

Audit and Risk Committee Report



"The role of the Committee is to provide independent oversight, and this year's Report provides an overview of how we monitored and evaluated the effectiveness of the Group's financial reporting, systems of internal control and risk management during the year."

Richard Holmes
Chair of the Audit and Risk Committee

Dear shareholder,

On behalf of the Committee, I am pleased to present the Audit and Risk Committee's Report for the year ended 31 December 2025. This report explains the Committee's work and how we met our audit, risk management and internal control responsibilities including ensuring compliance with the Financial Reporting Council's (FRC) Audit Committee and the External Audit Minimum Standards.

The Committee monitored the impacts of routine and emerging risks on the Group's Financial Statements and, despite continuing macroeconomic uncertainty, was pleased to see strong operational and financial performance. This reflects the disciplined execution of our strategy and provides a solid platform for continued growth alongside effective internal control and risk management systems.

As well as its focus on emerging risks, the Committee addressed a range of routine matters, receiving regular updates from the internal audit function on the effectiveness of internal controls, including progress on implementing the Digital Operational Resilience Act (DORA), enhancements to anti-money laundering controls, financial control and the quality of regulatory reporting. Where improvements were identified, whether by internal audit or the Committee, we ensured the necessary actions were taken and that effective follow-up processes were in place to monitor progress.

The Committee also dedicated time to consider and approve PKF Littlejohn LLP's approach for the 2025 external audit as well as the 2026 internal audit plan, ensuring that both provide robust, risk-based assurance of the Group's key activities.

The Committee was pleased to note the Group's response to the new audit, risk and internal control requirements of the 2024 UK Corporate Governance Code (the 2024 Code) which came into effect during 2025, as well as the Group's readiness for the elements that will come into effect in the following year. The Committee is well placed to discharge its duties in the year ahead.

Looking ahead, the Committee recognises that the demand for the Group's products remains robust in all our markets and, as we drive growth, product innovation and digital capability, the Committee will continue to provide rigorous oversight of the associated risks and opportunities.

I trust that the following report will provide a clear overview of the Committee's activities during the year and the actions we will take in 2026 to ensure the Group's financial reporting, risk management and systems of internal control remain effective.

Richard Holmes
Chair of the Audit and Risk Committee

25 February 2026

Committee members

Richard Holmes, Chair and independent non-executive director

Aileen Wallace, Independent non-executive director

Katrina Cliffe, Senior Independent non-executive director

The table below shows the number of meetings held and the directors' attendance during 2025.

Committee member ⁴	Scheduled meetings ¹	No. of meetings attended	% of meetings attended
Richard Holmes	7	7	100 %
Deborah Davis³	2	2	100 %
Aileen Wallace	7	7	100 %
Katrina Cliffe²	5	5	100 %

Notes

- The scheduled meetings that each individual was entitled to, and had the opportunity to, attend as a member of the Committee.
- Katrina Cliffe was appointed as a member of the Committee in May 2025.
- Deborah Davis stepped down as a director at the 2025 AGM
- The Committee members' expertise, qualifications and relevant experience are set out in each of their biographies on pages 128 to 129.

Committee effectiveness

An effectiveness review of the Committee is undertaken annually and following the 2024 review, two key areas of focus were identified. The table below shows the outcomes of the 2024 review and how these were addressed in 2025.

2024 internal effectiveness review	Action in 2025
Ensuring appropriate focus on ICT risk and managing regulatory change.	In 2025, the work planner was amended to include a bi-annual update on regulatory change to the Committee. It was also agreed that ICT risk would be addressed through the Chair of the Risk Advisory Group's report to the Committee.
Ensuring appropriate coverage of strategic risk as part of risk management oversight.	A dedicated strategic risk assessment agenda item was added to the work planner in June and September ahead of the bi-annual Board strategy sessions.

An effectiveness review of the Board and its Committees was undertaken internally at the end of 2025, which comprised a questionnaire completed by the Committee and its regular attendees, together with an analysis of compliance with the Committee's Terms of Reference. Overall, the Committee concluded that it had operated effectively during 2025 and that the Committee's Terms of Reference had been complied with throughout the year.

