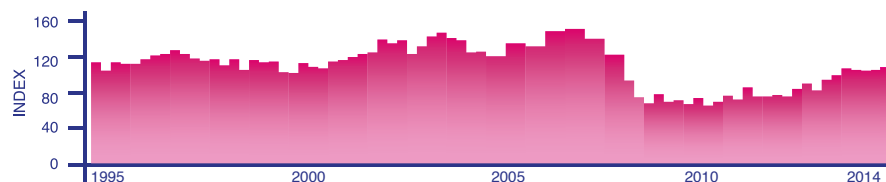


GENERAL MORTGAGE MARKET

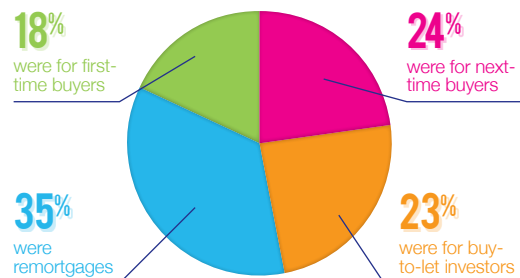
FACT Index

One of the key objectives of our FACT survey is to maintain an intermediary confidence index. The FACT Index is based on two elements - the average number of mortgages introduced in the previous three months and the average expected change over the next three months. In the first quarter of 2015 the Index was 105.2, which is up from 102.9 in Q4 2014 showing confidence levels among brokers is improving. The below graph charts the movement in the Index since the survey began in 1995.



Borrower types

Of all of the mortgages introduced by intermediaries in Q1 2015:



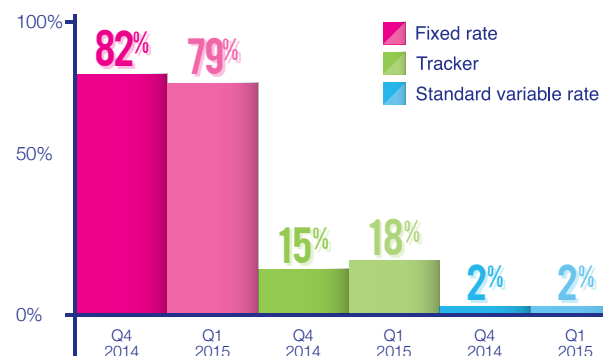
Intermediaries were also asked, of their customers, which are the most difficult to find a mortgage for:



Mortgage products

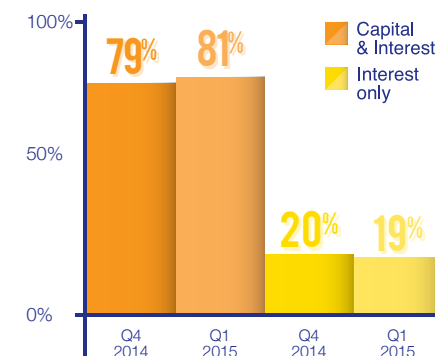
Fixed rate products remained the most popular rate type in the first quarter of 2015. However, there was some recovery in demand for tracker rate products, reversing the decline we have seen since the middle of 2011. In terms of repayment, capital and interest remained the most popular option at 81% of cases, up slightly from 79% at the end of 2014.

Interest rate type*:



*1% accounts for intermediaries who answered 'other'

Repayment type*:



Mortgage numbers

22.6

the average number of mortgages introduced by intermediaries in Q1 - down from 22.7 in Q2 2014, but up 3% on this time last year

