

PARAGON BANKING GROUP PLC

Trading update

“Strong lending growth and strategic progress”

Paragon Banking Group PLC (“the Group” or “Paragon”) today publishes its trading update based upon the business performance from 1 October 2017 to 30 June 2018.

Highlights

The business continues to operate in line with the Board’s expectations. In the quarter to June 2018:

- Mortgage lending totalled £409.4 million, taking year to date lending to £1,130.4 million (2017: £1,059.3 million)
- Commercial lending totalled £179.7 million, taking year to date lending to £449.0 million (2017: £285.0 million)
- Net loan growth totalled £171 million taking the year to date growth to £393 million (2017: £335 million)

Within the Mortgages segment, buy-to-let lending focused on professional landlord business. The buy-to-let pipeline rose by £71.2 million across the quarter, closing at £858.8 million.

Commercial Lending volumes continue to develop in each of the product lines with structured lending completing its first two facilities during the quarter.

Idem Capital, Paragon’s portfolio purchase division, also completed its first transaction of the year in early July, buying a mixed portfolio of largely fully performing motor and asset finance loans.

Following the quarter end the Group completed its purchase of Titlestone, the specialist residential property development finance business, together with a portfolio of development finance loans. The transaction is expected to enhance post tax profits by a high single-digit percentage in 2019 and serves to accelerate and broaden Paragon’s proposition within this attractive market whilst maintaining the Group’s strict focus on credit.

Capital and funding

The Group’s retail deposit balances rose to £4.9 billion at 30 June 2018 with an average cost of 1.73% comparing favourably to the 1.75% reported in the 2018 half-year results.

The Titlestone transaction, if completed at 31 March 2018, would have reduced the Group’s reported CET1 and total capital ratios to 13.8% and 16.4% respectively. Having made its investment in the Titlestone transaction the Group is suspending the remaining £25 million of the 2018 share buy-back programme.

The Group’s preparations for an IRB authorisation remain on target.

Guidance and outlook

- The volume guidance given with the Group’s interim accounts is maintained (£1.6 billion of Mortgage advances and over £0.6 billion of Commercial Lending advances in the year).

- The Titlestone acquisition is expected to have a modestly positive impact on the Group's net interest margin in 2018, pre-Titlestone net interest margins remain in line with expectations.
- Operating costs are still expected to be within the £105 million to £115 million range, exceptional transaction-related costs will be separately disclosed to identify underlying performance.

Nigel Terrington, Chief Executive said:

“The Group continues to make strong progress towards its objective of being a leading specialist bank. The core buy-to-let business continues to see strong demand from professional landlords and the addition of Titlestone is expected to accelerate the growth of our Commercial Lending arm. We remain on track to achieve our 2018 targets and the business is well-placed to make further strong progress in 2019.”

For further information, please contact:

Paragon Banking Group PLC
Nigel Terrington, Chief Executive
Richard Woodman, Chief Financial Officer

Tel: 0121 712 3161

Headland
Lucy Legh and Del Jones
paragon@headlandconsultancy.com

Tel: 020 3805 4822

Paragon will be releasing its full-year results for the twelve months to 30 September 2018 on Wednesday 21 November 2018.