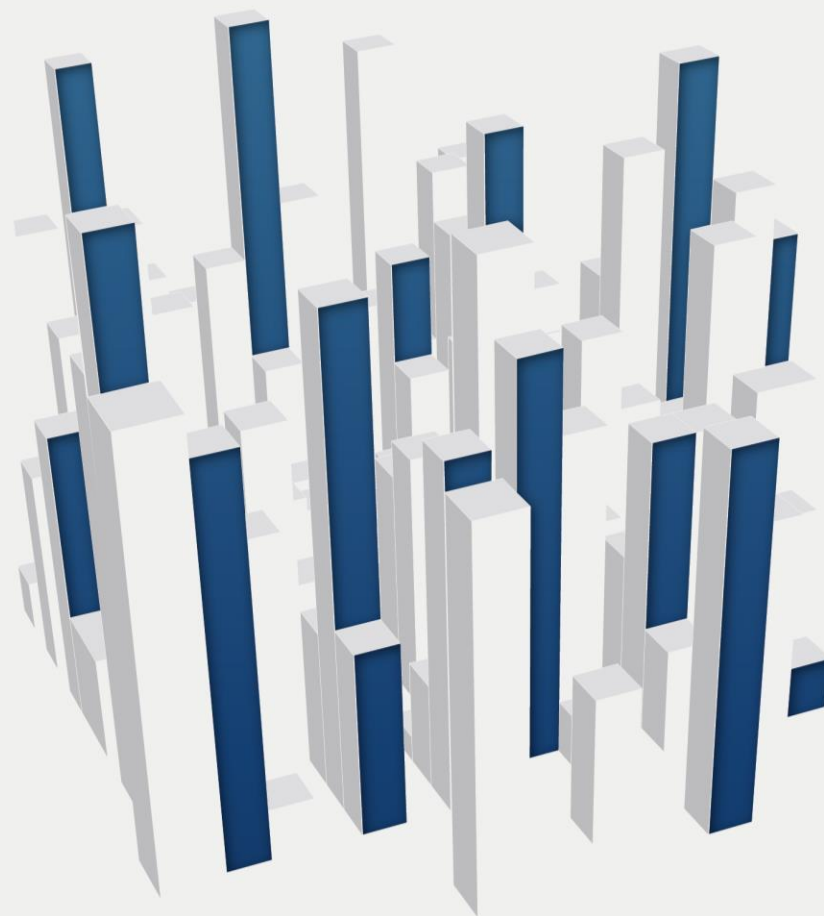


2016 Half-Year Financial Results

The Paragon Group of Companies PLC



Six months ended 31 March 2016

Agenda

Section 1

Financial Results

Section 2

Strategy and Business Development

Appendices

Introduction to Paragon

Company Overview

12.5% growth in underlying operating profits to £71.9 million

- Basic EPS up 17.2% to 19.1p
- Further improvement in RoTE to 12.7%
- Achieved alongside strategic development cost investment

Capital management

- 19.4% increase in dividend in line with target cover ratio
- Share buy-back programme – £83.5 million of cumulative £100 million completed

All operating divisions showing strong performance

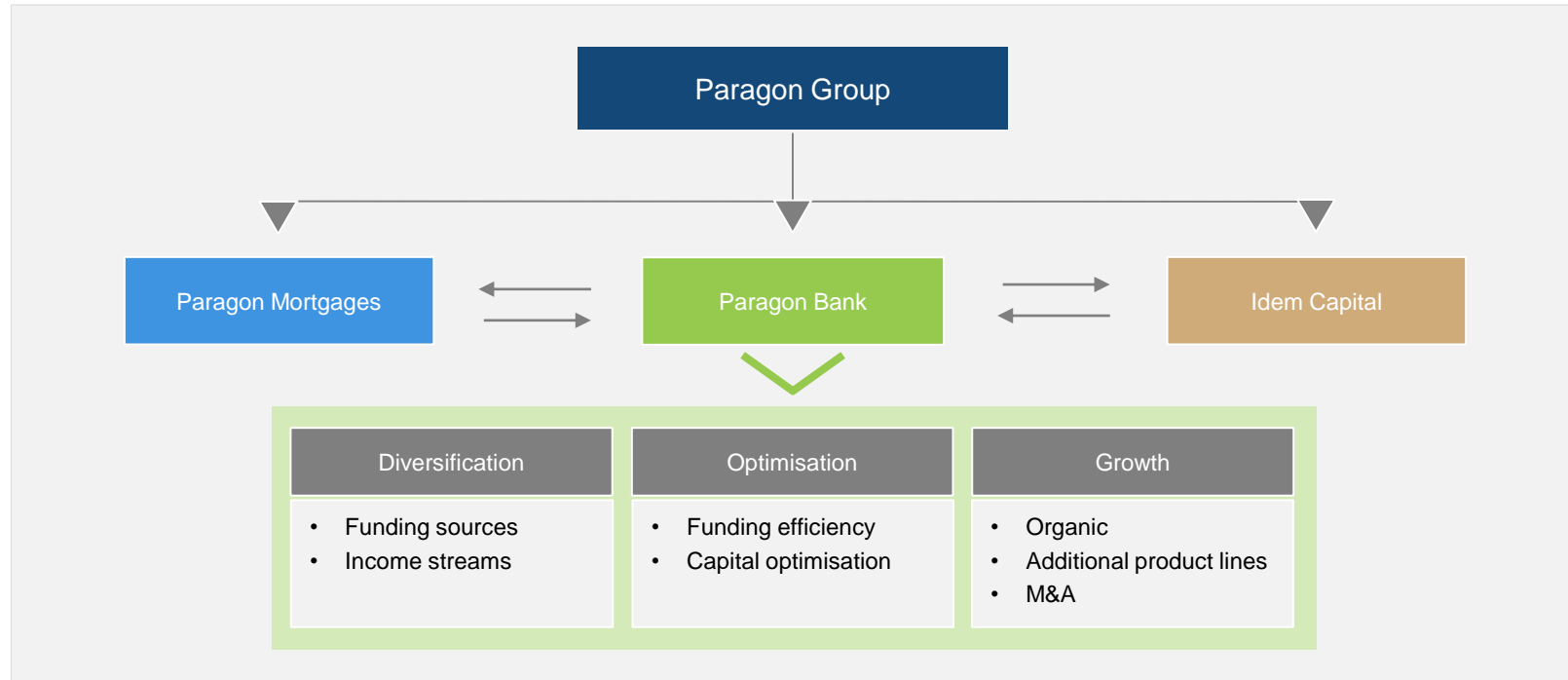
- Buy-to-let lending up 84.6% to £823.6 million following strong close ahead of SDLT changes
- £208.8 million of portfolio purchases acquired by Idem Capital and Paragon Bank
- Paragon Bank delivered maiden profit
- Aggregate Group new lending and asset purchase £1.16 billion (+138% growth)
- Year-on-year net loan book growth £1.4 billion (+14.6%)

Further progress on diversification strategy

- Expansion into UK SME asset finance market following successful integration of Five Arrows acquisition
- Paragon Bank deposits continue to grow – now over £1.4 billion
- Additional products launched and more in progress
- Paragon Bank at the heart of the Group's strategic development

Paragon Bank at heart of Group's strategic development

4



- Investment a recent theme: costs, systems, new business and product strain and M&A
- Cost: benefits will materialise from increased scale, operational leverage and efficiency over medium term
- More efficient funding
- More efficient capital requirements

Driving improved
returns for the Group

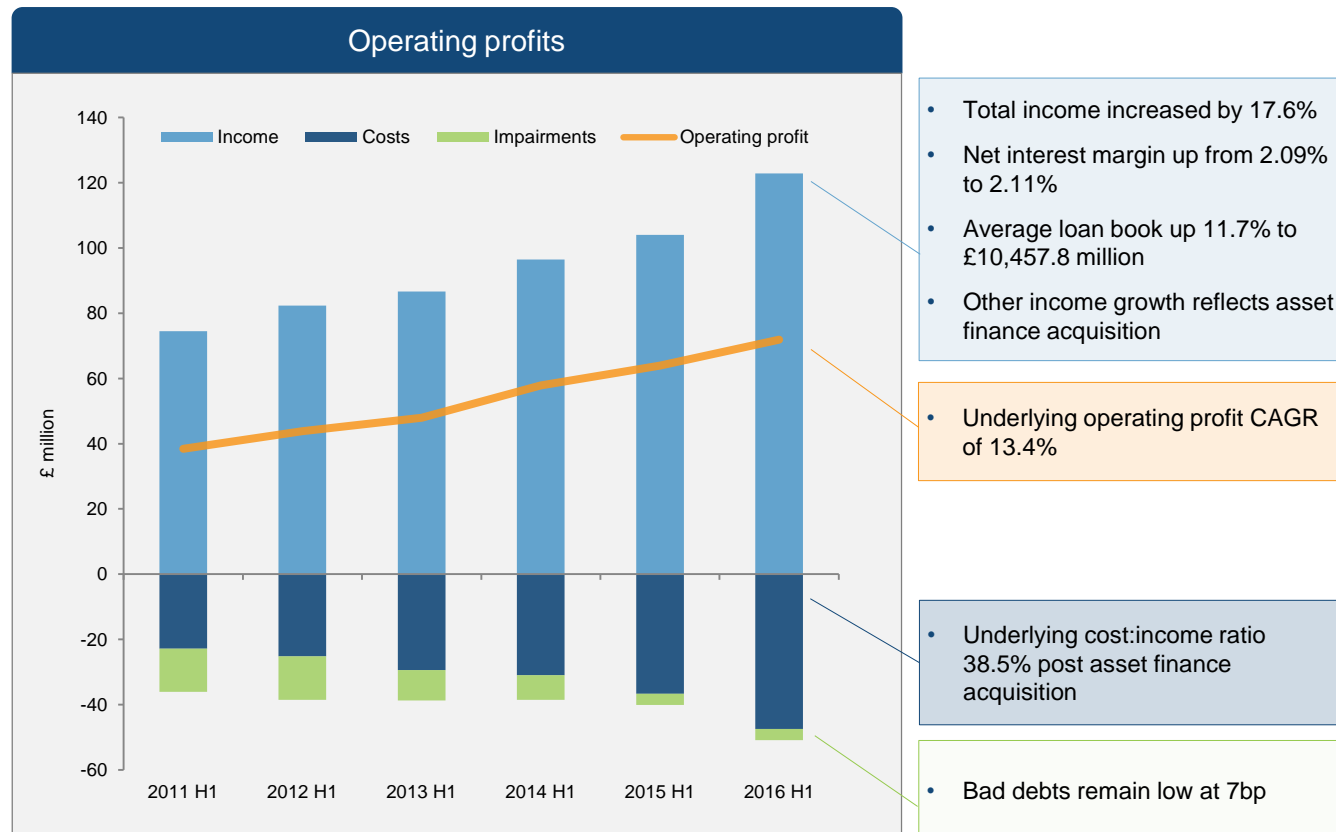
Section 1

Financial Results - Six months ended 31 March 2016

Underlying operating profits increased by 12.5%

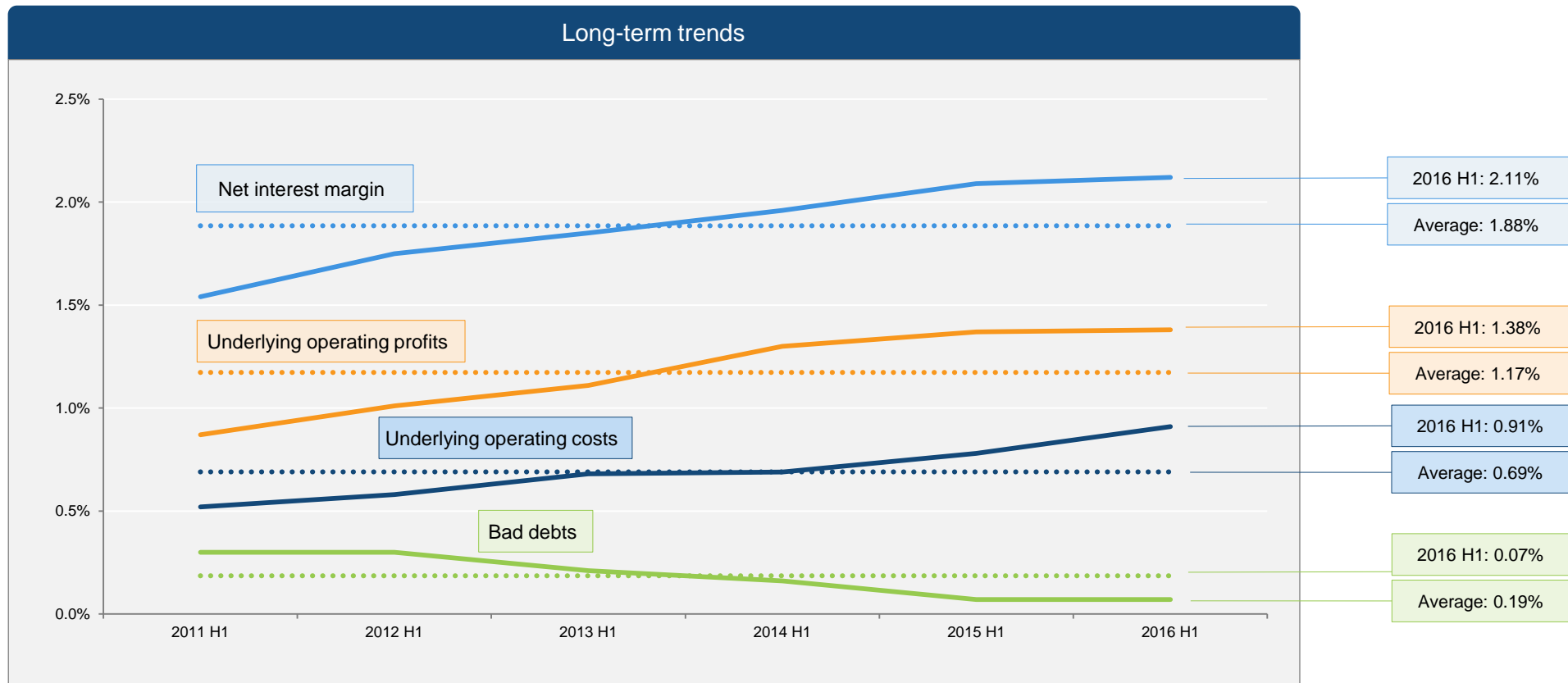
6

Interest income growth and credit performance driving progress on operating profits



