three months. This statement indicates that the Company is entitled to receive a variable rate of interest which is equal to the Bank of England Base rate less 6 basis points (2024: Bank of England Base rate less 6 basis points). The rate charged is subject to change based on fluctuations in the Bank of England Base rate. This bank account is classified within financial assets held at amortised cost in accordance with IFRS 9 and income is being recorded using the effective interest method.

2.4.3 Impairment of financial assets

At initial recognition, allowance is made for expected credit losses resulting from default events that are possible within the next 12 months (12-month expected credit losses). At each balance sheet date an assessment is made as to whether, as a result of one or more events occurring after initial recognition, there is objective evidence that the deemed loan has had a significant increase in credit risk. In the event of a significant increase in credit risk since origination, allowance (or provision) is made for expected credit losses resulting from all possible default events, in the form of credit losses on the underlying assets, over the expected life of the financial instrument (lifetime expected credit losses). IFRS 9 requires the financial asset to be allocated to one of three 'stages' as follows:

Stage 1 - Financial assets which have not experienced a significant increase in credit risk since they were originated. Recognition of a 12-month ECL is required. Interest income on stage 1 financial assets is calculated on the gross carrying amount of the financial asset;

Stage 2 – Financial assets which have experienced a significant increase in credit risk. For financial assets in stage 2, recognition of a lifetime ECL impairment allowance is required. Interest income on stage 2 financial assets is calculated on the gross carrying amount of the financial asset; and

Stage 3 - Financial assets which have experienced one of more events that have had a detrimental impact on the estimated future cash flows and are considered to be credit impaired. Like stage 2, recognition of a lifetime expected ECL impairment allowance is required. However, interest income on stage 3 loans is calculated on the financial asset balance net of the impairment allowance.

Unlike other financial instruments, the loan to related company is, by its construction, an instrument that incorporates credit enhancement. The interest due on the loans to related company is only due to the extent it matches the obligations of the entity. All securitisation programmes incorporate credit enhancement in the form of excess spread and various reserve funds for use in the event the excess spread for a particular payment period is insufficient. Expected losses for the loans to related company would only therefore be recognised where the expected credit losses on the underlying assets were large enough that no credit enhancement remained.

2.4.4 Debt securities in issue

Debt securities in issue are recognised initially at fair value less directly related incremental transaction costs. Subsequent to initial recognition, debt securities in issue are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

2. Material accounting policies (continued)

2.5. Segment reporting

The Company operates in a single business and all of the Company's activities are in the UK.

2.6. Income from group undertaking

Under the terms of the intercompany loan agreement with F1 Ltd, the Company has the right to receive a fee for the provision of the intercompany loans. This fee includes an amount equal to £100 per month, per loan note in issuance from available revenue receipts per month, subject to a maximum fee of £1,000 in any calendar month.

2.7. Capital management

The Company is not subject to externally imposed capital requirements in the current and prior year. The Company manages its ordinary share capital in order that there is sufficient capital, in the opinion of the Directors, to support the transactions and level of business undertaken by the Company.

3. Critical accounting judgements and key sources of estimation uncertainty

The preparation of the financial statements necessarily requires the exercise of judgement both in the application of accounting policies and in the selection of assumptions used in the calculation of accounting estimates. These judgements are reviewed on an ongoing basis and are continually evaluated based on historical experience and other factors. There are no critical accounting judgements or key sources of estimation uncertainty involved in the preparation of these financial statements.

4. Interest receivable and similar income

	2025	2024
	£'000	£'000
Interest receivable from loans to related company	**185,191**	205,744
Bank interest receivable	**39**	59
	185,230	205,803

5. Income from group undertaking

	2025	2024
	£'000	£'000
Fee from F1 Ltd	**7**	7

This fee is not included in determining the effective interest rate arising on the intercompany loans that are held at amortised cost.

The Company has no employees (2024: nil). None of the Directors received any emoluments from the Company in the current or previous year. The corporate services provider fees are paid and borne by F1 Ltd. Fees of £43,000 (2024: £42,000), net of VAT, are payable to Deloitte LLP. There are no fees payable to the auditors and their associates for services other than the statutory audit in the current and prior year.

6. Taxation

The tax assessed for the year is equal to the standard average rate of corporation tax in the UK of 25% (2024: 25%). There are no differences between the standard rate of tax and the effective rate of tax.

