

PARAGON BANKING GROUP PLC
Half Year Pillar 3 Disclosures
For the six months ended 31 March 2024

Introduction

As a UK banking group regulated by the Prudential Regulation Authority ('PRA'), Paragon Banking Group PLC is required to make half yearly disclosures of key metrics related to the capital and liquidity position of the accounting group of companies which it heads ('the Group') by the Disclosure (CRR) Part of the PRA Rulebook ('the Rulebook').

These disclosures were reviewed and approved by the directors of Paragon Banking Group PLC on 5 June 2024.

Form and content of disclosures

The disclosures are provided for the Group as at 31 March 2024, and the reporting currency is the pound sterling. The Group's accounts are prepared in accordance with International Accounting Standards as adopted in the United Kingdom. The scope of disclosures includes all entities in the Group.

The Group does not qualify as a Large Institution, as defined by the Disclosure Part, having a balance sheet of less than €30.0 billion.

The PRA has redefined the threshold for presenting detailed Pillar 3 information to exclude Small Domestic Deposit Takers ('SDDTs'). The Group would currently meet the SDDT criteria, but this status requires a PRA waiver. The Group has not (so far) applied for such a waiver. Its balance sheet also exceeds the grandfathered €5.0 billion threshold set in the previous version of the Rulebook for reduced disclosure.

The Group is therefore defined as an 'Other Institution' under these rules and its disclosure requirements are those set out in the Article 433c chapter of the Rulebook. For a half yearly report the requirement is for a table of key metrics. The disclosures must be presented in accordance with the fixed template, template UK KM1 set out in the Rulebook.

In addition to the key metric template, 'Other Institutions' are required to give disclosures relating to own funds and eligible liabilities ratios, calculated in accordance with Articles 92a and 92b of the Rulebook. However, these articles are not applicable to the Group and hence no such disclosures are given.

The Group discusses its capital and liquidity position at 31 March 2024 in its half yearly report, which is available on the investor relations section of its corporate website at www.paragonbankinggroup.co.uk.

Full Pillar 3 disclosures for the Group are required only at year end. The Group's most recent Pillar 3 disclosures, for the year ended 30 September 2023, can be found on the investor relations section of its corporate website. Full year Pillar 3 disclosures under the Rulebook are published annually at approximately the same time as the Group's report and accounts for the same financial year.

Key metrics table

Presented in accordance with Template UK KM1, set out in Annex I to the Disclosure (CRR) Part of the PRA Rulebook.

		31 Mar 2024	30 Sep 2023	31 Mar 2023	Notes
		£m	£m	£m	
Available own funds (amounts)					
1	Common Equity Tier 1 (CET1) capital	1,174.9	1,188.9	1,170.4	
2	Tier 1 capital	1,174.9	1,188.9	1,170.4	
3	Total capital	1,324.9	1,338.9	1,320.4	
Risk-weighted exposure amounts					
4	Total risk-weighted exposure amount	7,974.7	7,668.7	7,479.9	
Capital ratios (as a percentage of risk-weighted exposure amount)					
5	Common Equity Tier 1 ratio (%)	14.7	15.5	15.6	
6	Tier 1 ratio (%)	14.7	15.5	15.6	
7	Total capital ratio (%)	16.6	17.5	17.7	
Additional own funds requirements based on SREP (as a percentage of risk-weighted exposure amount)					
UK 7a	Additional CET1 SREP requirements (%)	0.4	0.4	0.4	[a]
UK 7b	Additional AT1 SREP requirements (%)	0.2	0.2	0.2	[a]
UK 7c	Additional T2 SREP requirements (%)	0.2	0.2	0.2	[a]
UK 7d	Total SREP own funds requirements (%)	8.8	8.8	8.8	
Combined buffer requirement (as a percentage of risk-weighted exposure amount)					
8	Capital conservation buffer (%)	2.5	2.5	2.5	
UK 8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	-	-	-	[b]
9	Institution specific countercyclical capital buffer (%)	2.0	2.0	1.0	
UK 9a	Systemic risk buffer (%)	-	-	-	[b]
10	Global Systemically Important Institution buffer (%)	-	-	-	[b]
UK 10a	Other Systemically Important Institution buffer	-	-	-	[b]
11	Combined buffer requirement (%)	4.5	4.5	3.5	
UK 11a	Overall capital requirements (%)	13.3	13.3	12.3	