Increasing returns

7



Expressed as a percentage of average net loans and advances to customers

Delivering sustained growth

Paragon Mortgages

- Operating profit maintained at £44.7 million despite transfer of securitisation pool and greater inflow of originations through Paragon Bank (2015 H1: £44.7 million)
- Loan assets - £9.1 billion (2015 H1: £9.0 billion)

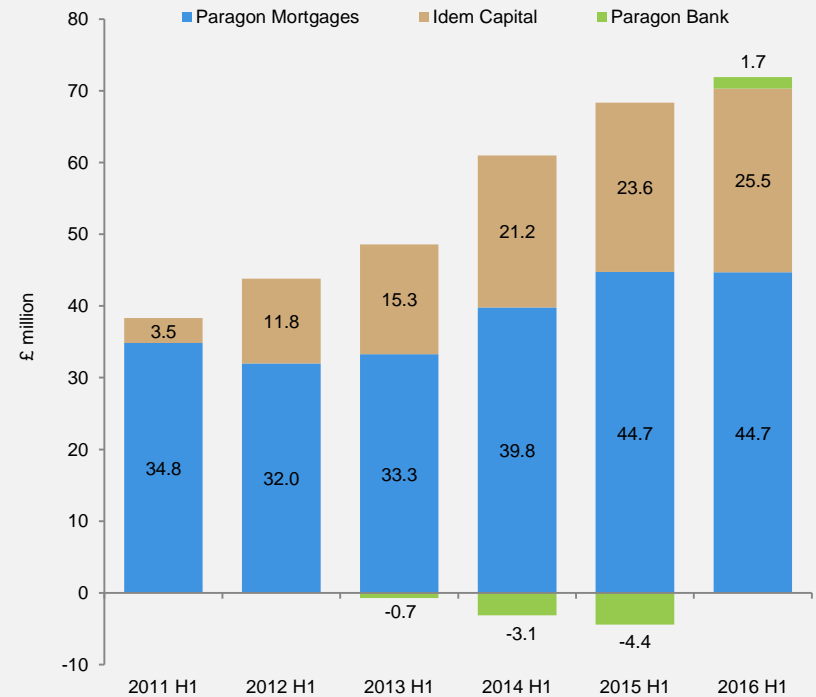
Idem Capital

- Operating profits – up 8.1% to £25.5 million (2015 H1: £23.6 million)
- Idem Capital now working in conjunction with Paragon Bank to optimise retail deposit funding

Paragon Bank

- Paragon Bank moves into profit for first time, following Five Arrows acquisition
- Underlying profits of £1.7 million (2015 H1: loss of £4.4 million)
- Further evidence of diversification benefits

Underlying operating profits increased by 12.5%



Group loan portfolio development - optimising capital and funding

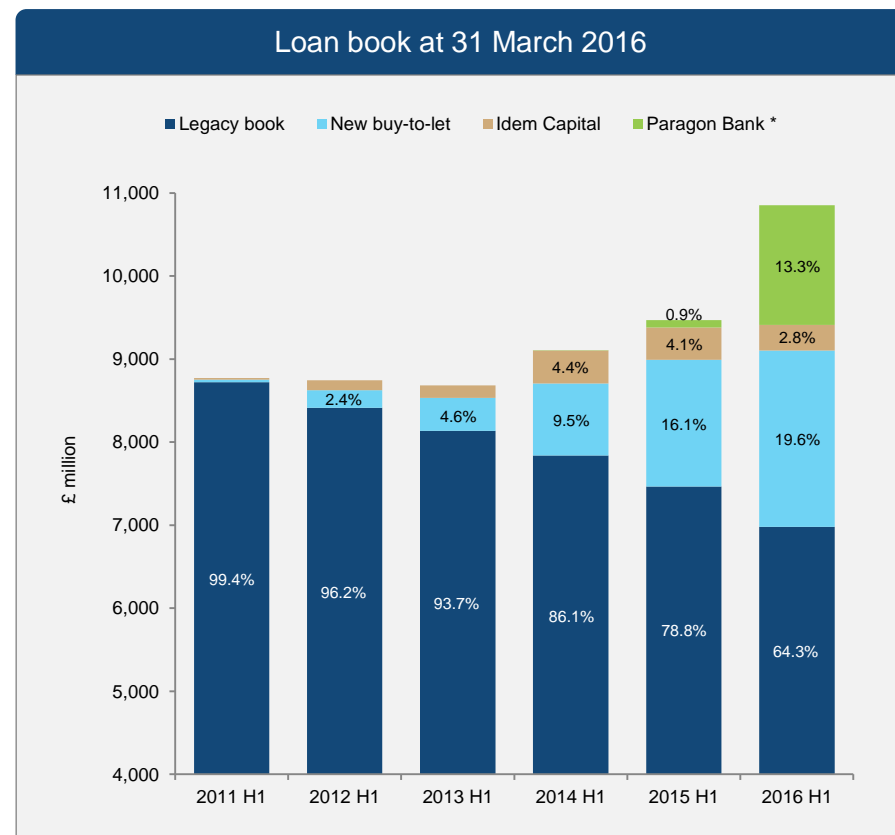
9

12 month net loan book growth of £1.4 billion

| £ million | Balance Mar-2015 | Net lending (exc purchases) | Net purchases | Inter-Group purchases | Balance Mar-2016 |
|--------------------------------|---------------------|--------------------------------|---------------|--------------------------|---------------------|
| Buy-to-let mortgages | 8,749.2 | 287.6 | - | -116.6 | 8,920.2 |
| Residential mortgages (legacy) | 53.6 | -28.6 | - | - | 25.0 |
| Consumer lending (legacy) | 190.7 | -30.6 | - | - | 160.1 |
| Paragon Mortgages | 8,993.5 | 228.4 | - | -116.6 | 9,105.3 |
| Idem Capital | 389.2 | -4.4 | 24.0 | -102.0 | 306.8 |
| Buy-to-let mortgages | 62.1 | 623.5 | - | 116.6 | 802.2 |
| Consumer lending | 23.5 | 89.1 | - | - | 112.6 |
| Development finance | - | 1.0 | - | - | 1.0 |
| Debt purchase | - | -0.1 | 184.8 | 102.0 | 286.7 |
| Asset finance | - | 238.5 | - | - | 238.5 |
| Paragon Bank | 85.6 | 952.0 | 184.8 | 218.6 | 1,441.0 |
| Net loan book | 9,468.3 | 1,176.0 | 208.8 | - | 10,853.1 |

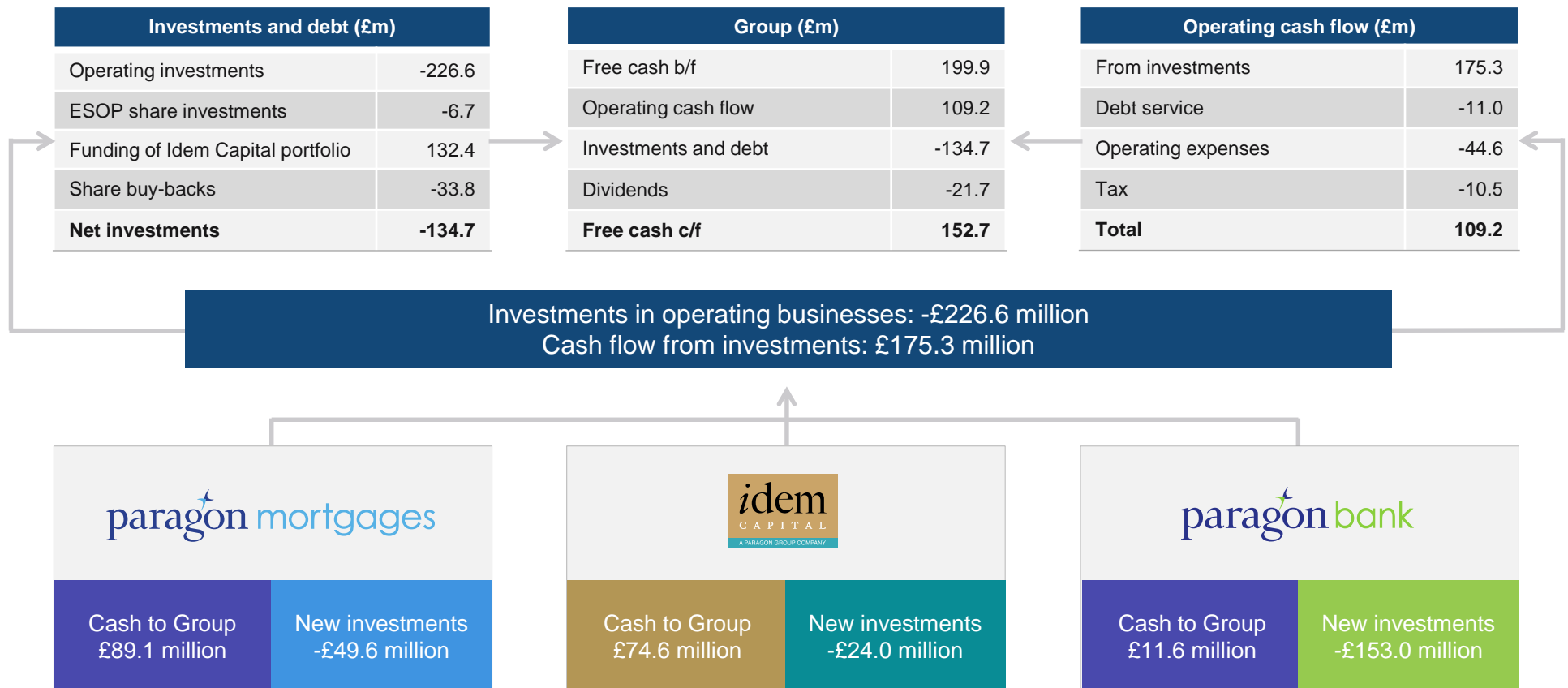
New portfolios represent growing proportion of Group assets

- New buy-to-let loan book grew 39.1% on 2015 H1
- Legacy buy-to-let book amortised at 6.7% but remains dominant part of balance sheet
- Idem Capital investments of £24.0 million with a further £184.8 million through Paragon Bank
 - Capital and funding optimisation progressed with Idem Capital assets acquired by Paragon Bank
- Paragon Bank originations increasing
 - £344.1 million buy-to-let lending (2015 H1: £61.9 million)
 - £67.2 million consumer lending (2015 H1: £19.5 million)
 - £59.2 million asset finance lending since acquisition
 - £117 million buy-to-let legacy securitisation mortgages (PM17) acquired by Paragon Bank
 - Balance sheet outstandings £1.4 billion (2015 H1: £85.6 million)



* Includes buy-to-let funded by Paragon Bank

Operating cash flow exceeds £109 million for 2016 H1



Group consolidated capital

| | |
|---|-----------|
| Core Tier 1 capital * | £865.2m |
| Tier 2 capital | £26.7m |
| Risk exposure (RWA and operational risk) | £5,389.9m |
| CET1 ratio * | 16.1% |
| Total capital ratio | 16.5% |

Group consolidated leverage ratio

| | |
|---|------------|
| Tier 1 equity * | £865.2m |
| Balance sheet assets and off balance sheet items | £12,976.8m |
| Leverage ratio * | 6.7% |

Group solo net debt

| | |
|-------------------|---------|
| Corporate debt | £408.5m |
| Free cash | £152.7m |
| Net debt position | £255.8m |

* Adjusted for proposed dividend

Paragon Bank capital requirements

- Paragon Bank has a separate Individual Capital Guidance (ICG) level set by the PRA
- Annual ICAAP includes planned balance sheet development, drives scale of annual capital injections from Group