Feedback from this process indicated that the Committee's main areas of focus for 2026 should be on:

- ensuring the Committee receives a consolidated view of the risk profile and that risk evaluation presents a clear view from all lines of defence; and
- increasing attendance from risk owners, where appropriate, to discuss risks out of appetite and the action plans in place to bring them within appetite.

Composition, role and responsibilities

The Committee consists of independent non-executive directors and met seven times during the year. Members and their attendance at meetings can be found on page 145.

All members of the Committee are deemed to have competence relevant to financial services, with all members having previously held executive roles in the financial services sector. The Chair of the Committee, Richard Holmes, is deemed to have recent and relevant financial experience as a fellow of the Institute of Chartered Accountants and with over 40 years of broad international financial services experience, including 20 years as a CEO and board member in private banking, wholesale banking, capital markets, trading operations, strategy and finance. More information on the skills and experience of our Committee members can be found on page 130.

The Committee, along with the Board, received updates and training during the year on emerging accounting standards, regulatory developments and audit quality matters. More information on knowledge sharing and training can be found on page 173.

Progress in 2025

- Reviewed and challenged updates on the Group's response to the 2024 Code.
- Provided oversight of progress on the development of a control framework for managing technology, change management and information security risks across the Group.
- Ensured appropriate focus on evolving ways of working and culture, with an emphasis on understanding and embedding risk management practices that keep pace with the changing regulatory landscape.
- Guided the Board on sustainability matters and non-financial reporting.

Key priorities for 2026

- Enhancing the risk management framework and ensuring appropriate oversight of material change programmes, major risk events and action plans to bring risks back within appetite.
- Review and challenge as necessary reports on the effectiveness of controls for the Group's most material risks.
- Ensuring appropriate focus on operational resilience.
- Ensuring the Committee has sufficient opportunity for discussion on accounting judgements for receivables.

The external auditor, PKF Littlejohn LLP, the Chief Executive Officer, Chief Financial Officer, Chief Information Officer, Group Financial Controller, Group Credit and Risk Director and the Head of Internal Audit are invited to attend all meetings. Periodically, senior management from across the Group are invited to present on specific aspects of the business. The members of the Committee meet on a regular basis outside scheduled Committee meetings, and the Committee also meets from time to time with the external auditor, without an executive director or another member of the senior leadership team being present.

Functionally, the Head of Internal Audit reports directly to the Chair of the Committee. For routine administrative matters, the Head of Internal Audit's principal contact is the Chief Financial Officer. The Head of Internal Audit operates within a clearly defined remit and has direct access to the Chief Executive Officer and to the rest of the organisation. The Head of Internal Audit also meets with the Committee annually without management present.

The Committee ensures shareholders' interests are protected and long-term value is created. The Committee supports the Board in fulfilling its responsibilities in relation to financial reporting, monitoring the integrity of the Financial Statements and reviewing and challenging any significant financial reporting issues and judgements in relation to the Financial Statements. The Committee's responsibilities are explained fully in its Terms of Reference which are available on our website at www.ipfin.co.uk.

Meetings and activities

The Committee operates in accordance with a structured, forward-looking planner, developed in collaboration with the Company Secretary, to ensure the discharge of the Committee's responsibilities throughout the year. Agenda items are determined with due regard to applicable regulatory requirements and the Company's reporting timetable. The planner is maintained as a dynamic framework, subject to periodic review and adjustment to reflect the evolving priorities and strategic needs of the business.

The Chair of the Committee holds preparatory discussions with the Head of Internal Audit and Chair of the Risk Advisory Group prior to Committee meetings to discuss the items to be considered at the meetings.

Committee meetings are generally scheduled close to Board meetings in order to facilitate an effective and timely reporting process for any significant findings.