	2025	2024
	£'000	£'000
UK Corporation tax		
Current tax on taxable profit for the year	**2**	2
Total tax charge	**2**	2

6. Taxation (continued)

Factors affecting the tax charge for the year	**2025**	2024
	£'000	£'000
Profit before tax	**7**	7
Profit before tax multiplied by the standard average rate of corporation tax in the UK of 25% (2024: 25%)	**2**	2
Total tax charge per the Statement of comprehensive Income	**2**	2

The Company has applied the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar 2 income taxes currently required by IAS12 Income Taxes. No provision for Pillar 2 current tax is required in respect of this year.

Corporation tax is calculated at a rate of 25% (2024: 25%) of the taxable profit for the year.

The Company's taxable profits are calculated under the Taxation of Securitisation Companies Regulations 2006 (SI 2006/3296) as amended by the Taxation of Securitisation Companies (Amendment) Regulations 2018 (SI 2018/143) and disclosed in accordance with IAS 12 Income Taxes.

During the year, the Company has retained £7,000 (2024: £7,000). Tax is assessed on the cash retained as profit in the Company.

7. Loans to related company

	2025	2024
	£'000	£'000
Loans to Funding company		
Non-current - amounts due after one year		
Principal	**3,520,000**	500,000
Current - amounts due within one year		
Principal	**-**	3,020,000
Interest	**6,694**	7,362
Bank interest not yet transferred	**-**	(3)
Total	**3,526,694**	3,527,359

The intercompany loans to F1 Ltd are all denominated in Sterling and are at variable rates of interest, based on SONIA. Such loans have ultimately been secured against a beneficial interest in a credit card portfolio held in trust on behalf of the Holdings Ltd Group.

F1 Ltd's ability to repay amounts due on the intercompany loans will depend upon it receiving sufficient revenue receipts and principal from the credit card portfolio and amounts available in any applicable reserve funds. In the case of a shortfall, holders of the Notes may, subject to credit enhancements available including internally held notes and excess spread and other sources of funds are available to the Company, receive less than the full interest and/or principal than would otherwise be due on the Notes. The repayment of the intercompany loans will coincide with the repayment of the Notes.

Notes to the financial statements (continued)

For the year ended 31 December 2025

8. Debt securities in issue

	Schedule redemption date	Margin	2025 £'000	2024 £'000
Non-current - amounts due after one year				
Principal (GBP - priced against SONIA)				
Class A: Series 2013-1 A2	Sep-32	1.00%	**1,300,000**	-
Class B: Series 2014-2 B1	Sep-32	1.50%	**600,000**	-
Class C: Series 2014-2 C1	Sep-32	2.00%	**120,000**	-
Class D: Series 2014-2 D1	Sep-33	0.60%	**500,000**	500,000
Class A: Series 2018-2 A2	Sep-31	0.90%	**500,000**	-
Class A: Series 2019-1 A3	Sep-31	0.90%	**500,000**	-

	Schedule redemption date	Margin	2025 £'000	2024 £'000
Current- amounts due within one year				
Principal (GBP - priced against SONIA)				
Class A: Series 2019-1 A3	Sep-31	0.90%	**-**	500,000
Class A: Series 2018-2 A2	Sep-31	0.90%	**-**	500,000
Class A: Series 2013-1 A2	Sep-32	1.00%	**-**	1,300,000
Class B: Series 2014-2 B1	Sep-32	1.50%	**-**	600,000
Class C: Series 2014-2 C1	Sep-32	2.00%	**-**	120,000
Interest			**6,694**	7,362
			3,526,694	3,527,362

During the year, the Company did not repay any notes (2024: none). There have been no defaults in the payment of principal and interest or other breaches with respect to liabilities in the current or prior year.

During the year, the Company refinanced all of its notes, extending their maturity profiles and resetting coupon margins to reflect prevailing market rates.

The expected call option dates for Series 2013-1 A2, Series 2024-1 B1, and Series 2014-2 C1 were extended from September 2025 to September 2032. Concurrently, their margins increased from 0.45% to 1.00%, 1.33% to 1.50%, and 1.83% to 2.00%, respectively.

For Series 2014-2 D1, the expected call option date was extended from September 2028 to September 2033, with the margin increasing marginally from 0.58% to 0.60%.

In addition, Series 2018-2 A2 and Series 2019-1 A3 had their expected call option dates extended from September 2025 to September 2031. Their margins increased from 0.89% to 0.90% and from 0.60% to 0.90%, respectively.

No gains or losses were recognised as a result of the refinancing.