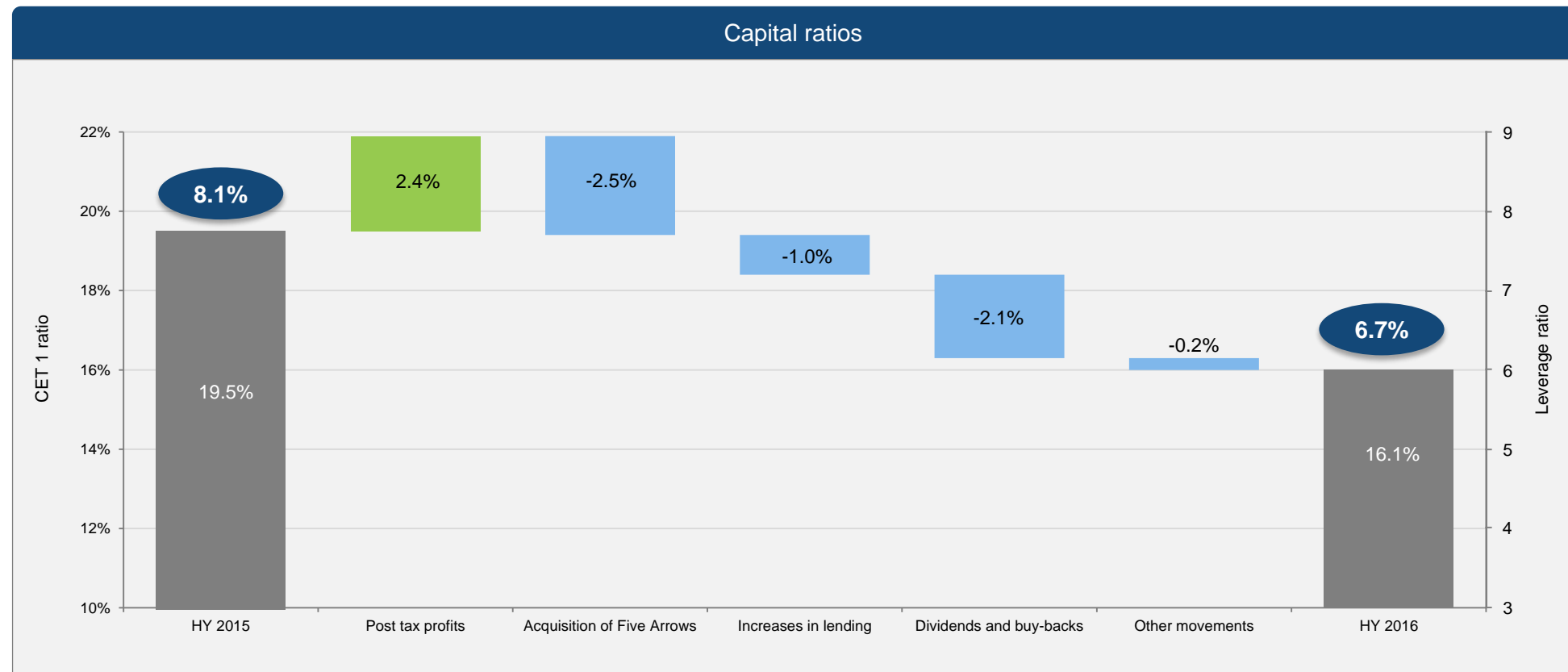
Capital management focus

- Dividends – further reduction in cover ratio to 3 times in 2016
- Initial £50 million share buy-back programme completed with extension of up to a further £50 million announced
 - £33.8 million acquired by 31 March 2016

IRB

- Data rich business with strong credit focus
- Well suited for IRB basis for accessing risk weight and coordination of credit governance processes
- Facilitate risk-based pricing
- Process commenced

Increased capital efficiency

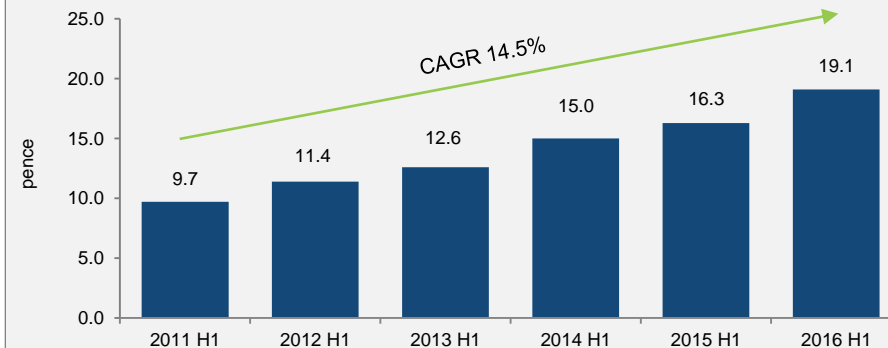


Dividends 0.7% and buy-backs 1.4%

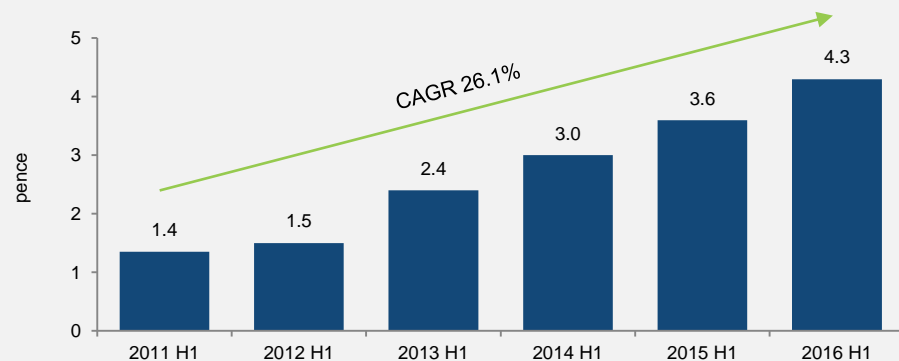
Progress on key financial metrics

- Improvements reflect profit growth and capital management progress
 - EPS up 17.2%
 - Dividend up 19.4%
 - RoTE improved to 12.7% from 11.0%

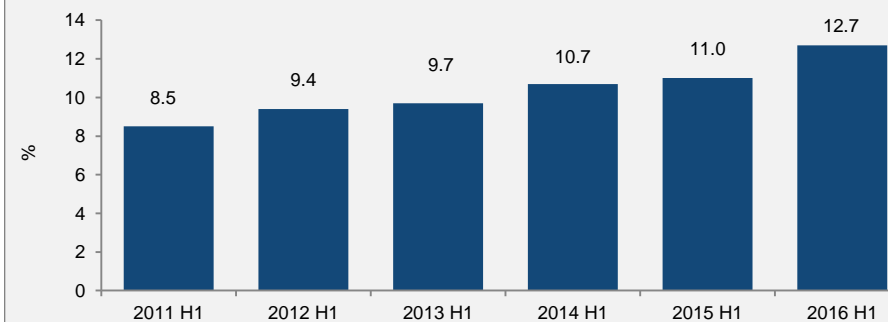
Earnings per share



Interim dividend per share



Return on tangible equity

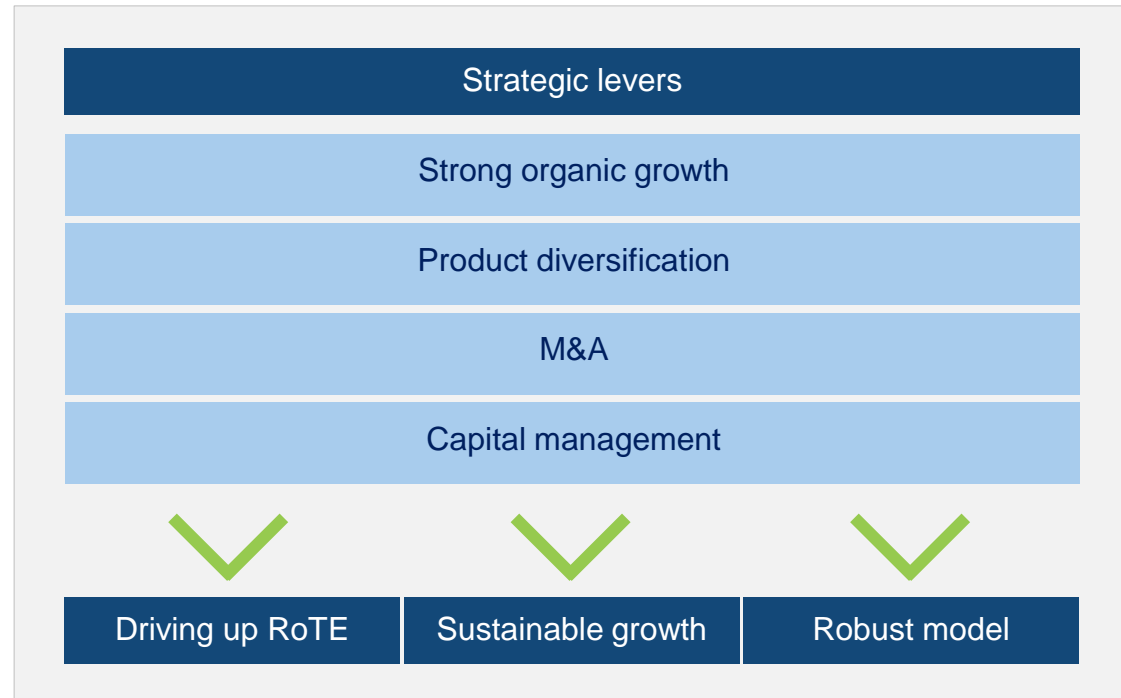


Section 2

Strategy and Business Development

Employing strong capabilities in:

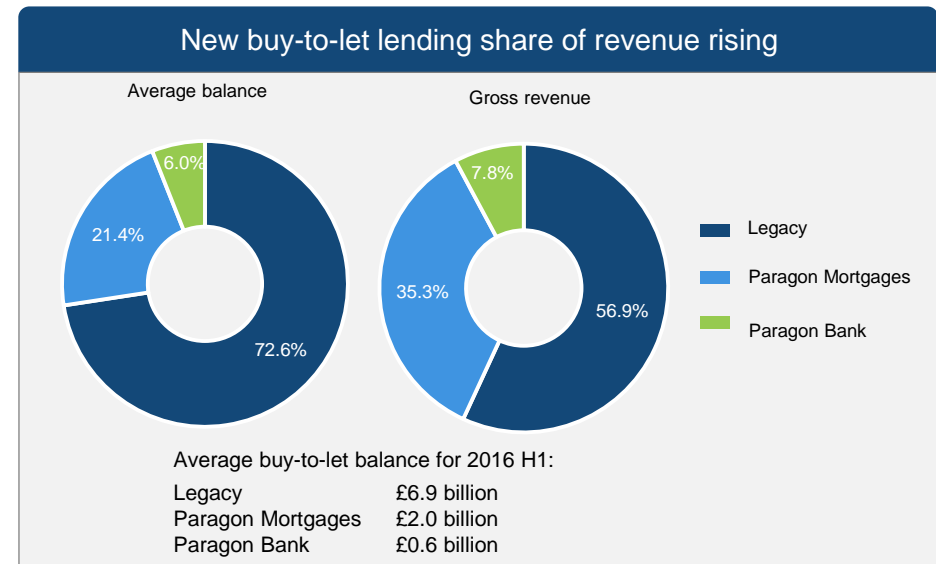
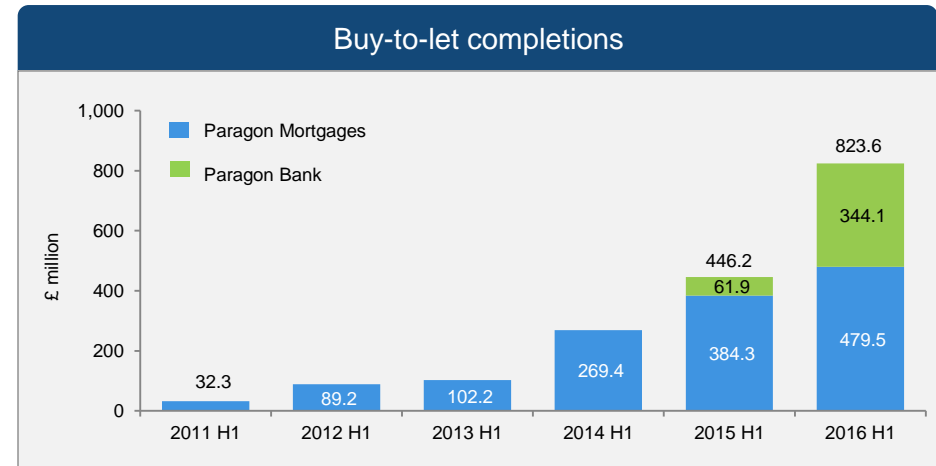
- Intermediary distribution
- Mortgage, consumer and SME sectors
- Data analytics
- Risk management
- Specialist loan servicing
- Low cost operating model



Paragon Mortgages – new lending

17

- Buy-to-let market experiencing strong growth – 2016 Q1: £14.6 billion up 92.1% year-on-year
- SDLT acceleration disruptive market-wide
- Paragon aggregate buy-to-let lending of £823.6 million (2015 H1: £446.2 million)
- Margins stable
- Paragon Bank's 42% of total new lending moving towards a more balanced position with securitisation funding
- Redemptions remain low but new portfolio seasoning
 - Temporary uptick around March quarter end
 - Legacy portfolio 6.7% (2015 H1: 3.8%)
 - New portfolio 16.0% (2015 H1: 7.3%)
 - Normalising post-SDLT changes
- Credit quality remains exemplary
- New buy-to-let lending contributing increasing share of interest income