Throughout the year, the key activities undertaken by the Committee were:

Financial reporting	<ul style="list-style-type: none"> Monitoring the Group's systems of internal control, including financial, operational and compliance controls, and risk management systems, and performing an annual review of their effectiveness; Monitoring the integrity of the Financial Statements of the Company and the formal announcements relating to the Company's financial performance, reviewing the significant financial reporting judgements contained in them; and Providing advice to the Board on whether the Annual Report and Financial Statements, taken as a whole, are fair, balanced and understandable, and provide the information necessary for shareholders to assess the Group's position and performance, business model and strategy.
Audit matters	<ul style="list-style-type: none"> Making recommendations to the Board, for the Board to put to shareholders at the Annual General Meeting, relating to the reappointment of the external auditor, and approving its terms of appointment; Reviewing and monitoring the objectivity and independence of the external auditor and the effectiveness of the external audit process following completion of detailed questionnaires by both the Committee and senior management, taking into consideration relevant UK professional and regulatory requirements; Reviewing and approving the policy for the provision of non-audit services by the external auditor; Reviewing and approving the level and nature of non-audit work which the external auditor performed during the year, including the fees paid for such work; Approving the remuneration and terms of engagement of the external auditor, including the audit plan; Reviewing and approving the internal audit programme for the year and monitoring the effectiveness of the internal audit function in the delivery of its plan; Receiving and considering reports from the Head of Internal Audit concerning the work undertaken by the internal audit function; Reviewing the effectiveness of the internal audit function following an external quality assessment and overseeing the actions resulting from the assessment; and Reviewing and approving the Group's internal audit charter.
Risk management and internal controls	<ul style="list-style-type: none"> Keeping under review the work of the Risk Advisory Group, in particular the Group schedule of key and emerging risks, and considering the principal and emerging risks stated on pages 34 to 40 facing the Group and their mitigation; Reviewing the effectiveness of the Company's internal control and risk management systems, including defining the concept of material controls; Advising the Board on the Group's risk appetite together with the mechanisms that will be used for monitoring adherence to them; Providing oversight of the Company's sustainability-related impacts, risks and opportunities, and non-financial reporting and assurance; and Reviewing and considering the assessment of the Group's strategic risks.
Governance matters	<ul style="list-style-type: none"> Considering incoming regulatory and legal changes, including the Group's approach to compliance with the 2024 Code; Reviewing the Committee's effectiveness following an internal performance review; and Reviewing the Committee's terms of reference.

Financial reporting

The Committee reviewed and considered the following areas in respect of the preparation of the half-year and full-year Financial Statements:

- the appropriateness of accounting policies used;
- compliance with external and internal financial reporting standards and policies;
- significant judgements made by management regarding areas of uncertainty;
- disclosures and presentations; and
- whether the Annual Report and Financial Statements are fair, balanced and understandable.

In carrying out this review, the Committee considered the work and recommendations of management, and received reports from the external auditor setting out its view on the accounting treatments and judgements underpinning the Financial Statements. An explanation of the Group's accounting policies can be found in the notes to the financial statements.

The Committee considered the output from the review carried out by the FRC of the Company's Annual Report and Financial Statements for the year ended 31 December 2024 in accordance with Part 2 of the FRC Corporate Reporting Review Operating Procedures. The Committee was pleased to note that the review raised no questions or queries requiring a response. The Committee also noted that the FRC raised a small number of matters where users of the accounts would benefit from improvements and these have been taken into consideration when preparing the Annual Report and Financial Statements for 2025.

The significant accounting judgements considered by the Committee were:

- Impairment of receivables: the application of IFRS 9 to the issues arising from the impact of the increased costs of living has the potential for a significant impact on the impairment charge and the calculation of provisions. The key areas of judgement in respect of impairment provisions made against amounts receivable from customers are the parameters used in the expected loss models, the expected timing of future cash flows and post-model overlays. The expected loss models are driven by historical data in respect of probability of default and exposure at default, together with loss given default for each portfolio. At both the half-year and full-year results, the Committee considered a paper prepared by management summarising the work performed to update parameters used in the expected loss and the cash flow timing models, and the judgements applied in this process. This paper also addressed the use of post-model overlays in instances where the most recent trends in the data were felt to be more relevant than some of the more historical

