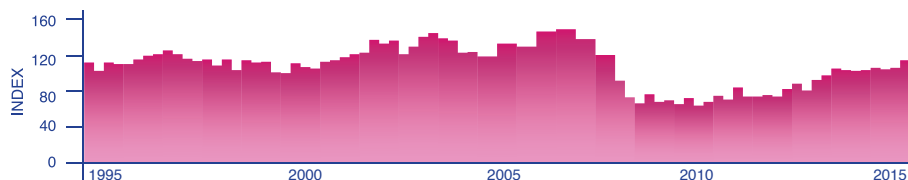


GENERAL MORTGAGE MARKET

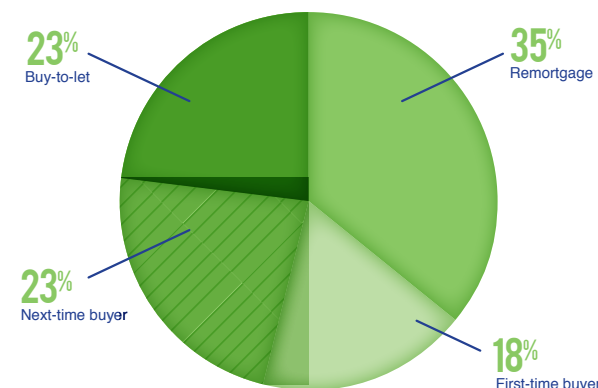
FACT index

The FACT Index has been tracking sentiment among financial advisors since 1995 based on the average number of mortgages being introduced over the previous quarter, and expectations for the coming quarter. The FACT Index rating for Q4 2015 was 113.5, a substantial increase on Q3's figure of 104.7 and the highest index rating since Q2 2008 when it stood at 118.9.



Business mix

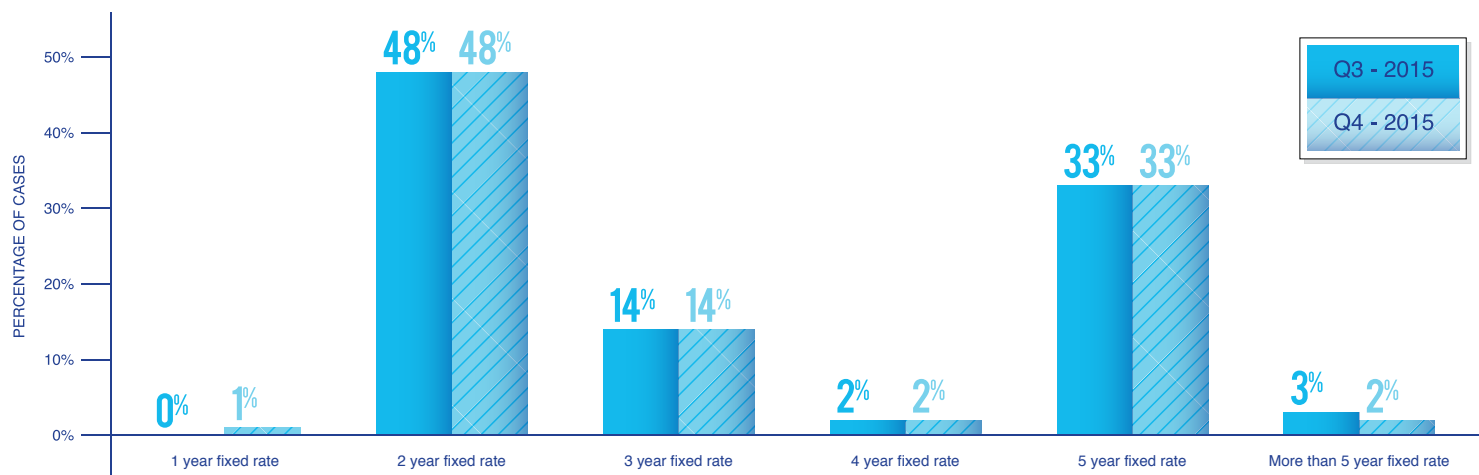
Advisers reported a largely stable mix of business in Q4 2015, very much in line with the previous quarter. Remortgages remain the strongest business line and increased marginally in Q4 from 33% of mortgages introduced to 35%. This increase was balanced by a reduction in the volumes of first-time and next-time buyer mortgages.



Mortgage products

In Q4 2015, fixed rate mortgages remained by far the most popular, accounting for 84% of new mortgages over the last three months. There was a small increase in the volume of tracker mortgages to 14%, perhaps reflecting the easing of expectations of an imminent increase in interest rates. Nevertheless, the evidence suggests that borrowers remain cautious and prudent in their product selection.