SDLT changes - significant H1 disruption

Acceleration of H2 business into H1

H2 redemptions normalising, with new book still seasoning

Early adoption (January 2016) of credit tightening

- Competition now tightening criteria, others will follow
- Pipeline averages already comfortably exceed PRA minima

Pricing discipline maintained

Pipeline £350.6 million at 31 March 2016 (2015 H1: £701.4 million), but starting to build

Step-up in complex buy-to-let

- Complex business 57.1% of pipeline (2015 H1: 47.6%)
- Corporate lending 16.7% of pipeline (2015 H1: 7.0%)

Brexit may delay some landlord investment decisions

Underlying tenant demand strong – PRS forecast to be 25% of housing stock over time (LSE)

Buy-to-let lending growth rate likely to ease

- Mintel buy-to-let forecast 2016-2020: CAGR 5%

PRA underwriting rules and tax changes likely to create significant opportunity for specialists

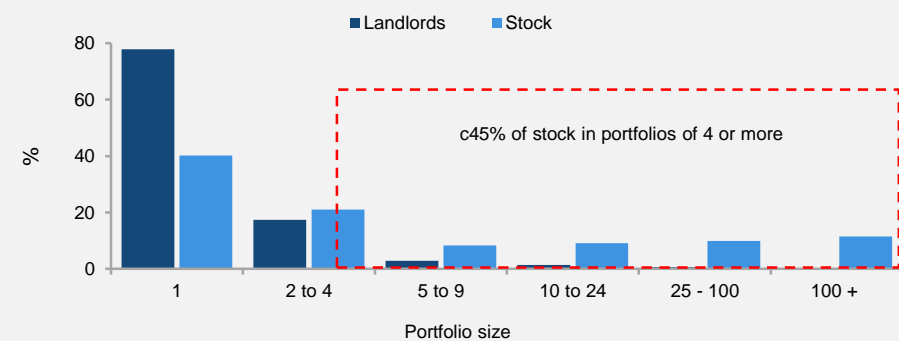
- Remortgages (50-60% flow) – rules unchanged
- >3 property landlords now deemed 'complex'; estimated at 45% of market
- Commodity lenders dominate market share – top 5 lenders' market share over 70%
- Increasing corporate business expected as mortgage income tax changes apply

Whilst overall market growth may slow, market share opportunity exists

“Taken together the scenarios would suggest a PRS in the range of 20% and 22% within this Parliament and perhaps 25% as the longer term equilibrium.”

Source: Taking Stock: London School of Economics

PRS stock predominantly held by professionals



Source: DCLG

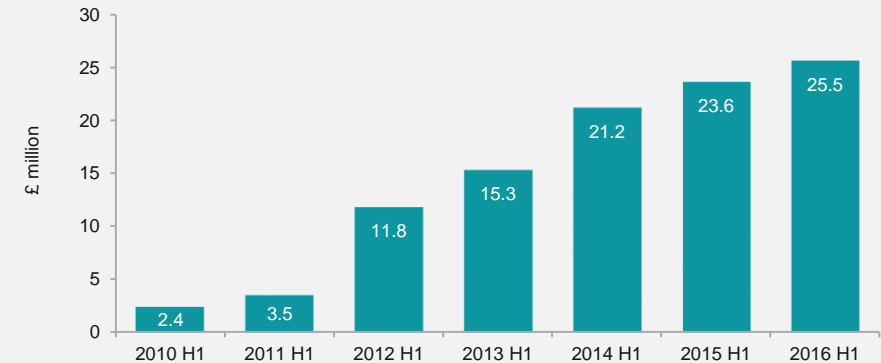
- Strong contribution to Group profit
 - £25.5 million in 2016 H1 (2015 H1: £23.6 million)
 - 35.5% of Group profits
- Cumulative cash flow 108.2% (2015 H1: 105.8%) of underwriting estimate
- Idem Capital increasingly valuable to Paragon Bank
- Balance sheet carrying value £593.5 million including Paragon Bank (2015 H1: £406.9m)

£208.8 million net investment (2015 H1: £20.9 million)

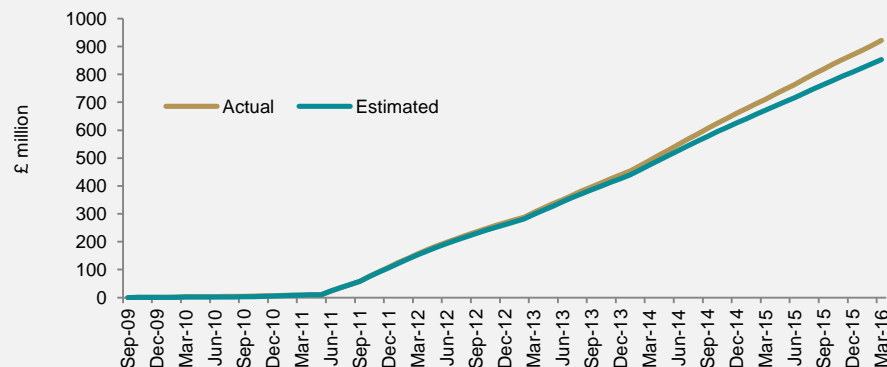
£24.0 million direct investments focused on business-as-usual unsecured loans
£184.8 million acquired by Paragon Bank, facilitated by Idem Capital

£102.0 million sold to Paragon Bank during 2016 H1

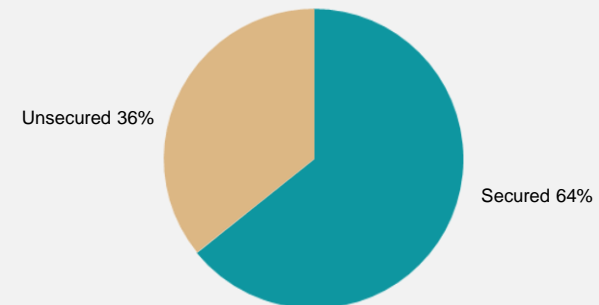
Idem Capital operating profit



Cumulative cash flow on debt purchase portfolios



Loans managed – carrying value



Idem Capital and Paragon Bank purchased debt portfolio

Idem Capital maintained continued focus on performing and semi-performing consumer debt

Vendor behaviours influencing structure of market

- Smaller panels
- Larger but less frequent paying debt trades
- Continued flow arrangements for NPLs

Market remains competitive, but our pricing and credit disciplines maintained

Over medium term:

- Debt purchase and collection market to grow at 5.3% CAGR from 2015-20, reaching over £1.3 billion in 2020⁽¹⁾
- Future debt flow expected to be enhanced by regulatory and accounting changes (IFRS 9)

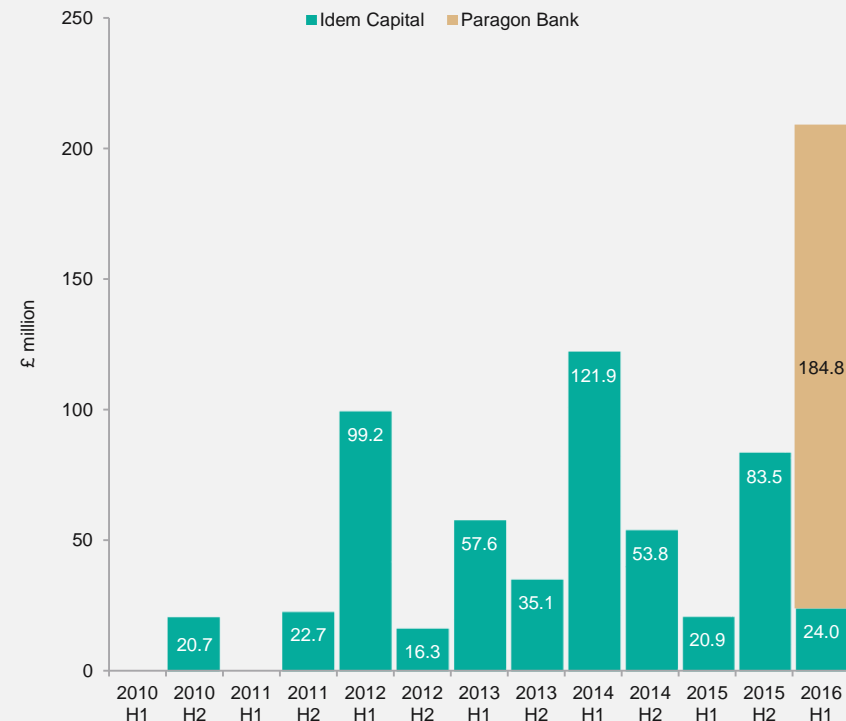
Further opportunities to partner with Paragon Bank

- Focus on performing loan portfolios
- Partnership approach delivers single point solution to vendors

Pipeline expected to increase in H2

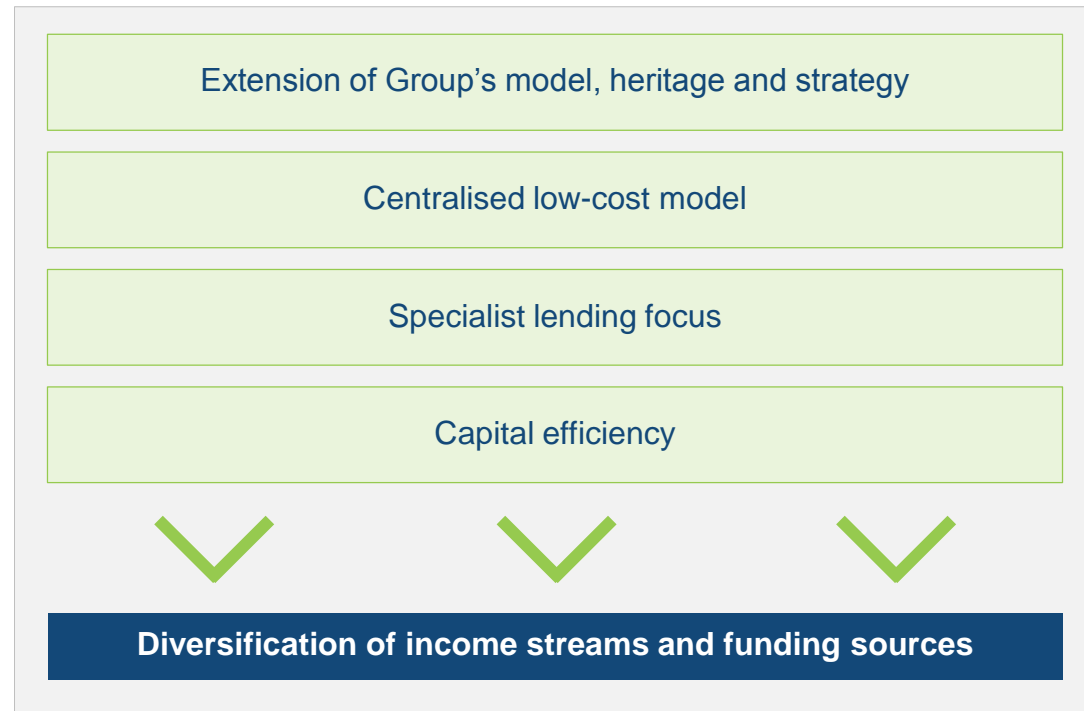
- Lumpy transaction flow
- First mortgage opportunities emerging

Debt purchase investment



(1) Apex Insight

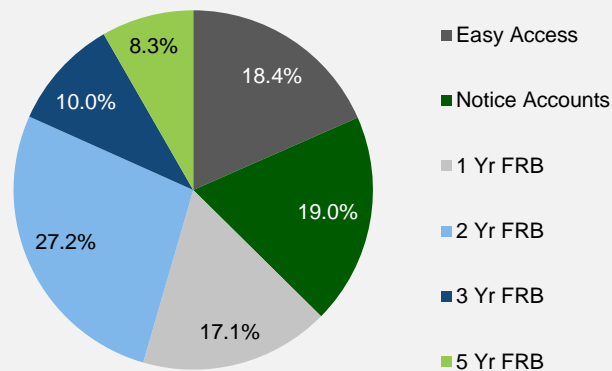
- Increasingly the focus for growth
- Enhancing value through funding and capital optimisation
- Strong driver of diversification strategies
 - Originations
 - M&A
 - Funding
- Paragon Bank increasingly at heart of Group's strategic growth plans



Retail deposit raising activity gaining momentum

- At 31 March 2016 £1.4 billion of deposits outstanding
- Pricing management controlled flow, significant capacity available
- Paragon Bank's first ISA launched after period end
 - ISA market - £265.5 billion (Bank of England)
- Product pricing has fallen across period

Retail savings – product mix



FRB – Fixed Rate Bond

Customer feedback

93%

opening a savings account with Paragon Bank rated overall process as 'good' or 'very good'

85%

stated they would 'probably' or 'definitely' take a second product with Paragon Bank



Increasingly diversified loan portfolio

Buy-to-let

- Accessing Group expertise and distribution
- New lending - £344.1 million (2015 H1: £61.9 million)
- Pipeline - £199.1 million
 - 56.8% of Group total
- £117 million portfolio (PM17) acquired from Group

Cars

- Distribution continues to build, fragmented market
- New lending - £41.2 million (2015 H1: £15.7 million)
- Lending growth to build over medium term