The table below sets out the movement in the financing liabilities arising from cash and non-cash movements:

	2025 £'000	2024 £'000
Opening balance	**3,527,362**	3,528,067
Interest expense	**185,230**	205,803
Interest payment	**(185,898)**	(206,508)
Closing balance	**3,526,694**	3,527,362

9. Share capital

	2025	2024
	£	£
Issued		
50,000 (2024: 50,000) ordinary shares of £1 each	**50,000**	50,000
Allotted and paid up		
Issued share capital comprises:		
2 (2024: 2) ordinary shares of £1 each (fully paid)	**2**	2
49,998 (2024: 49,998) ordinary shares of £1 each (one quarter paid)	**12,500**	12,500
	12,502	12,502

Holdings Ltd holds 49,998 quarter paid £1 ordinary shares and one fully paid £1 ordinary shares. CSC Nominees Limited also holds one £1 fully paid ordinary share in the Company as a nominee shareholder for the benefit of Holdings Ltd. These shares comprise the entire issued share capital of the Company. The one issued share of Holdings Ltd is held on a discretionary trust basis by CSC Corporate Services (London) Limited.

10. Management of risk

The principal risks arising from the Company's financial instruments are credit risk, liquidity risk and interest rate risk. However, considerable resource is given to maintaining effective controls to manage, measure and mitigate each of these risks and therefore there is minimal sensitivity to risk. Further detailed analysis of the risks facing the Company in relation to its financial instruments is provided below.

The Directors do not consider there to be a capital management risk as adequate solvency and capital levels are maintained.

The Company has no currency risk and no other significant market risk.

10.1. Credit risk

The Company's exposure to risk on its financial instruments and the management of such risk is largely determined at the inception of the securitisation transaction. The Company's activities and the role of each party to the transaction are clearly defined and documented. Cash flow modelling, including multiple stress scenarios, is carried out as part of the structuring of the transaction.

Credit risk arises where there is a possibility that a counterparty may default on its financial obligations resulting in a loss to the Company. The ability of the Company to meet its obligations to make principal and interest payments on the Notes and to meet its operating and administrative expenses is dependent on funds being received under the intercompany loans held with F1 Ltd. The primary credit risk of the Company therefore relates to the default on the intercompany loan with F1 Ltd. The primary credit risk of F1 Ltd relates to the credit risk associated with the securitised pool of credit cards originated within Bank of Scotland plc and Lloyds Bank plc.

The likelihood of defaults in the credit card pool and the amounts that may be recovered in the event of default are related to a number of factors and may vary according to characteristics and product type. Significant changes in the economy, or in that of a particular geographical zone that represents a concentration in the securitised assets, could also affect the cash flows from the credit card pool.

To mitigate this risk, credit enhancement is provided to the transaction within F1 Ltd in the form of excess spread and subordinated loan notes. F1 Ltd's share of the income on the credit card pool is expected to exceed the interest payable on the loan from the Company, related expenses, and charge offs. This excess income (excess spread) is available to make good any reduction in the principal balance of the credit card pool as a result of defaults by customers.

An example of this excess spread calculated by reference to KPIs (yield, losses) and other measures is shown below along with monthly payment rate KPI and relevant definitions:

	Dec 2025	Dec 2024
	%	%
Yield (defined as the gross yield rate)	**16.01**	17.07
Losses (defined as the charge off rate)	**(2.55)**	(2.28)
Expenses (defined as the expense rate)	**(5.84)**	(6.46)
Excess spread (defined as the excess available funds rate)	**7.62**	8.33
Monthly payment rate	**38.26**	35.62

10. Management of risk (continued)

10.1. Credit risk (continued)

Definition	Numerator	Denominator
Gross yield rate	Interest, fees, insurance, post charge off recoveries, interchange, forex fees, card protection insurance and bank account interest	Beginning of period principal and revenue receivables balance
Charge off rate	Principal balances charged off during the month (recoveries excluded)	Beginning of period principal receivables balance
Expense rate	Interest on notes, servicing fee paid by investor, other sundry structural costs	Investor share of principal receivables
Excess available funds rate	Yield rate less charge off rate less expense rate	
Monthly payment rate	All customer payments received (principal and revenue), interchange, forex fees, card protection insurance and bank account interest	Beginning of period principal and revenue receivables balance

The Company is exposed to concentration of credit risk from the Originator. The underlying credit card assets of the securitisation are all in the UK market. The nature of the credit card portfolio means that credit risk in relation to the underlying credit card pool is not limited to one significant counterparty. Given the nature of the underlying receivables, the Directors have considered the conduct provision risk related to PPI and have assessed this to be low. There have been no such claims during the reporting year, and this will continue to be monitored (2024: £nil).

