

RNS ANNOUNCEMENT  
28 January 2022

**PARAGON BANKING GROUP PLC**  
**Trading update**

**STRONG START TO THE NEW FINANCIAL YEAR**

Paragon Banking Group PLC (“the Group” or “Paragon”) today publishes its trading update based on the business performance from 1 October to 31 December 2021.

The Group’s trading performance has been strong and in line with the Board’s expectations for the first quarter of its 2021/22 financial year.

Nigel Terrington, Chief Executive, said:

*“The momentum that underpinned the delivery of our 2021 results has been maintained through the first quarter of our new financial year, with strong new business flows, improving margins and capital strength generated from our focus on specialist customers and markets.”*

**Operational and financial highlights**

Total new lending for the quarter to 31 December 2021 increased by 35.7% to £708.0 million from £521.8 million in Q1 2020/21.

The volume of new buy-to-let mortgage advances increased by 36.8% to £408.5 million when compared to the £298.7 million reported for Q1 2020/21, with a continued focus on lending to specialist landlords.

The Group’s Commercial Lending volumes also increased significantly. At £298.8 million, new advances were 37.3% above the £217.7 million reported in the first quarter last year. Each of the four business lines within Commercial Lending saw at least double-digit percentage improvements from the comparable quarter.

Net balance sheet loans grew by 7.7% to £13.7 billion in the twelve months to 31 December 2021 and NIM has progressed in line with the guidance given at the full year results.

The buy-to-let pipeline totals £1,027.1 million, 6.2% above 2021’s Q1 level and redemptions for the period totalled £193.8 million, representing an annualised redemption rate of 6.8% which remains well below historical averages.

The Group will update the economic scenarios, weightings and overlay considerations that feed into its impairment assessments with its half year results. Portfolio performance, behavioural scores and arrears levels remain stable at the end of the first quarter.

Good progress has been made with our digitalisation programme, with costs continuing to be in line with the previous guidance provided.

## **Capital and funding**

Deposit balances increased further to £9.6 billion in the period. The portfolio average deposit rate at the end of December 2021 was 0.90% compared to the 1.22% reported at the end of December 2020.

After accruing for dividends, but excluding the current buyback of up to £50 million, the Group's unverified CET1 and total capital ratios remained strong at 15.6% and 17.7% respectively (15.3% and 17.5% on a fully loaded basis) at 31 December 2021.

The Group continues to engage with the PRA on Paragon's IRB application, with Phase 2 of the process underway for buy-to-let and preparations on the application for the development finance assets at an advanced stage.

## **Guidance and outlook**

Whilst there continue to be macro-economic uncertainties stemming from the ongoing impacts of Covid-19, the Group's operational and financial performance during the first quarter has been strong and the Board's FY22 guidance remains unchanged.

### **For further information, please contact:**

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**Paragon is expected to release its half-year results for the six months to 31 March 2022 on Tuesday 14 June 2022.**