Secured

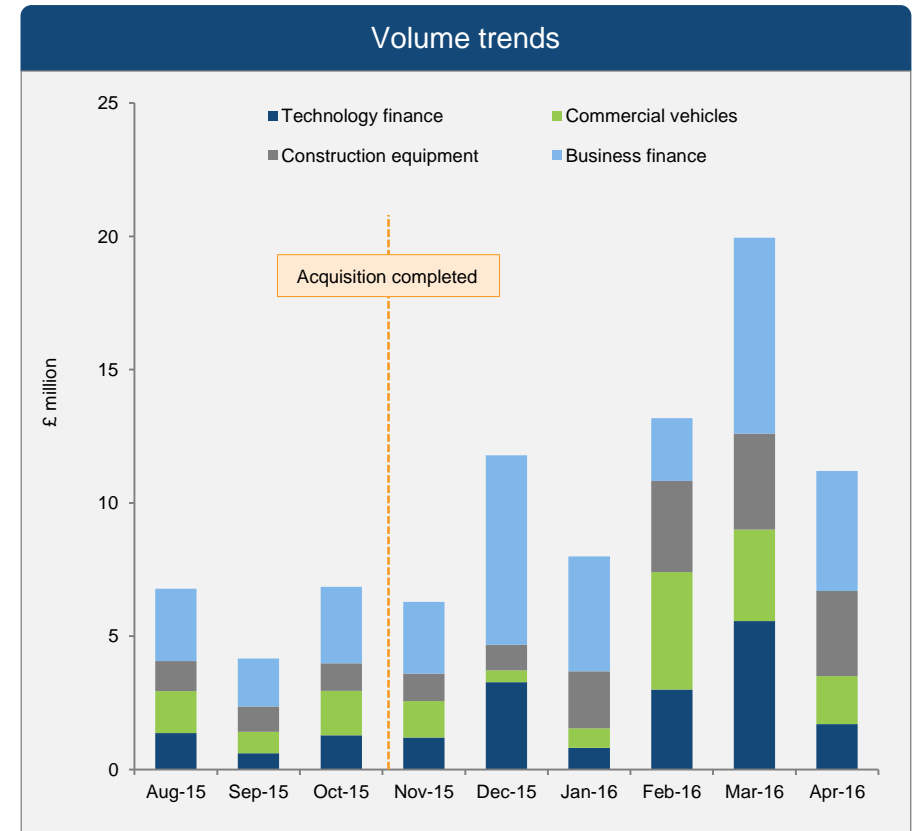
- Distribution building over near term
- New lending - £26.0 million (2015 H1: £3.8 million)
- MCOB regulation in 2016 disruptive to market flows
- £102 million portfolio acquired from Idem Capital
- Co-invest with Idem Capital on a £184.8 million secured portfolio

New product developments









- Asset finance – acquisition of Five Arrows Leasing Group
- Residential property development finance launched
- Specialist residential mortgages in development

- Five Arrows Leasing Group acquisition completed on 3 November 2015
- Rebranding successfully completed in January 2016
- IT integration completed in May 2016
- Lower Paragon Bank cost of funds applied
- New business volumes increasing
- Pipeline since acquisition continues to grow

Combined loan book and operating lease balance up 7.8% since acquisition at £233.7 million



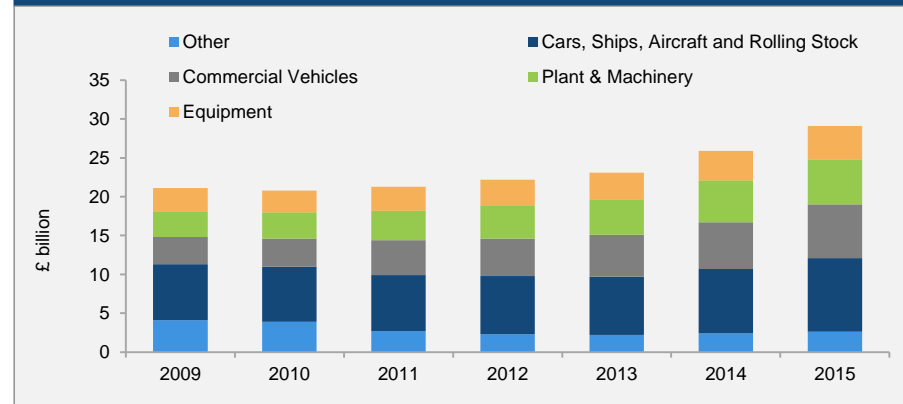
Active in key markets

| | Description / client base | Brand | Assets financed | Distribution |
|--|---|---|--|----------------------------|
|  <p>Business finance</p> | Provides asset finance to SMEs in a wide range of sectors (including printing, manufacturing and commercial vehicles) |  | Machine tools, printing equipment, vehicles and contractors' plant | Broker Direct Vendor |
|  <p>Technology finance</p> | Equipment for film, broadcast, audio-visual and pro-audio sectors, also veterinary sector |  | Broadcast, IT and veterinary equipment | Broker Direct Vendor |
|  <p>Commercial vehicles</p> | Focus on municipal vehicles; expanding into other specialist vehicles |    | Refuse collection vehicles, road sweepers and commercial vehicles | Broker Direct Vendor |
|  <p>Construction equipment</p> | Focus on SMEs in the construction and civil engineering sectors |  | Construction, civil engineering and mining plant and equipment | Direct Vendor |

- 90 day strategic review completed
- Confirmed previous view
 - Strong franchise
 - Excellent credit quality
 - Highly experienced management
 - Narrow product range
 - Operational and financial leverage opportunities
- Significant upside potential in lending volumes and profit
- Modest IT investment required during 2016/17
- Scale and efficiency benefits to emerge
- Product extensions planned
- Additional M&A opportunities exist in this sector
- Further funding benefits expected, including FLS access

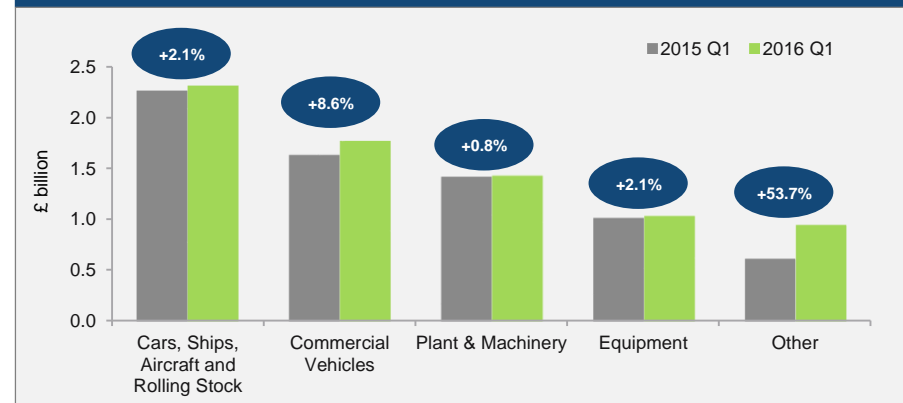
- March 2016 asset finance market reported highest level of new business on record at £3.4 billion (10.3% higher than March 2015)
- Vehicle finance sector reported strongest new business growth in 2016 Q1
- Commercial vehicle finance and business car finance each grew by 8.6% compared with 2015 Q1

UK asset finance originations



Source: Finance & Leasing Association

Asset finance new business up 7.9% (2016:Q1 v 2015:Q1)



Source: Finance & Leasing Association

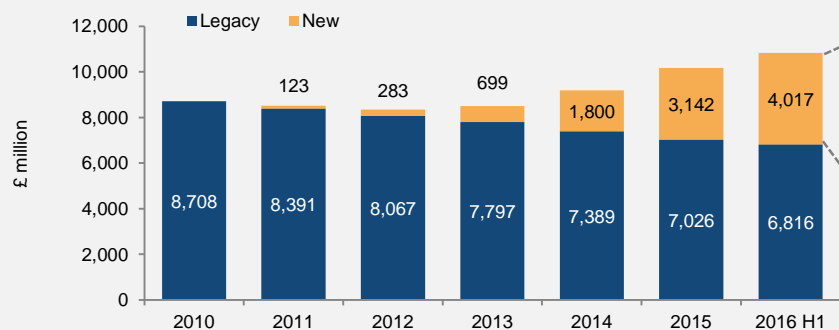
Focus on retail deposit financing places Paragon Bank at the heart of the Group

- Retail deposit raising activity through Paragon Bank
 - £1.4 billion of deposits raised
 - Significant capacity via £1.1 trillion market
- Warehouse capacity rationalised to £850 million (2015 FY: £950 million)
- £926.4 million raised through securitisations over last 12 months, although frequency reducing
- £132.4 million raised through re-leveraging certain Idem Capital assets
- PM17 sold to Paragon Bank and now deposit funded
- Fitch reaffirmed BBB- investment grade rating with stable outlook
- FLS drawings of up to £109.0 million anticipated by Q3

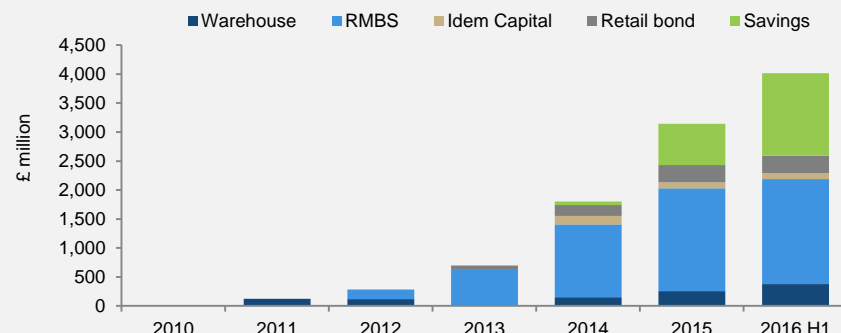
Paragon Bank

- Advanced 42% of Group 2016 H1 buy-to-let lending
- 57% of Group buy-to-let pipeline at 2016 H1
- Targeted to fund at least 50% of Group's new lending over medium term

Funding mix



45.5% of new funding represented by non-securitised debt



Excellent financial performance, with strong lending and further progress in Group's strategy

Financial performance

- Underlying operating profits +12.5%
- EPS + 17.2%
- RoTE 12.7%
- Achieved alongside strategic development cost investment
- Greater cost efficiency will emerge over medium term whilst delivering better RoTE

Capital management

- Dividend growth of 19.4%
- Buy-back programme - EPS accretive and RoTE enhancing
- Strong capital base - CET1 16.1%

Lending growth

- New lending and asset purchase £1.16 billion (+138% growth)
- Year-on-year net loan book growth £1.4 billion (+14.6%)
- 2016 lending disrupted by stamp duty changes
- Buy-to-let outlook has challenges but will also generate opportunities

Strategic development

- Paragon Bank increasingly important driver to diversification and growth
- Five Arrows acquisition delivered major new asset class with strong growth potential
- Deposit funding now £1.4 billion
- Idem Capital / Paragon Bank co-investment opportunities

Half-Year Financial Results

The Paragon Group of Companies PLC

Six months ended 31 March 2016

Appendices

Appendices

Introduction to Paragon

UK's leading independent specialist lender

- 30 year track record, FTSE 250 with c£0.9 billion market capitalisation
- £12.9 billion of loan assets under management

Industry leading underwriting and special servicing

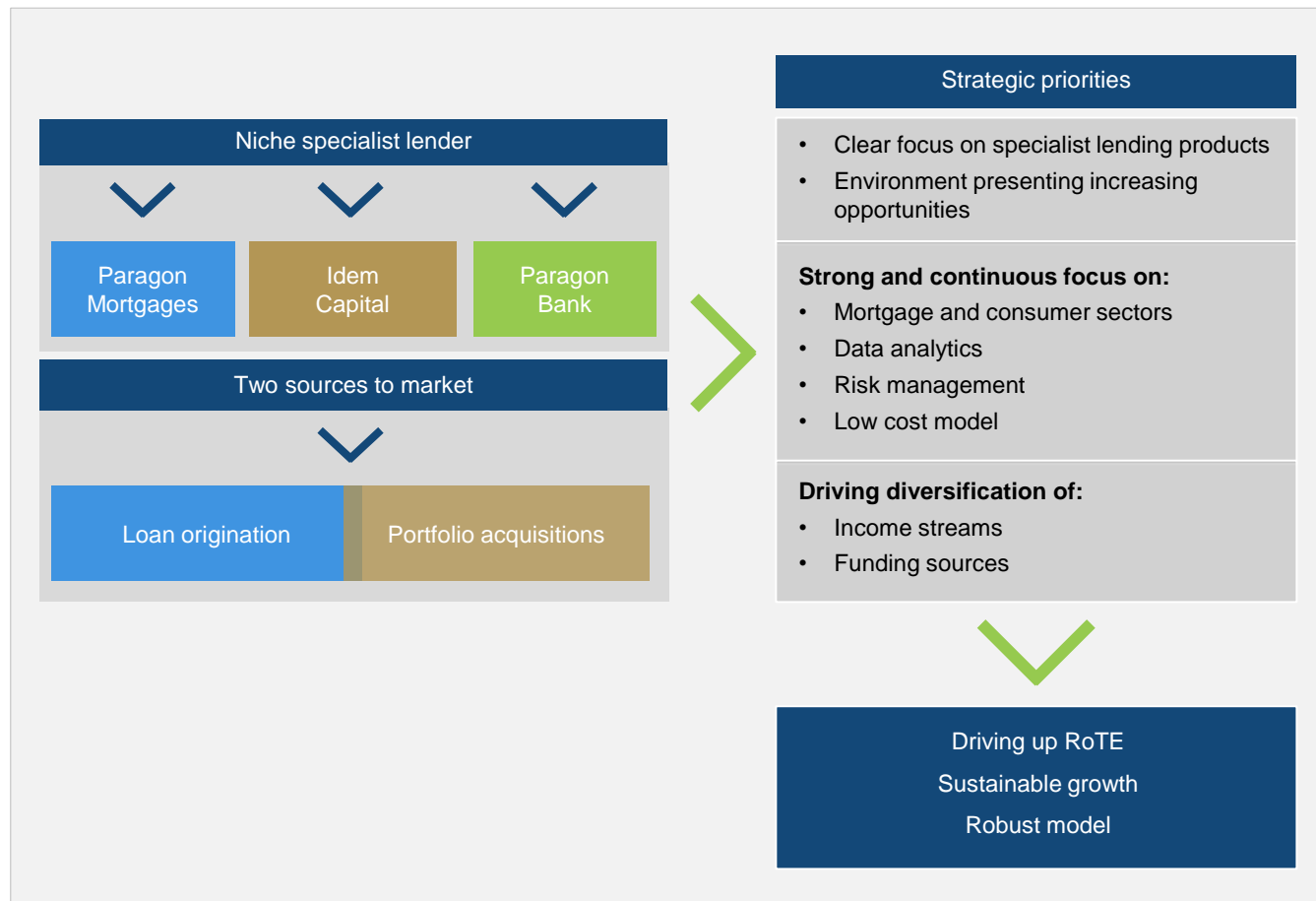
- Buy-to-let arrears significantly below industry averages
- Strong special servicing capabilities
- Comprehensive data analytics and risk management skills

