

RNS ANNOUNCEMENT

PARAGON BANKING GROUP PLC

30 January 2020

Trading update

Continued progress in specialist markets

Paragon Banking Group PLC ("the Group" or "Paragon") today publishes its trading update based upon the business performance from 1 October to 31 December 2019.

The business has traded in line with management expectations for the quarter. At £684.9 million, new business volumes were 3.7% higher than in the previous year and, with stable redemption levels, the net loan book increased by 1.6% during the quarter to £12.4 billion.

Specialist buy-to-let lending was 1.1% higher year-on-year at £375.4 million. Other mortgage and amateur buy-to-let volumes were lower in comparison, following the Group's decision to focus on higher margin, professional business, with overall mortgage lending down 4.0%. The quarter end pipeline figure for buy-to-let was £814 million (11.6% higher year-on-year), of which 92% was specialist.

Paragon's commercial lending new business volumes were 19.9% higher than the comparable quarter at £254.1 million. The faster growth rate in commercial lending reflects the low market share of its business lines relative to the mortgage division.

At the quarter end, commercial lending represented 12.0% of the Group's net loan assets. Asset quality remains stable.

Deposit balances grew to £6.6 billion in December (2018: £5.6 billion) and continue to benefit from product and channel expansion, demonstrating the effectiveness of the Group's savings proposition development. The Group continues to make good progress in its preparations for an IRB application and its unaudited CET1 ratio stood at 14.2% at the quarter end.

Commenting on the update, Nigel Terrington, Chief Executive, said: "The Group has made a strong start to our 2020 financial year where good progress has been achieved in our key divisions. Our loan portfolios continue to deliver an exemplary credit performance. We look forward to the year ahead with confidence as we continue to pursue a diversification strategy. Whilst we welcome recent survey reports indicating improving confidence, it is too early to determine whether this will convert into a sustained improvement in economic activity and we will continue to maintain conservative risk appetite."

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Paragon will be releasing its half-year results for the six months to 31 March 2020 on Wednesday 20 May 2020.