The Company assesses its counterparties for credit risk before contracting with them. Credit rating is the main method used to measure credit risk. In accordance with the criteria of the rating agencies that rate the Notes, the Programme Documentation contains various rating triggers linked to each counterparty, which require certain actions to be taken if triggers are breached. The company manages the portfolio to ensure the seller's share and excess spread are sufficient and that there are no credit losses. Prior to adding receivables to the asset pool, they must meet eligibility criteria which includes not having contractual payments more than 30 days overdue.

		Rating as at 31 December 2025	**Rating as at 31 December 2024**	**Rating as at date of approval of financial statements**
Bank of Scotland plc as provider of:		**(Moody's / S&P / Fitch)**		
Bank accounts	Short term	P-1 / A-1 / F1+	P-1 / A-1 / F1+	P-1 / A-1 / F1+
	Long term	A1 / A+ / AA-	A1 / A+ / AA-	A1 / A+ / AA-

Financial assets subject to credit risk

The maximum exposure to credit risk arising on the Company's financial assets at the reporting date is disclosed in the table below and equates to carrying value. At the balance sheet date all financial assets subject to credit risk were neither past due nor impaired.

	2025	2024
	£'000	£'000
Assets held at amortised cost		
Loans to Funding company	**3,526,694**	3,527,359
Cash and cash equivalents	**119**	117
Total assets held at amortised cost	**3,526,813**	3,527,476

10. Management of risk (continued)

10.1. Credit risk (continued)

The Company meets its obligation on the Notes issued from the cash flows it receives from F1 Ltd. These represent the only recourse for the Company. As a consequence, the credit quality of the credit card receivables indicates the capacity of the Company to service its payments, although the credit cards remain on the balance sheets of Bank of Scotland plc and Lloyds Bank plc and the structure of the securitisation provides for other credit enhancements, such as the subordinated notes and seller's share.

Securitised credit card assets

Securitised credit card receivables can be analysed according to the rating systems used by the Company and Originators when assessing customers and counterparties. The total credit card trust portfolio balance against which intercompany loans are ultimately secured has been analysed below.

For the purposes of the Company's disclosures regarding credit quality, securitised credit card receivables (excluding those charged off to £nil value) subject to credit risk have been analysed as follows:

Stage 1 **–** Financial assets which are not in arrears or less than 1 month in arrears.

Stage 2 **–** Financial assets which are greater than 1 month but less than 3 months in arrears.

Stage 3 **–** Financial assets which have experienced one or more events that have had a detrimental impact on the estimated future cash flows and are considered to be credit impaired. Financial assets are considered to be credit impaired and included in stage 3 when there is objective evidence of credit impairment. Bank of Scotland plc assesses a loan as stage 3 when contractual payments of either principal or interest are past due for more than 3 months.

2025	**Balance £'000**	**Accounts**
Stage 1	**7,006,146**	**6,466**
Stage 2	**42,469**	**15**
Stage 3	**54,051**	**18**
	7,102,666	**6,499**

2024	Balance £'000	Accounts
Stage 1	7,337,491	6,928
Stage 2	45,345	16
Stage 3	56,816	19
	7,439,652	6,963

10.2. Interest rate risk

Interest rate risk arises where there is a mismatch between the interest profile of the securitised assets and that of the issued notes, for example where floating rate notes are backed by fixed rate assets. In the case of the Penarth structure, the interest rates on the issued notes are linked to SONIA, and all assets are at floating rate. No interest rate swap has been applied to mitigate the mismatch in profiles as Lloyds Banking Group plc is able to re-price the assets at its discretion and hence mitigate the interest rate risk arising.

10. Management of risk (continued)

10.3. Liquidity risk

The Company's ability to meet payments on the Notes as they fall due is dependent on the timely receipt of funds under the intercompany loan agreement with F1 Ltd which may be delayed due to the level of repayment on the underlying credit card portfolio. If insufficient funds are received by F1 Ltd to repay the intercompany loans, then the Notes may not be paid in full, and a part of the Notes may be deferred to subsequent periods. Such deferred amounts will be due but not payable until funds are available in accordance with the relevant priority of payments as set out in the Programme Documentation. Variations in the rate of prepayment of principal on the loans may affect each series and class of notes differently.