Experienced management team

- Stable management team with extensive through-the-cycle experience

Significant growth opportunities

- Private Rented Sector in long-term structural growth
- Debt purchase market opportunities increasing
- Developing UK banking subsidiary - diversification of income streams



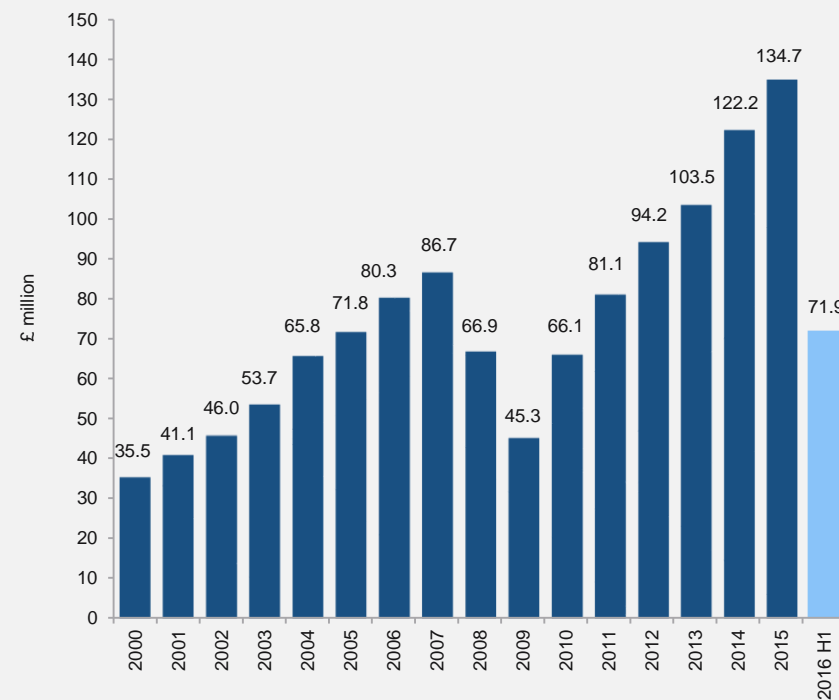
Strong profit record

- Long track record, profitable through-the-cycle
- 2016 record H1 underlying profits of £71.9 million
- Strong H1 operational net cash flow over £109 million before investments and dividends
- Highly efficient model – underlying cost:income ratio 38.5%

Robust balance sheet

- £964.4 million equity base
 - £877.4 million tangible net asset value
- Robust and diversified funding strategy

Underlying long-term profit trends



Leveraging our underwriting and servicing expertise

Paragon Mortgages

- Leading independent buy-to-let lender – niche, specialist strategy
- Market-leading credit standards
- Distribution primarily via intermediaries

Idem Capital

- Leading UK consumer debt purchaser
- Over 20 years experience in loan management – serviced c1.5 million accounts
- Contributed 35.5% to 2016 H1 Group profits

Paragon Bank

- Launched in 2014
- No branch network
- Utilises Group's services to optimise cost efficiency
- Product lines:
 - savings
 - car finance
 - secured personal loans
 - buy-to-let
 - residential development finance
 - SME asset finance

28
years

Executive director average
Paragon duration

15
years

Executive management team

9
years

Paragon's average length of
service - 2x national average

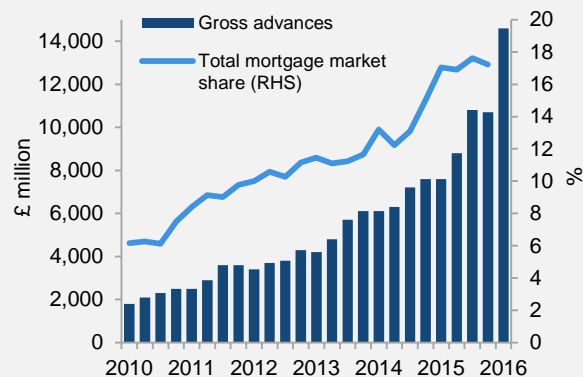
14
years

Paragon's management level
average length of service
- 3x national average

- Investors in People Champion status – held by only 1% of UK financial services companies
- Principles learnt through recession in early 90s and credit crisis embedded into business
- Strong culture and values



Buy-to-let industry – lending

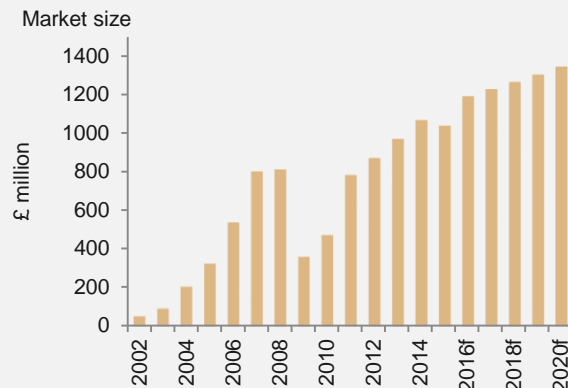


Source: DCLG / Council of Mortgage Lenders

Paragon Mortgages

- Buy-to-let market experiencing strong growth
- Up 39.3% in 2015 to £37.9 billion (2014: £27.2 billion)
- Strong rental demand and improving landlord confidence
- PRS now accounts for 19.6% of English housing – second largest housing stock

Debt purchase market

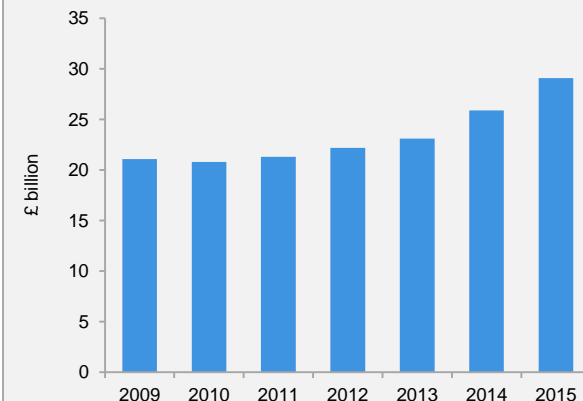


Source: Apex Insight

Idem Capital

- Well established £1.0 billion+ pa core debt purchase market - forecast to grow by 5.3% CAGR from 2015-2020
- Additional bank de-leveraging sales take opportunities to £2 billion+ pa
- Market participants
 - Specialist debt buyers
 - Banks
 - Hedge funds
 - Bond funds
- Debt availability increasing to support asset purchases and refinance existing assets
- Growing proportion of paying-debt sales

UK asset finance originations



Source: Finance & Leasing Association

Paragon Bank

- Positive economic outlook
- 40% of UK savings through online facilities
- Consumer finance market expected to increase by £39 billion to reach £255 billion by 2018
- Paragon Bank anticipating regulatory changes ahead of the market
- Car finance market £37.3 billion in 2015 up 13.7% year-on-year
- Secured loan market grew by 12.5% to £844 million
- Asset finance market £29.1 billion in 2016 up 12.5% year-on-year

Appendices

Company overview

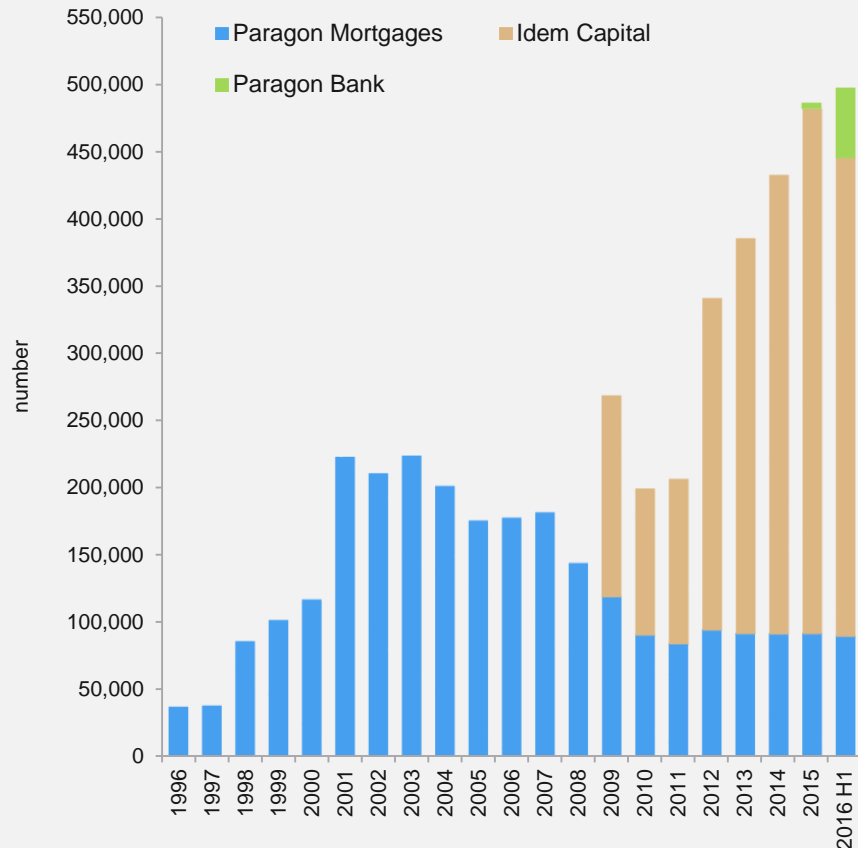
| Key facts | |
|-------------|-----------------------------|
| Established | 1985 |
| AUM | £12.9 billion |
| TNAV | £877.4 million |
| Index | FTSE 250 |
| Market cap | c£0.9 billion |
| Employees | 1,280 |
| Location | HQ: Solihull, West Midlands |

| History | |
|---------|--|
| 1985 | Launched as a specialist lender, fully listed on LSE |
| 1986 | Acquired first loan portfolio |
| 1987 | Completed first securitisation in UK mortgage market |
| 1995 | Launched first buy-to-let products |
| 2002 | Admitted to FTSE 250 |
| 2003 | Acquisition of Mortgage Trust (c£2 billion portfolio) |
| 2009 | Launched Idem Capital and Moorgate Loan Servicing |
| 2010 | Re-commenced buy-to-let lending |
| 2011 | First post-credit crunch securitisation launched |
| 2013 | First retail bond raised £60 million |
| 2014 | Second retail bond raised £125 million |
| 2014 | UK banking subsidiary – Paragon Bank – launched |
| 2014 | Idem Capital-specific funding raised |
| 2015 | Third retail bond raised £112.5 million |
| 2015 | Acquisition of Five Arrows Leasing Group (£245 million total assets) |
| 2016 | Fitch reaffirmed BBB- investment grade rating with stable outlook |

