

RNS ANNOUNCEMENT

PARAGON BANKING GROUP PLC

14 April 2020

Covid-19 update

Our priorities through this exceptionally challenging period are to support and protect our customers, employees, business partners, capital and the long-term value of our business. We are fully operational with over 90% of our employees working from home.

Prior to any Covid-19-related impacts, the business operated in line with the Board's expectations for the period from 1 October 2019 to 31 March 2020, with sustained levels of new lending flows in the Group's Mortgages and Commercial Lending businesses, a strong pipeline of buy-to-let business and lower redemptions. Comparisons to the same period in 2019 are detailed below.

6 months ended	March 2020	March 2019	Change
New lending flows:			
- Specialist buy-to-let	£694.6 million	£693.1 million	+0.2%
- Other mortgages	£98.2 million	£140.8 million	-30.3%*
- Commercial Lending	£481.3 million	£455.3 million	+5.7%
Mortgage redemptions	£393.2 million	£448.9 million	-12.4%
Buy-to-let pipeline	£789.8 million	£711.1 million	+11.1%

* Reduced volumes due to refocus towards specialist buy-to-let

Underlying net interest margins continued to improve, tempered by the expected amortisation of the Idem Capital portfolio, where no further purchases were made during the period. Deposit costs have continued to benefit from our strategic actions, including broadening the product range, distribution and scale of market access and were lower at the end of March 2020 than at the end of September 2019. Operating costs are running slightly below expectations and charge-offs remained benign.

However, in spite of the strength of our business, it remains too early to determine the impact that the Covid-19 crisis will have on new business flows, redemptions, income recognition and IFRS9-related impairment charges.

Paragon enters this period of uncertainty with a strong capital base and significant liquidity. The Group's unaudited capital ratios at 29 February 2020 comprised CET1 of 14.4% and a Total Capital Ratio of 16.7%. Its Liquidity Coverage Ratio was 218% as at 31 March 2020.

The Group had effective contingency and resilience plans in place to respond to these developments which has allowed us to focus on supporting and protecting our customers, employees, business partners, capital and the long-term value of our business. Paragon's through-the-cycle experience, robust credit approach, experienced workforce and resilient systems will be crucial as the Group navigates the coming months.

Notwithstanding this strong position, Paragon's Board is conscious that we are operating in an exceptionally uncertain environment and recognises the importance of its role in supporting its customers, UK businesses and consumers during this period. As a consequence, the Board has decided not to declare an interim dividend with its forthcoming half-year results. The Board also recognises the significance of dividends to its shareholders and will consider an appropriate dividend for the year as a whole with its full-year results in November, when more will be known about the extent of this crisis, as well as the Group's performance and outlook.

Nigel Terrington, Chief Executive Officer said, "Paragon is a strong, resilient and diversified business. Whilst there will undoubtedly be challenges ahead, we are well positioned and will take all responsible action to mitigate any potential impact. The Group's operations have reacted well to the rapidly changing environment and I am grateful for the considerable efforts and support of my colleagues in delivering services to our customers in difficult circumstances."

Forthcoming dates

The announcement of the Group's results for the six months to 31 March 2020 is currently scheduled for Wednesday 20 May 2020 but may be delayed as a result of the logistical challenges involved in the independent review arising from the current Covid-19 situation.

Enquiries

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