information. This was still relevant in 2025 due to the use of costs-of-living post-model overlays arising from a full assessment of expected repayment cash flows in order to calculate the expected impact of these issues on the Group's impairment provisions. Further detail on the post model overlays considered is given in the key sources of estimation uncertainty section of this Annual Report on page 198. The external auditor performed audit procedures on impairment provisioning, challenging management on its approach to the Group's cost-of-living provision and on its planned accounting treatment for the Group's new credit card product. The external auditor reported its findings to the Committee. The Committee concluded that the receivables impairment provisioning in the Financial Statements was appropriate.

- Revenue recognition: the judgement in respect of revenue recognition is the methodology used to calculate the effective interest rate. The calculation takes into account all the contractual terms together with the extent and timing of customer early settlement behaviour. The external auditor performed procedures to assess management's calculations and assumptions used to calculate the effective interest rate and reported its findings to the Committee. The Committee concluded that revenue recognition in the Financial Statements was appropriate.
- Accounting for credit card receivables: the Company does not yet have sufficient historical credit card data in order to calculate an expected loss provision for the credit card receivables portfolio. At both the half-year and the full-year results, the Committee considered a paper produced by management summarising the approach taken to determine the most appropriate expected loss parameters for this portfolio, and the judgements applied in this process. The external auditor performed audit procedures on the credit card receivables valuation and reported its findings to the Committee, who concluded that the credit card receivables valuation in the Financial Statements was appropriate.
- The Group operates in multiple jurisdictions where the taxation treatment of transactions is not always certain. Management is therefore required to make judgements, based on internal expertise and external advice, on the methodology to be adopted for accounting for uncertain tax positions. Key areas of focus in 2025 included justification of the Group's uncertain tax risk provision. The external auditor performed procedures to assess management's judgement and reported its findings to the Committee. The Committee concluded that the provision for uncertain tax risks was appropriate.

Internal control and risk management

While the Board is responsible for overseeing the Group's systems of internal control, including risk management, the review of its effectiveness is delegated to the Committee. The Group recognises the importance of strong systems of internal control in the achievement of its strategy and objectives. It also recognises that any system can provide only reasonable and not absolute assurance against material misstatement or loss.

The Committee reviews and approves the Group schedule of key risks, which describes the principal risks and uncertainties facing the business. The Board considers the schedule formally on a six-monthly basis and approves risk appetite at least annually. The Committee is supported in its work by the Risk Advisory Group, which in 2025 comprised the Chief Executive Officer, Chief Financial Officer, Group Credit and Risk Director and Chief Legal Officer, together with other members of the senior leadership team. The Risk Advisory Group meets four times a year. It reports to the Audit and Risk Committee and considers the risk assessments and risk registers produced in each country, and updates the Group schedule of key risks. It also considers emerging risks, areas of specific risk, and particular issues. For further details, see pages 34 to 40. The Chair of the Risk Advisory Group also meets with the Committee annually, without management present to discuss his views on how risks are managed across the Group.

The Committee challenged robustly the identification, assessment and planned mitigation of the principal risks facing the business, notably in the light of the evolving regulatory landscape.

In 2025, the Group navigated a number of significant regulatory developments. Within the European Union, progress continued on the transposition and implementation of the Consumer Credit Directive II, alongside the introduction of key frameworks such as the European Accessibility Act and the DORA, both of which mark important steps in shaping future compliance and operational standards. At a market level, notable changes included reforms to judicial appointment processes and access to justice in Mexico, and proposed adjustments to how the Estonian judicial system handles claims related to unpaid debts. The Committee also received regular updates on key tax issues and ongoing tax audits within the Group, together with updates regarding the Organisation for Economic Co-operation and Development's and the European Union's international tax initiatives that could potentially impact the Group in the future.

The Committee will continue to assess the impact of these matters on the business and will monitor management's response throughout 2026.