The liquidity tables reflect the undiscounted cash payments which will fall due if the structure continues until the step-up date as defined in the Programme Documentation (unless it is known that a note will be repaid prior to this date when the earlier date will be used). The step-up date is the earliest date on which the Company could be required to repay the liability and commercially the most likely except in the event that sufficient cash flows are received to repay the Note earlier.

It is anticipated that the interest and principal received on the intercompany loans will be sufficient to allow repayment of the Notes by the step-up date and thereby avoid the increase in the interest rate margin payable on the Notes.

2025	**Carrying value £'000**	**Contractual repayment £'000**	**<1 month £'000**	**1-3 months £'000**	**3 months - 1 year £'000**	**1-5 years £'000**	**>5 years £'000**
Principal							
Notes in issue	**3,520,000**	**3,520,000**	**-**	**-**	**-**	**-**	**3,520,000**
Interest payable							
Interest payable on Notes in issue	**6,694**	**1,150,007**	**14,586**	**29,172**	**131,274**	**700,128**	**274,847**
	3,526,694	**4,670,007**	**14,586**	**29,172**	**131,274**	**700,128**	**3,794,847**

2024	Carrying value £'000	Contractual repayment £'000	<1 month £'000	1-3 months £'000	3 months - 1 year £'000	1-5 years £'000	>5 years £'000
Principal							
Notes in issue	3,520,000	3,520,000	-	-	3,020,000	500,000	-
Interest payable							
Interest payable on Notes in issue	7,362	206,859	16,011	32,022	86,979	71,847	-
	3,527,362	3,726,859	16,011	32,022	3,106,979	571,847	-

If the cash flows on the underlying credit card assets are repaid earlier than contractual dates, amounts paid to the company would have to be paid to the note holders in accordance with the priority of payments.

10.4. Fair values

10.4.1 Definition of fair value levels

Per IFRS 13 'Fair Value Measurement' the different levels are defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2). "
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

10. Management of risk (continued)

10.4. Fair values (continued)

10.4.2 Financial assets and liabilities carried at amortised cost

Cash and cash equivalents are recognised on an amortised cost basis that is considered to be a close approximation to fair value.

Loans to related company

The fair value of the loans to related company as at 31 December 2025 was £3,334,802,000 (2024: £3,397,000,000). Loans to related company are recognised on an amortised cost basis. The loans to related company are all denominated in Sterling and are at variable rates of interest, based on SONIA. These loans have ultimately been secured against a beneficial interest in a credit card portfolio held in trust on behalf of the Holdings Ltd Group.

Under IFRS 13 'Fair Value Measurement', the fair value of the Loans to related company has been calculated using a market approach. A mid-price was obtained from Lloyds Banking Group's trading desk team for each of the Notes issued, which was applied to the Loans to Funding company to derive a fair value. The mid-price as at the Balance sheet date is considered to be an exit price for the purposes of IFRS 13.2.

Where prices are unavailable for certain notes, the lowest mid-price for similar notes has been used as an equivalent in order to calculate the fair value.

Debt securities in issue

The fair value as at 31 December 2025 was £3,334,802,000 (2024: £3,397,000,000). Carrying value of the notes is shown in note 8.

Notes have been valued where possible based on quoted market prices in active markets, including recent market transactions. For this reason, in accordance with "IFRS 13 fair value measurement", the debt securities in issue which are externally held are considered to be Level 2 in the fair value hierarchy. Notes held by Lloyds Banking Group plc are considered to be Level 3 in the fair value hierarchy. All notes are internally held.

Under IFRS 13 'Fair Value Measurement', the fair value of the debt securities in issue has been calculated using a market approach. A mid-price was obtained from Lloyds Banking Group's trading desk team for each of the notes in order to derive a fair value. The mid-price as at the balance sheet date is considered to be an exit price for the purposes of IFRS 13.2. Where prices are unavailable for certain notes, the lowest mid-price for similar notes has been used as an equivalent in order to calculate the fair value.

11. Related party transactions

A number of transactions are entered into with related parties as part of the Company's normal business. The related parties are the Holdings Ltd Group, Bank of Scotland plc, Lloyds Banking Group plc, Lloyds Bank plc and CSC Management Services (UK) Limited by virtue of their various roles and inputs into securitisation arrangements to which the Company is a party.