8

applications were dealt with per advisor on average in the first quarter

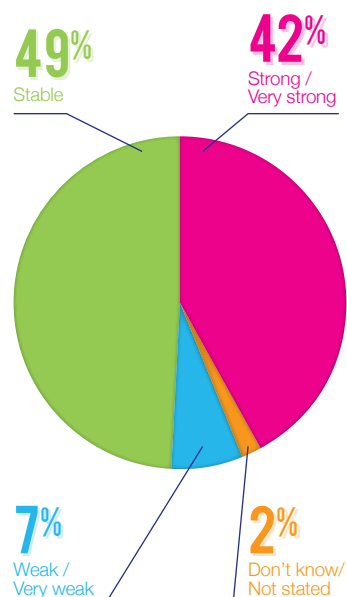
6.1%

more mortgage business intermediaries expect to do in Q2 than in Q1

BUY-TO-LET MORTGAGE MARKET

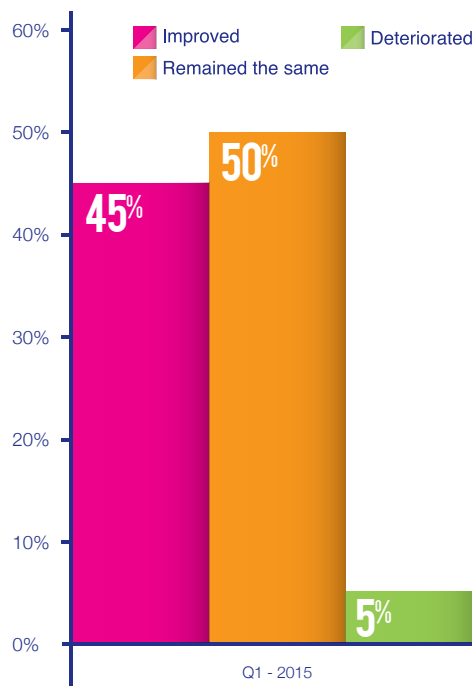
Landlord demand

The majority (91%) of intermediaries surveyed described tenant demand as stable or strong, with just 6% saying demand was weak. The proportion of intermediaries viewing demand as stable or strong has increased consecutively for two quarters.



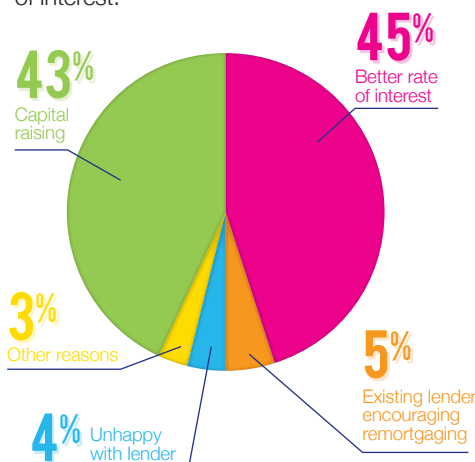
Buy-to-let finance

Intermediaries were asked for their views on the current availability of buy-to-let mortgage finance. In Q1 45% said availability had improved, whilst 50% said it had remained the same. Just 5% said availability had deteriorated – which has fallen from 10% in Q4 2014.



Buy-to-let remortgages

Of the buy-to-let remortgages in the first quarter almost half were for a better rate of interest.



Future business

Just over half (53%) of intermediaries said in 12 months' time they expect the level of buy-to-let mortgage business they are processing to be the same. However, 45% said they expect to do more, with 13% of those predicting they will do over 10% more buy-to-let business in the coming months.

About FACT

Established in 1995, Paragon's quarterly Financial Adviser Confidence Tracking Index (FACT Index) highlights intermediaries' general views on the performance of the mortgage market and on developing trends. Our FACT Index summary report provides a snapshot of the survey's key findings along with an index measuring intermediary confidence. On average around 200 intermediaries take part in each quarter's survey.

About Paragon

Paragon is a leading specialist lender of buy-to-let mortgages to landlords and residential property investors in the UK, a loan servicing provider and an active acquirer of loan assets and portfolios and has most recently established a banking subsidiary, Paragon Bank.

Paragon has £10.5 billion of loan assets under management. Since being established in 1985, it is the only specialist lender to maintain an independent position within the UK mortgage market.

The Group is a member of the Council of Mortgage Lenders, the Intermediary Mortgage Lenders Association, the National Landlords Association and the Association of Residential Letting Agents Lender Panel.