The internal control environments in place to manage the impact of each risk are monitored by the Committee on a regular basis, as are the principal actions being taken to mitigate them. The Committee requests additional presentations on key business areas, as necessary, to supplement its understanding of control environments in place. The areas covered by these in 2025 are referred to in the 'Development' section on page 173.

In 2025, the Committee requested that management begin aligning the risk management and internal control framework with the requirements of the revised 2024 Code. As part of this initiative, management has defined the concept of material control for the Group, along with definitions for financial, operational, reporting and compliance controls, and is well placed to monitor and assess the effectiveness of the risk management and internal control framework for the 2026 financial year.

Through the Committee, the internal audit function provides independent assurance to the Board on the effectiveness of the systems of internal control. The Committee provides oversight and direction to the internal audit plan, which is developed using an inherent risk-based approach. The audit plan provides independent assurance over the integrity of internal controls and the operational risk management framework. In addition, the external auditor communicates to the Committee any deficiencies in the internal control environment it observes as part of its audit procedures.

Internal audit

The internal audit function's purpose, authority and responsibilities are defined in its Charter, which is reviewed and approved annually by the Committee. Internal audit is an independent assurance function within the Group providing services to the Committee and all levels of management. It has no responsibility for operational business management and its remit is to provide objective assurance over the design and operating effectiveness of the systems of internal control, through a risk-based approach. It also provides insight, delivers value, and helps the organisation to achieve its priorities. The internal audit function does this by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of risk management, control and governance processes.

The Head of Internal Audit reports to the Chair of the Committee with administrative oversight from the Chief Financial Officer.

The internal audit function comprises teams across our markets and at the Group head office in the UK. The internal audit function has a high level of qualified personnel with a wide range of professional skills and experience. Co-sourcing agreements with the largest professional services firms ensure access to additional specialist skills and an advanced knowledge base.

The Committee has a permanent agenda item to cover internal audit-related topics. Prior to the start of each financial year, and at the half year, having considered the principal areas of risk within the business, the Committee reviews and approves an inherent risk-based internal audit plan, assesses the adequacy of the available internal audit resources and considers the team's operational initiatives for its continuous improvement.

The Committee reviews progress against the approved internal audit plan and the results of audit activities, with a focus on any unsatisfactory audit results which require timely attention. During the year, the internal audit function focused on the Group's efforts to control its principal risks which included regulation, reputation, information security and cyber threat, and the execution of projects and initiatives of strategic importance. The Committee monitors progress on the implementation of any action plans arising from significant audit findings to ensure they are completed satisfactorily.

Internal audit activities are based on a robust methodology and are subject to an ongoing programme of internal quality assurance reviews. The function has invested in several initiatives to continuously improve its effectiveness, including an External Quality Assessment which was conducted during the year by KPMG and assessed the function as Generally Conforms (the highest rating under the framework) with the International Professional Practices Framework of the Institute of Internal Auditors and Generally Adopts in relation to Internal Audit Financial Services Code of Practice. The function measures its operational effectiveness and efficiency via a set of key performance indicators and via individual post-audit quality assessments by auditees, both of which are reported to the Committee.

The Committee was pleased to note the positive result of the External Quality Assessment and is satisfied that the quality, experience and expertise of the function are appropriate for the business.

Internal control and risk management systems

On behalf of the Board, with the assistance of the internal audit function, the Committee monitored the Group's internal control and risk management systems, and its processes for managing principal and emerging risks throughout 2025. On the basis of the work performed by the management team throughout the year and reported to the Committee at each meeting, the Committee has assessed that these are effective. In addition, the Committee, where appropriate, ensures that necessary actions have been or are being taken to remedy identified failings or weaknesses in the internal control framework. This is achieved through the reporting to the Committee of progress to address findings raised by Internal Audit as well as, where necessary, management attending to provide updates on specific topics. These processes were in place throughout 2025 and up to 25 February 2026.

External auditor effectiveness and independence

The Committee considered the external auditor's assessment of the significant risks in the Group's Financial Statements set out in its audit plan, and approved the scope of the external audit that addressed these risks. The Committee considered these risks and the associated work undertaken by the external auditor when forming its judgement on the Financial Statements.