Bank of Scotland plc acts as Servicer and provides cash management services defined under the Programme Documentation. Other roles (transferor and bank account) are not relevant to the fees disclosed. Fees for these services are paid on behalf of the Company by F1 Ltd, a company which is part of the Holdings Ltd Group, which amounted to £35,100,000 in the year (2024: £35,000,000).

CSC Management Services (UK) Limited provides corporate administration services pursuant to a corporate services agreement with the Company and was paid a fee of £38,000 for services provided in the year (2024: £9,000). These fees are paid on behalf of the Company by F1 Ltd. Audit fees of £43,000, net of VAT (2024: £42,000) are payable to the auditor on behalf of the Company by the PF1 Ltd.

During the year, the Company undertook the following transactions with companies within Lloyds Banking Group plc:

For the year ended	**Parent 2025 £'000**	**Other related parties 2025 £'000**	Parent 2024 £'000	Other related parties 2024 £'000
Interest receivable and similar income				
Interest on loans to related company	**-**	**185,191**	-	205,744
Bank interest	**39**	**-**	59	-

Notes to the financial statements (continued)
For the year ended 31 December 2025

11. Related party transactions (continued)

At 31 December	**Parent 2025 £'000**	**Other related parties 2025 £'000**	Parent 2024 £'000	Other related parties 2024 £'000
Interest payable and similar charges				
Interest payable on Notes held by Lloyds Banking Group plc and subsidiary undertakings	**-**	**185,230**	-	205,803
Income from group undertaking	**-**	**7**	-	7
Assets				
Loans to related company	-	**3,520,000**	-	3,520,000
Interest receivable on loans to related company	-	**6,694**	-	7,362
Bank interest not yet transferred	-	-	-	(3)
Cash and cash equivalents	**119**	-	117	-
Liabilities				
Notes held by Lloyds Banking Group plc and subsidiary undertakings	-	**3,520,000**	-	3,520,000
Interest payable on Notes held by Lloyds Banking Group plc and subsidiary undertakings	**-**	**6,694**	-	7,362

12. Future accounting developments

There are a number of new accounting pronouncements issued by the IASB with an effective date of 1 January 2027, including IFRS 18 Presentation and Disclosure in Financial Statements which replaces IAS 1 Presentation of Financial Statements. While many of the existing requirements of IAS 1 Presentation of Financial Statements are retained, IFRS 18 Presentation and Disclosure in Financial Statements introduces additional disclosure obligations in relation to the structure of the income statement, management-defined performance measures, and the aggregation and disaggregation of financial information. IFRS 18 will have no impact on the Company's net profit as it impacts neither recognition nor measurement. The new standard will impact the presentation of the Company's results as it requires that operating, investing and financing activities are presented separately. There will also be a change in the Group's cash flow statement as IFRS 18 requires that the first line of the cash flow statement is operating profit rather than profit before tax.

IFRS 19 Subsidiaries without Public Accountability: Disclosures is being assessed and is not expected to have a significant impact on the Company. IFRS 19 has yet to be endorsed for use in the UK.

The IASB has issued its annual improvements and a number of amendments to the IFRS Accounting Standards effective 1 January 2026, including Amendments to IFRS 9 Financial Instruments and Amendments to IFRS 7 Financial Instruments Disclosures. These improvements and amendments are not expected to have a significant impact on the Company.

13. Post balance sheet events

There are no other significant events occurring after the statement of financial position date, up to the date of approval of the financial statements that would meet the criteria to be disclosed or adjusted in the financial statements as at 31 December 2025.

14. Parent undertaking and controlling party

The Company is a wholly owned subsidiary of Holdings Ltd, a company registered in England and Wales. The issued share in Holdings Ltd is held by CSC Corporate Services (London) Limited on a discretionary trust basis under a share trust deed for the benefit of certain charities.

The Company meets the definition of a special purpose entity under IFRS. In accordance with the requirements of IFRS 10 Consolidated Financial Statements.

The parent undertaking, which is the parent undertaking of the smallest group to consolidate these financial statements is Bank of Scotland plc. Copies of the consolidated annual report and accounts of Bank of Scotland plc may be obtained from 33 Old Broad Street, London, EC2N 1HZ.