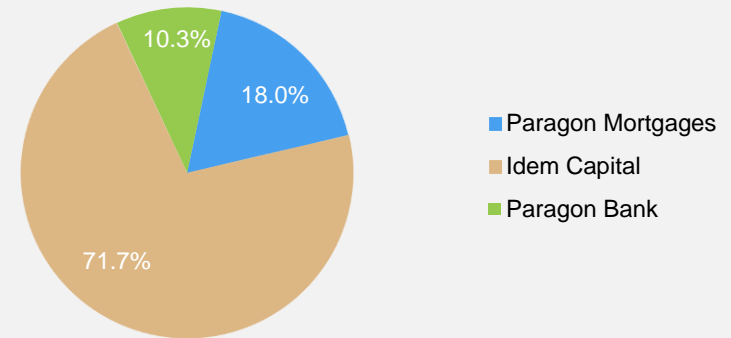
Segmental loan assets

40

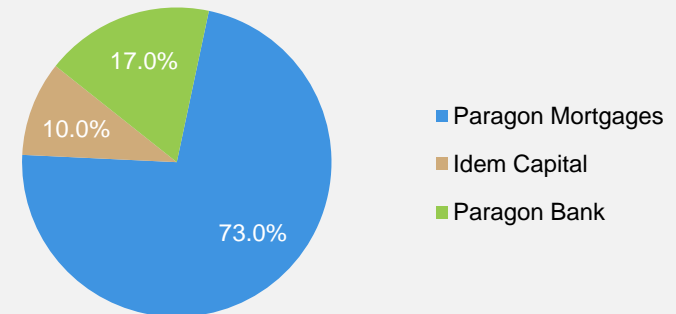
Total accounts under management



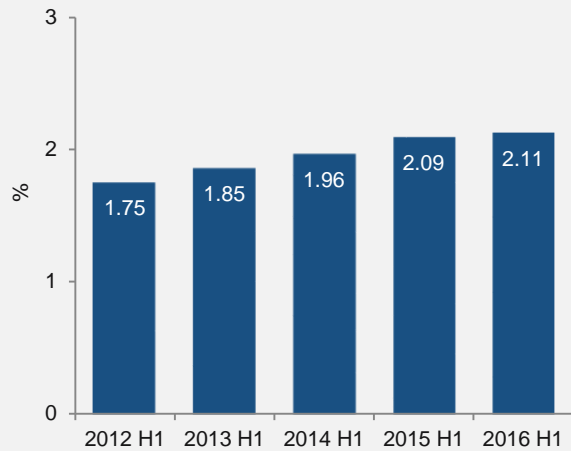
Accounts under management - number



Accounts under management - value

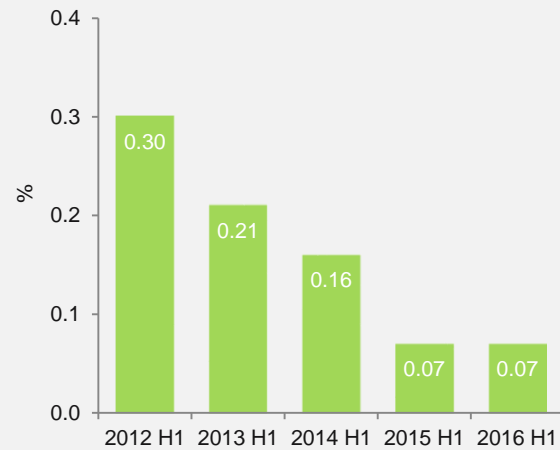


Net interest margin



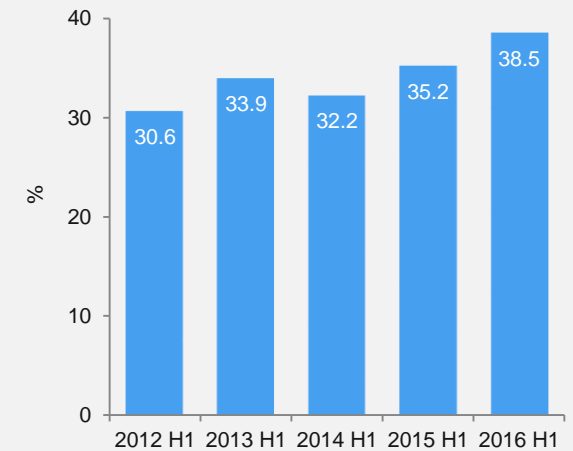
- Wider margin on new mortgage loans
- Idem Capital assets delivering strong cash flows
- Paragon Bank's retail deposit funding improving margins

Impairments as % of total loan assets (annualised)



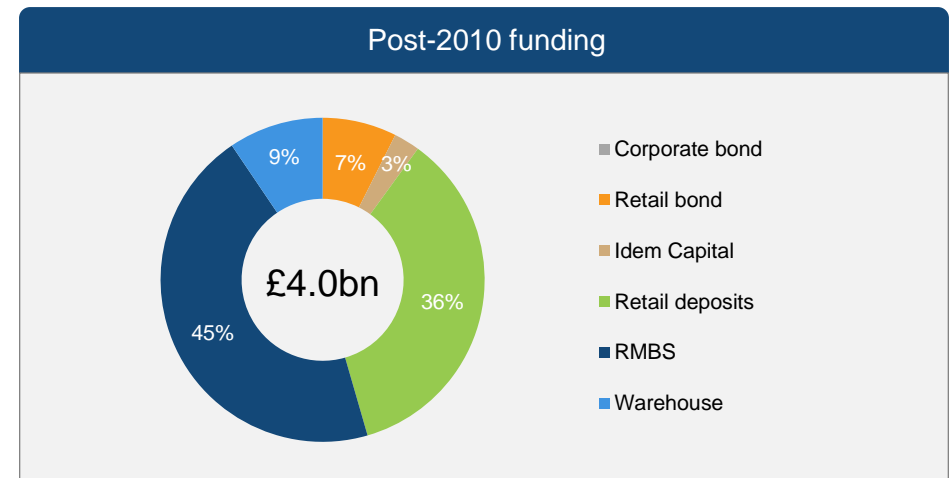
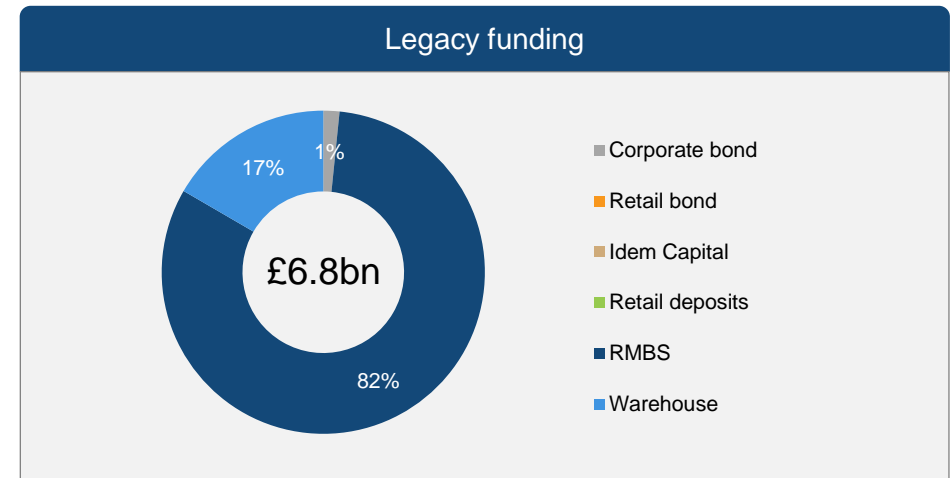
- Charge consistent with 2015 at £3.5 million
- Nil impairment charge on Idem Capital as asset performance better than expectations

Cost:income ratio (underlying)



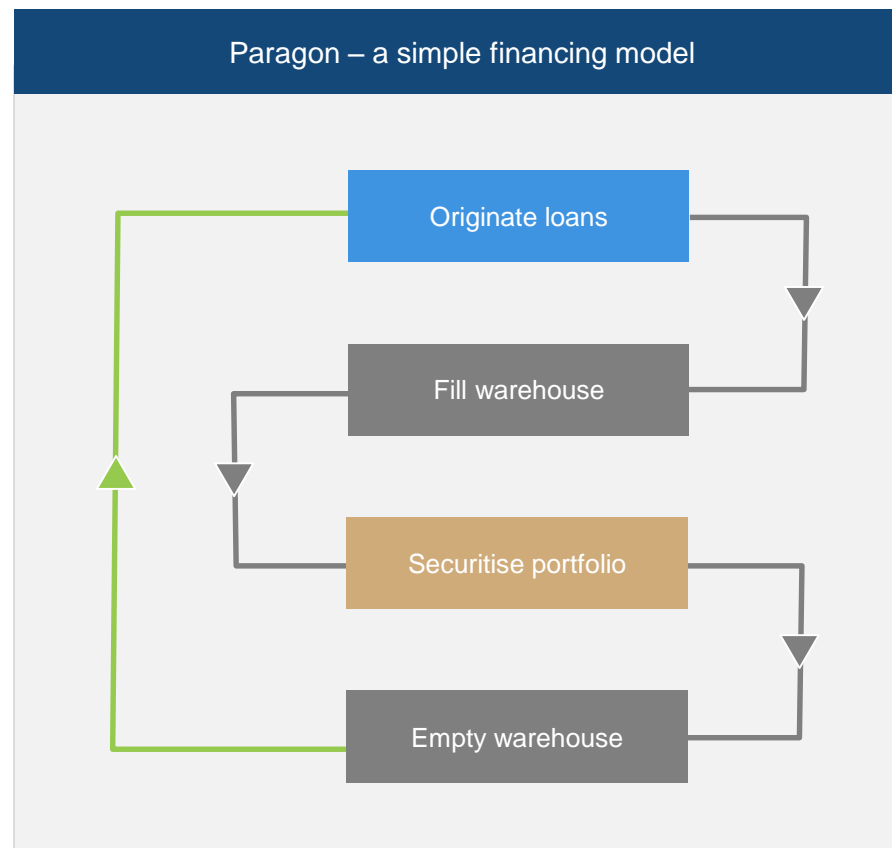
- Cost:income ratio remains a key strategic differentiator for Paragon
- Cost:income ratio for 2016 reflects the cost base addition from Paragon Bank Asset Finance

- Retail deposit raising activity through Paragon Bank
 - £1.4 billion of deposits raised
 - Significant capacity via £1.8 trillion market
- FLS drawings of up to £109.0 million anticipated by Q3
- Paragon Group – holding company debt
 - Subordinated £110.0 million corporate bond – April 2017 maturity – 3.729%
 - £60.0 million retail bond – December 2020 maturity – 6.0%
 - £125.0 million retail bond – December 2022 maturity – 6.125%
 - £112.5 million retail bond – August 2024 maturity – 6.0%
 - Investment grade rating (BBB-) to support future debt issuance
- Portfolio purchases
 - Idem Capital assets held in limited recourse SPVs
 - Funded from Group's free cash resources / structured debt
 - £132.4 million raised through re-leveraging certain Idem Capital assets
 - Partnership approach with Paragon Bank increasing



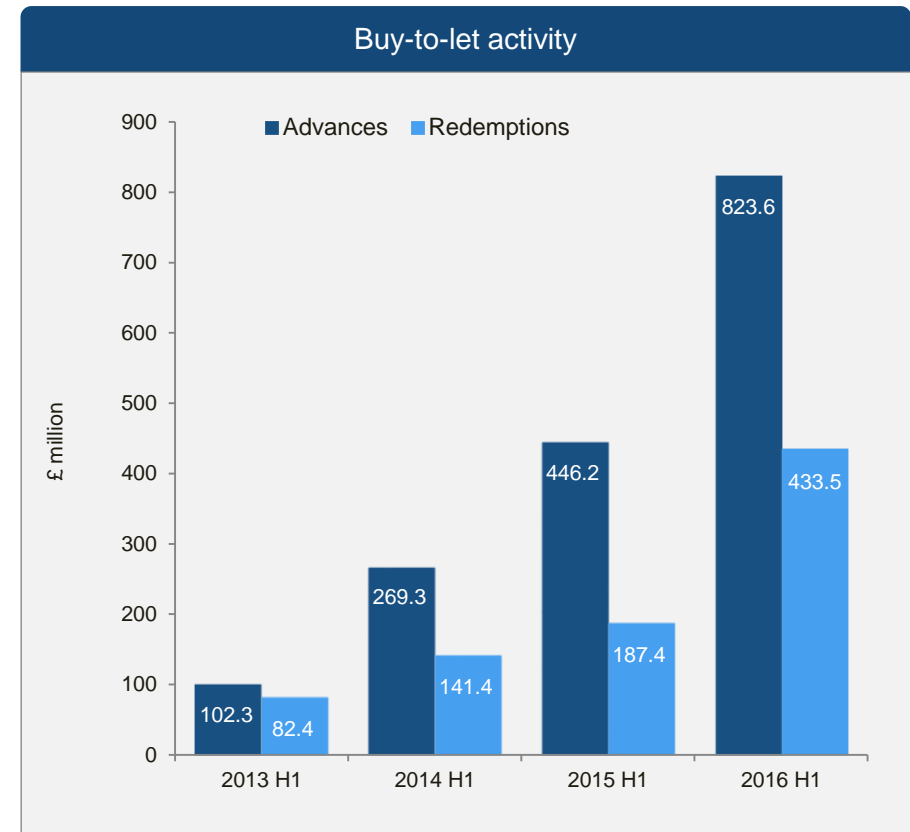
One of the UK's leading securitisation issuers

- Extant assets - £9.1 billion funded through 22 limited recourse wholly owned SPVs
- New origination
 - £850 million warehouse facilities
 - After a few months, assets transferred to securitisation vehicle
- Since 2010, nine transactions, raising £2.5 billion
- Retail deposit funding of new lending through Paragon Bank allows tactical use of securitisation markets when conditions suit