The effectiveness of the external auditor is continually considered through the Committee's own observations and interactions with the external auditor as well as through feedback from management. In addition, a formal annual process is conducted where external auditor effectiveness is evaluated via a questionnaire which was completed by the Committee members and attendees, and by business unit finance directors across the Group. This evaluation is divided into six areas as per the table on the next page. The results of the evaluation were reviewed and considered by the Committee, which concluded that the external audit process was effective.

External auditor effectiveness

Area	Conclusion
Audit planning and approach	<ul style="list-style-type: none"> The external audit plan demonstrated an understanding of the Group, its business model, sector and key risks. The scope of the audit plan is appropriate.
Quality of audit execution and technical competence	<ul style="list-style-type: none"> Technically proficient, with sufficient expertise in the Group's key accounting/regulatory requirements. Sufficient time and resources were allocated to the audit, with timely delivery of agreed deadlines and milestones.
Communication and interaction	<ul style="list-style-type: none"> Timely and transparent communication with management and executive directors. Responsive to feedback from executive directors and the Committee.
Independence and professional scepticism	<ul style="list-style-type: none"> Auditor independence was clearly evidenced. Professional scepticism was evident, with robust challenge applied to management's accounting judgements and assumptions. Non-audit services were appropriately managed and charged.
Reporting	<ul style="list-style-type: none"> Timely delivery of draft and final audit reports. Clear and consistent audit opinion reporting. Clear and constructive management representation letters.
Value and overall assessment	<ul style="list-style-type: none"> The audit provided assurance and insight beyond basic compliance. Demonstrated an understanding of shareholder and market expectations.

In order to confirm its independence and objectivity, the external auditor reports on its independence to the Committee. In addition, the Committee ensured compliance with the Group's policy on the use of the external auditor for non-audit services. The key requirements of this policy are:

- the external auditor is prohibited from providing certain services which include the following: tax services; payroll services; designing and implementing internal controls or risk management procedures; legal services; internal audit services; human resource services; valuation services; or general management consultancy; and
- the Committee Chair must approve any individual non-audit service over a specific fee level.

The policy of the Committee in respect of non-audit services is that the external auditor is only appointed to perform a non-audit service when doing so would be consistent with both the requirements and overarching principles of the Financial Reporting Council's Revised Ethical Standard (2024), and when its skills and experience make it the most suitable supplier.

The Committee believes that the Group receives a particular benefit from certain non-audit services where a detailed knowledge of its operations is important or where the auditor has very specific skills and experience. Other large accountancy practices are also used to provide services where appropriate. Consequently, the Committee is satisfied that PKF Littlejohn LLP was independent throughout 2025.

Non-audit services carried out by PKF Littlejohn LLP in 2025	Fee £000
Other assurance services	182

Appointment and tenure

Following a competitive tender PKF Littlejohn LLP was first appointed as the Group's external auditor at the Group's 2024 AGM for the financial year ended 31 December 2024. The Group is required to undertake a mandatory tender process at least every ten years. Therefore, the Committee will be required to conduct a tender for a new external auditor no later than ahead of the financial year ending 31 December 2034.

Following the assessment of the independence, objectivity and effectiveness of PKF Littlejohn LLP as external auditor summarised above, and the conclusion that the Committee remains satisfied with PKF Littlejohn LLP, the Committee does not anticipate that a tender process will be conducted before it is required. The Committee is therefore pleased to recommend that PKF Littlejohn LLP be reappointed as the Group's auditor at the 2026 AGM.

Having entered the FTSE 250 during the year, the Committee confirms its compliance for the period since it became a FTSE 250 constituent to the financial year ended 31 December 2025 with The Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014.

Annual Report and Financial Statements

The Committee has reviewed and considered the Annual Report and Financial Statements, in line with other information the Committee has considered throughout the course of the year. It concluded, and recommended to the Board, that the Annual Report and Financial Statements 2025, taken as a whole, are fair, balanced and understandable, and provide the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

Richard Holmes
Chair of the Committee

25 February 2026