The ultimate parent undertaking and controlling party is Lloyds Banking Group plc, which is the parent undertaking of the largest group to consolidate these financial statements. Copies of the consolidated annual report and accounts of Lloyds Banking Group plc are available from Lloyds Banking Group plc's Secretariat at 33 Old Broad Street, London, EC2N 1HZ or may be downloaded via www.lloydsbankinggroup.com/investors/financial-downloads.html.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PENARTH MASTER ISSUER PLC

Report on the audit of the financial statements

1. Opinion

In our opinion the financial statements of Penarth Master Issuer Plc (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2025 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity;
- the cash flow statement; and
- the related notes 1 to 14.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom adopted international accounting standards.

2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that we have not provided any non-audit services prohibited by the FRC's Ethical Standard to the company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Summary of our audit approach

Key audit matter	The key audit matter that we identified in the current year was collections in the Waterfall reports, i.e., the priority of payments related to the securitised portfolio.
Materiality	The materiality that we used in the current year was £35.3 million which was determined based on 1% of total assets.
Scoping	All audit procedures to respond to the risks of material misstatement were performed by the audit engagement team.
Significant changes in our approach	There were no significant changes in our approach.

4. Conclusions relating to going concern

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

Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- assessing the liquidity of the company to evaluate whether cash flows and reserves are sufficient to cover the contractual payments of the company over a period of the next 12 months from the date of approval of the financial statements;
- inspecting the securitisation programme documentation to identify whether any triggers exist that could have an impact on the company's ability to continue as a going concern;
- assessing the limited recourse features of the notes;
- reviewing the minutes of meetings of the company's board of directors; and
- assessing the appropriateness of the disclosures made in the financial statements.

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

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

5. Key audit matter

The key audit matter communicated below is the matter that, in our professional judgement, was of most significance in our audit of the financial statements of the current period and was the most significant assessed risk of material misstatement (whether or not due to fraud) that we identified. This matter had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team.

This matter was addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

5.1. Collections in the Waterfall reports, i.e., the priority of payments related to the securitised portfolio

Key audit matter description	The company is a special purpose vehicle which has issued publicly listed notes, the proceeds of which have been invested in loans to Penarth Funding 1 Limited (the "Funding company"). The Funding company has purchased the beneficial interest of credit card receivables (the "securitised portfolio") from Penarth Receivables Trustee Limited ("the Trust") using the proceeds of the loans from the company. On a daily basis, interest receipts related to the securitised portfolio are transferred by the Originators (Bank of Scotland plc and Lloyds Bank plc) to the Trust. Investor share of these receipts is then transferred by the Trust to the Funding company and the company on a monthly basis. These collections are distributed to noteholders on each interest payment date (IPD). The repayment of interest on the notes to the noteholders as per the contractual terms of the programme documentation drive the credit rating of these notes and this repayment is dependent on the interest receipts from the securitised pool. There is a risk of fraud that management might overstate the interest receipts in the Waterfall reports, by transferring cashflows from the credit card receivables which are not part of the securitised portfolio of the company and, therefore, the related cashflows are incorrectly recorded in the Waterfall reports. Refer to notes 2.4.1, 7 and 10.1 in the financial statements.
How the scope of our audit responded to the key audit matter	We tested relevant controls over the process of recording the interest receipts in the Waterfall reports and controls over the preparation and review of the Waterfall reports. We also performed the following procedures over the interest receipts from securitised portfolio: • on a sample basis, tested that the customer credit card receivables which are securitised in the company are appropriately tagged as securitised in the Originator's system; • on a sample basis, tested the interest receipts from the securitised portfolio by tracing receipts to customers' statements; and • traced the total receipts recorded in the monthly Waterfall reports with the amounts received in the bank account of the company.
Key observations	From the work performed, we are satisfied that interest receipts recorded in the Waterfall reports were duly received by the company and related to securitised receivables within the company for year ended 31 December 2025.