Significant increase in buy-to-let lending

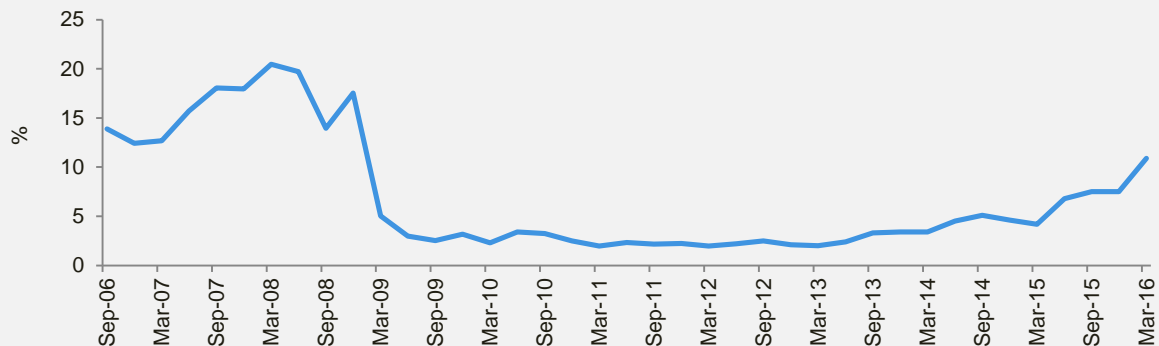
- Buy-to-let lending increased to £823.6 million (2015 H1: £446.2 million)
- Total new lending since return to market £3,488.3 million
- Pipeline stood at £350.6 million as at 31 March 2016 following a strong close to the quarter ahead of SDLT changes (2015 H1: £701.4 million)
- Credit quality remains strong
 - New buy-to-let portfolio
 - Average LTV 67.8%
 - Average ICR 152.6%
- Arrears fell to 14bp (2015 H1: 20bp)



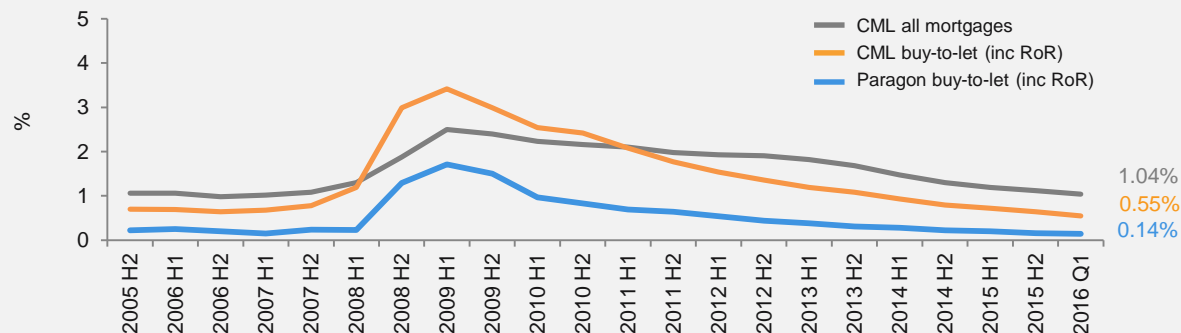
Buy-to-let and Idem Capital portfolios performing strongly

- Buy-to-let redemption rate, at 9.2%, impacted by recent tax changes (2015: 4.4%)
- Buy-to-let credit performance remains strong
- 3 months+ arrears fell to 14bp (2015: 20bp)
- Cash flows from acquired Idem Capital assets remain ahead of expectations at 108.2%

Buy-to-let redemptions



Buy-to-let 3 months+ arrears

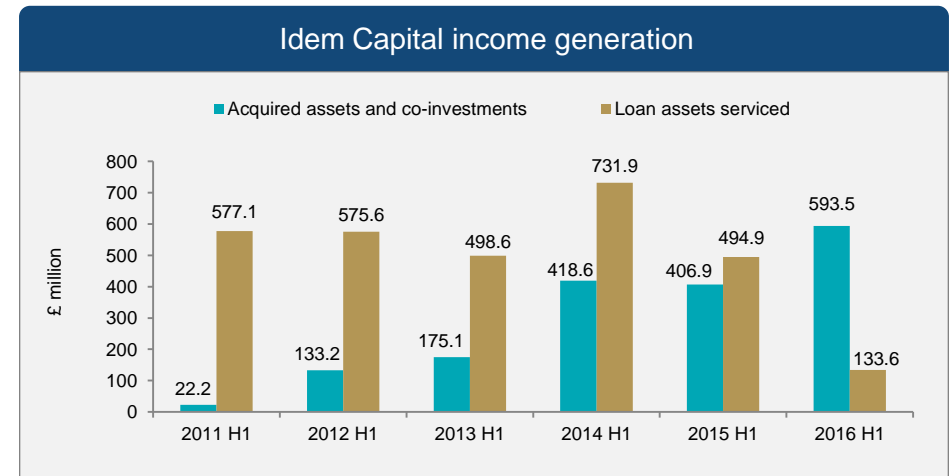
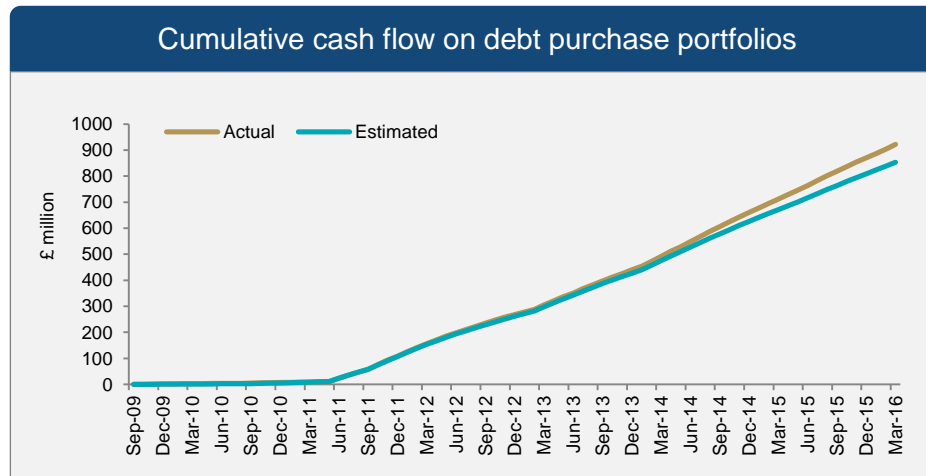
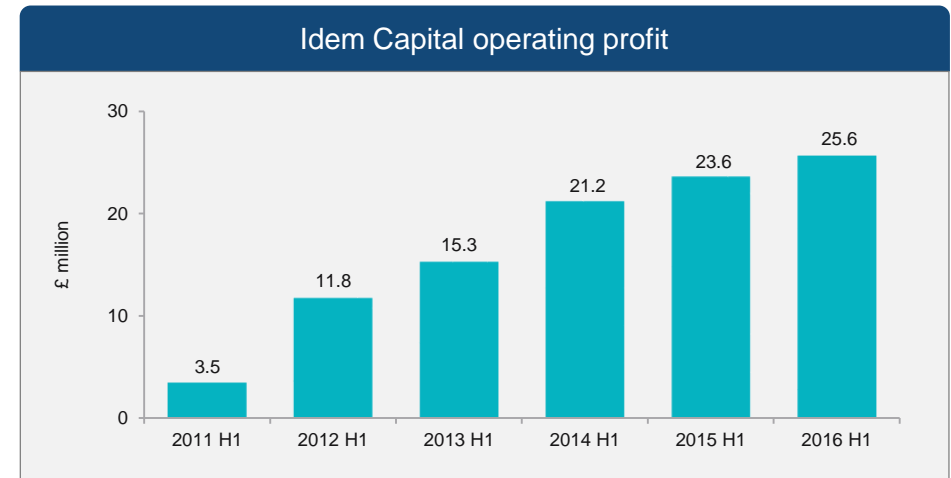


Source: Council of Mortgage Lenders

Idem Capital is a leading UK consumer debt buyer

46

- Significant driver of Group profit
 - Contribution of £25.6 million in 2016 (2015 H1: £23.6 million)
- Portfolio investments
 - £24.0 million invested in unsecured accounts in H1 2016
 - Further investment of £184.8 million in conjunction with Paragon Bank
 - Outstanding investment value at 31 March 2016 - £593.5 million
- Strong pipeline of large scale further acquisition opportunities
 - Business-as-usual is increasingly paying-debt sales
 - Bank de-leveraging process ongoing
 - Servicing standards more important in new regulatory environment
- Cumulative cash flow improves to 108.2% of underwriting estimate
- Increasing emergence of substantial performing/mortgage deals



Exposure to rising interest rates

47

Pre 2007 buy-to-let legacy portfolio

- Well seasoned
- High ICRs (current estimate 3.6 times on average)
- LTV average 70.2%

Post 2010 buy-to-let new lending

- Very high credit quality
- LTV average 67.8%
- Average ICR 152.6%
- Strong additional non-property income
- 92.9% of new flow is fixed rate

Second mortgage portfolio

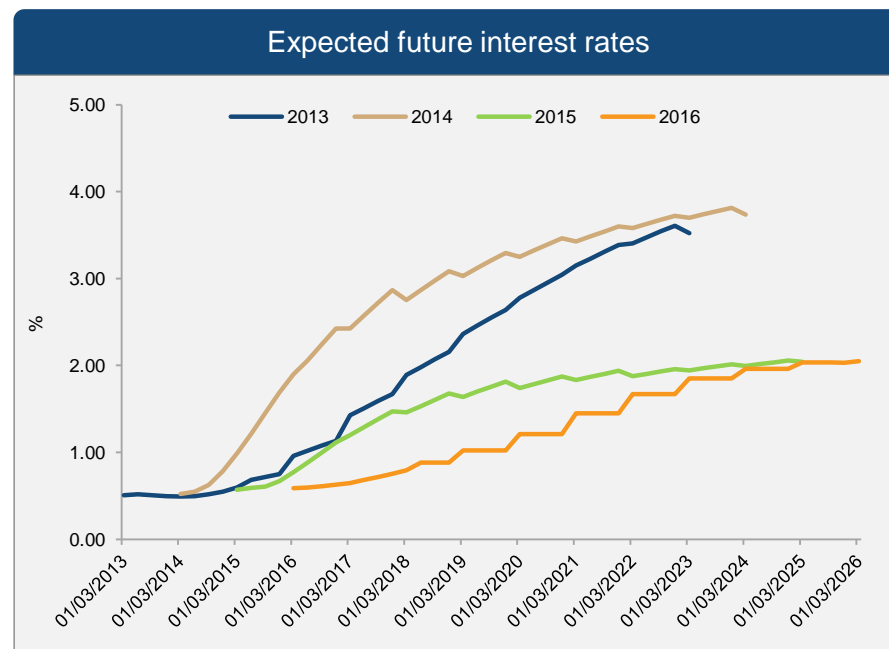
- House price appreciation and capital repayments continue to erode risk of loss
- Average seasoning of over 8.5 years

Asset finance

- Loan portfolio is fixed rate

Above covers 94% of Group loan assets

- Likely to see slow and graduated interest rate increases
- High quality loan portfolios mitigate risk of rate rises



Regulatory environment in UK witnessed significant changes in recent years, raising challenges for domestic financial institutions - this is expected to continue.

Paragon's approach focused on anticipating regulatory developments, preparing well in advance and successfully managing through regulatory change to the benefit of our customers, franchise and financial performance.

Buy-to-let

- EU Mortgage Credit Directive implemented in March 2016
 - Buy-to-let will only apply to very narrow part of market
- SDLT changes took effect from April 2016

Consumer finance

- CCA responsibilities transferred from OFT to FCA
 - Full authorisation granted
- Second mortgage loans now supervised by FCA subject to MCOB variant with effect from March 2016

On-going changes in capital requirements

- Basle Risk Weighting Review
 - IRB v standardised
- Group IRB project underway

- This presentation has been issued by The Paragon Group of Companies PLC (“Paragon”). This presentation is directed only at persons in the United Kingdom who fall either within Article 19 (Persons having professional experience in matters relating to investments) or Article 49 (High net worth companies) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2001.
- It is supplied for information only and may not be reproduced or redistributed. This presentation is not and should not be construed as an offer to sell or the solicitation of an offer to purchase or subscribe for any investment nor shall it form the basis of or be relied upon in connection with, or act as any inducement to enter into, any contract or commitment whatsoever.
- This presentation may contain certain “forward-looking statements” with respect to certain of Paragon’s plans and its current goals and expectations relating to its future financial condition, performance and results. By their nature, all forward-looking statements involve risk and uncertainty because they relate to future events and circumstances which are beyond Paragon’s control including among other things, UK domestic and global economic business conditions, market related risks such as fluctuations in interest rates and exchange rates, the policies and actions of regulatory authorities, the impact of competition, inflation, deflation, the timing impact and other uncertainties of future acquisitions or combinations within relevant industries, as well as the impact of tax and other legislation and other regulations in the jurisdictions in which Paragon and its affiliates operate. As a result, Paragon’s actual future financial condition, performance and results may differ materially from the plans, goals and expectations set forth in Paragon’s forward-looking statements.
- Paragon undertakes no obligation to update the forward-looking statements contained in this presentation or any other forward-looking statements we may make.