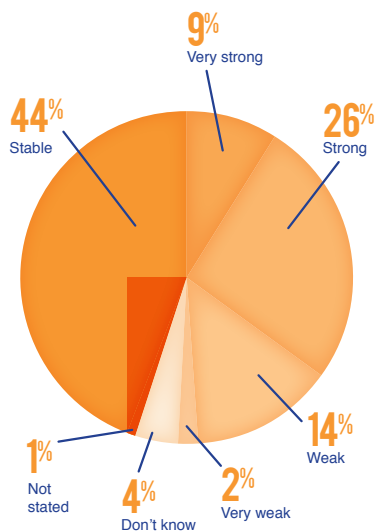
Of the fixed rate mortgages secured in Q4, the distribution of term lengths remains consistent with recent trends. Two year fixes remain the most popular, accounting for 48% of new mortgages, with five year fixes the next most popular at 33%. Volumes of one year and five year plus fixes remain marginal.



BUY-TO-LET MORTGAGE MARKET

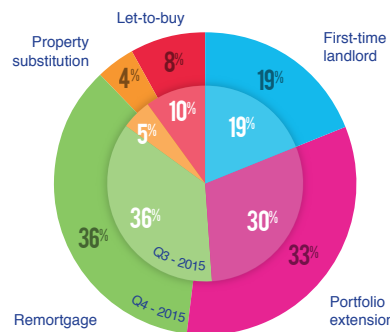
Landlord demand

Since Q3 there has seen some change in levels of landlord demand. Those reporting landlord demand as being either 'strong' or 'stable' have dropped 11% since Q3, while those reporting 'weak' landlord demand are up 5%. The picture isn't uniform however, and those reporting landlord demand as 'very strong' are also up 3%, possibly reflecting a trend of landlords seeking to complete mortgages before the stamp duty increase on second homes comes into effect 1 April.



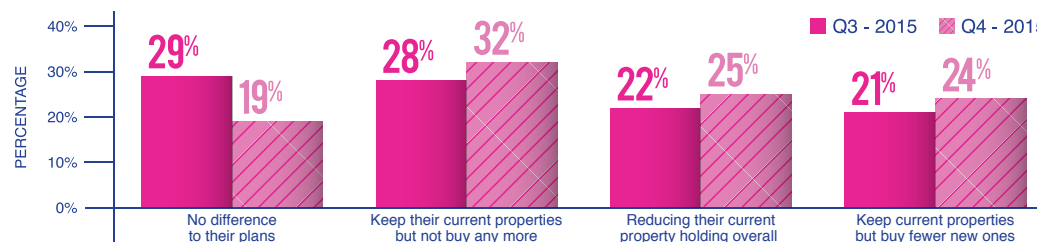
Reasons for obtaining buy-to-let mortgages

In common with Q3 2015 the most popular reason for obtaining a buy-to-let mortgage in Q4 2015 has been to remortgage – accounting for more than a third (36%) of business. Again, possibly reflecting landlords seeking to complete purchases before the new stamp duty rate is applied, the volume of mortgages being taken for portfolio extension increased in Q4 from 30% to 33%. The number of first-time landlords also remained stable, accounting for just under a fifth of new mortgage business in Q4 2015.



Impact of tax relief changes

On the question of how the tax relief changes outlined by the government in 2015 would impact how landlords manage their portfolios, there has been some degree of movement since Q3. This may reflect the fact that landlords and intermediaries have now had some time to fully consider the changes and will have access to more comprehensive information. The numbers of financial advisors expecting the changes to make no difference to landlord plans has reduced from nearly a third (29%) in Q3 2015, to less than a fifth now with corresponding increases in the numbers of advisors who feel the changes will impact landlord plans.



About FACT

Established in 1995, Paragon's quarterly Financial Adviser Confidence Tracking Index (FACT) 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.

About Paragon

Paragon Mortgages is a leading provider of buy-to-let mortgages delivering lending solutions designed for professional landlords with more complex requirements. These include lending to limited companies as well as private individuals, lending on more complex property including HMO's and multi-unit blocks, higher aggregate lending limits and the ability to accommodate more complex letting arrangements including local authority leases and corporate leases along with standard ASTs.

Paragon Mortgages introduced its first product aimed at the professional property investor in 1995 and is a member of the Council of Mortgage Lenders (CML), the Intermediary Mortgage Lenders Association (IMLA), National Landlords Association (NLA) and the Association of Residential Letting Agents (ARLA).

Paragon Mortgages is part of The Paragon Group of Companies, a FTSE 250 company and a specialist provider of finance. In February 2014 Paragon Group launched its banking subsidiary, Paragon Bank PLC. It is a retail-funded lending bank with a direct-to-consumer Internet platform for savings. Its loan products are distributed via intermediaries. The Bank is authorised and regulated by the Prudential Regulation Authority and the Financial Conduct Authority.