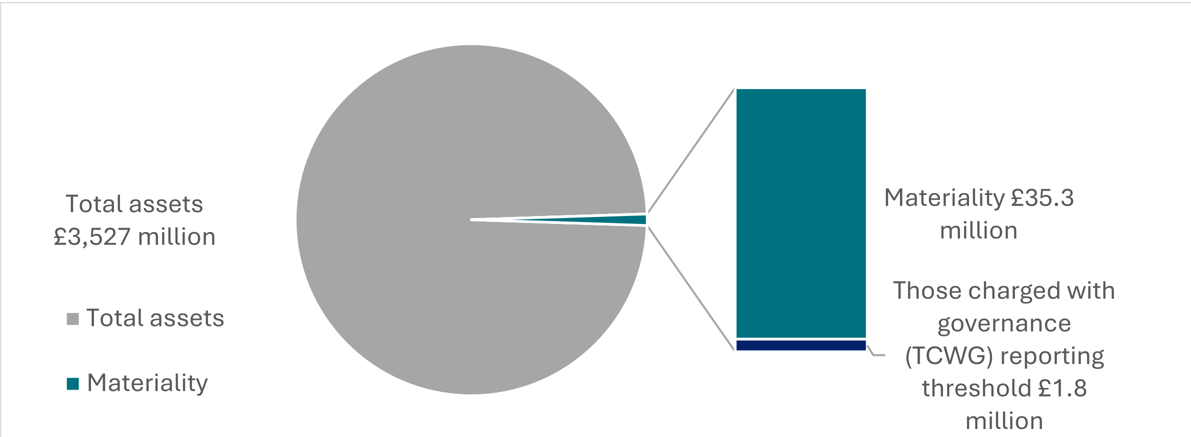
6. Our application of materiality

6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Materiality	£35.3 million (2024: £35.3 million)
Basis for determining materiality	1% of total assets (2024: 1% of total assets)
Rationale for the benchmark applied	The noteholders are the primary users of the financial statements and the key focus for the users of the financial statements is total assets as the repayment to noteholders is driven by this.



6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole.

Performance materiality was set at 70% of materiality for the 2025 audit (2024: 70%). In determining performance materiality, we considered the following factors:

a. our risk assessment, including our assessment of the company's overall control environment;
b. our understanding of the business processes and complexity involved in the preparation of the financial statements; and
c. the nature, volume and size of corrected and uncorrected misstatements identified in the previous audit which indicated a lower number of corrected and uncorrected misstatements.

6.3. Error reporting threshold

We agreed with those charged with governance that we would report to them all audit differences in excess of £1.8 million (2024: £1.8 million), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to those charged with governance on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

7.1. Scoping

Our audit scope was determined through obtaining an understanding of the entity and its environment, including internal controls, and assessing risks of material misstatements. Audit procedures to respond to risks of material misstatement were performed by the audit engagement team.

7.2. Our consideration of the control environment

We obtained an understanding of the control environment, including the underlying IT systems. We planned not to rely on the general IT controls or application controls, as the company's operations are largely based on manual processes and controls.

We took a controls reliance approach over the process of recording the interest receipts in the Waterfall reports and controls over the preparation and review of the Waterfall reports.

8. Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

9. Responsibilities of directors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

10. Auditor's responsibilities for the audit of the financial statements

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

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

11. Extent to which the audit was considered capable of detecting irregularities, including fraud

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

11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the company's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management and those charged with governance about their own identification and assessment of the risks of irregularities, including those that are specific to the company's sector;
- any matters we identified having obtained and reviewed the company's documentation of their policies and procedures relating to:
    - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
    - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
    - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;

- the matters discussed among the audit engagement team and IT specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud is in the overstatement of interest receipts in the Waterfall reports, by transferring the cashflows from the credit card receivables which are not part of the securitised portfolio of the company and, therefore, the related cashflows are incorrectly recorded in the Waterfall reports.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory framework that the company operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act, UK Listing Rules and tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty.

11.2. Audit response to risks identified

As a result of performing the above, we identified the collections in the Waterfall reports, i.e., the priority of payments related to the securitised portfolio as a key audit matter related to the potential risk of fraud. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to that key audit matter.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management and those charged with governance concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance and reviewing correspondence with HMRC; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

12. Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

13. Matters on which we are required to report by exception

13.1. Adequacy of explanations received and accounting records

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

- we have not received all the information and explanations we require for our audit; or
- 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.

We have nothing to report in respect of these matters.

13.2. Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made.

We have nothing to report in respect of this matter.

14. Other matters which we are required to address

14.1. Auditor tenure

Following the recommendation of the audit committee of ultimate controlling party as defined in note 14, we were appointed by the shareholders of the ultimate controlling party at its annual general meeting on 20 May 2021 to audit the financial statements for the year ending 31 December 2021 and subsequent financial periods. The period of total uninterrupted engagement of the firm is five years, covering the years ending 31 December 2021 to 31 December 2025.

14.2. Consistency of the audit report with the additional report to those charged with governance

Our audit opinion is consistent with the additional report to those charged with governance we are required to provide in accordance with ISAs (UK).

15. Use of our report

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.

John Clacy FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
11 June 2026