		31 Mar 2024	30 Sep 2023	31 Mar 2023	Notes
		£m	£m	£m	
12	CET1 available after meeting the total SREP own funds requirements (%)	7.9	8.7	8.9	[c]
Leverage ratio					
13	Total exposure measure excluding claims on central banks	16,129.5	15,579.3	15,322.1	
14	Leverage ratio excluding claims on central banks (%)	7.3	7.6	7.6	
Additional leverage ratio disclosure requirements					
14a	Fully loaded ECL accounting model leverage ratio excluding claims on central banks (%)				[d]
14b	Leverage ratio including claims on central banks (%)				[d]
14c	Average leverage ratio excluding claims on central banks (%)				[d]
14d	Average leverage ratio including claims on central banks (%)				[d]
14e	Countercyclical leverage ratio buffer (%)				[d]
Liquidity Coverage Ratio					
15	Total high-quality liquid assets (HQLA) (Weighted value - average)	2,580.90	2,082.1	1,575.0	[e]
UK 16a	Cash outflows - Total weighted value	1,528.30	1,397.8	1,293.4	[e]
UK 16b	Cash inflows - Total weighted value	335.2	321.1	287.9	[e]
16	Total net cash outflows (adjusted value)	1,193.00	1,076.7	1,005.5	[e]
17	Liquidity coverage ratio (%)	218.2	193.8	155.6	[f]
Net Stable Funding Ratio					
18	Total available stable funding	18,576.1	17,543.6	16,874.6	[g]
19	Total required stable funding	13,975.3	13,706.8	13,690.4	[g]
20	NSFR ratio (%)	132.9	128.0	123.3	[g]

The notes column does not form part of the template, but provides additional information for users.

Notes

[a] The amount specified for CET1 capital is a minimum percentage. Percentages for AT1 and T2 capital are maximums and additional CET1 capital may be used to make up the total capital requirement if AT1 and / or T2 capital are not available.

[b] These buffers are not currently applicable to the Group.

- [c] This assumes that T2 capital is used in meeting the SREP own funds requirements to the maximum extent possible with the CET requirement comprising the balance of that requirement.
- [d] These lines are only required for LREQ banks, as defined by the PRA Rulebook. The Group's balance sheet size is too small for it to be classified as an LREQ bank. An LREQ bank is one to which the Leverage Ratio requirements of the PRA Rulebook apply, generally those with over £50.0 billion of retail deposits or more than £10.0 billion of foreign assets.
- [e] These measures are based on a 12-month rolling average of month end positions.
- [f] This measure is based on a 12-month rolling average of month end positions, therefore cannot be derived from the values given above it.
- [g] These measures are based on a 4-quarter rolling average of quarter end positions.

Summary of key metrics

The Group's CET1 capital comprises its equity shareholders' funds, adjusted as required by the Regulatory Capital Rules of the PRA, and can be used for all capital purposes. Total Regulatory Capital ('TRC'), in addition, includes tier 2 capital in the form of the Group's Tier-2 Bond. This tier 2 capital can be used to meet up to 25% of TCR. Capital levels on both measures in the period have remained broadly stable, with the positive operational performance continuing to support the capital position, even after allowing for paid and proposed distributions.

The Group's capital ratios remained relatively stable, with a small downward move in the period mostly a function of the impact of the product mix in the lending books on Total Risk Exposure.

During the period the Capital Conservation buffer remained at 2.5%, its long-term rate, while the UK Counter-Cyclical buffer was 2.0% (30 September 2023: 2.0%; 31 March 2023: 1.0%).

The rolling twelve month average of the Bank's Liquidity Coverage Ratio at 31 March 2024 was 218.2% compared to 148.8% a year earlier, and 193.7% for the 2023 financial year. These movements reflect a strategic increase in deposit levels over time to provide flexibility over the repayment of wholesale debt, with repayments of TFSME borrowings being made throughout the period, and the Group's retail bonds falling due in August.

At 31 March 2024, the Bank's Net Stable Funding Ratio stood at 132.9% (30 September 2023: 123.4%; 31 March 2023: 128.6%), reflecting a marginal strengthening of the position in the year.

Paragon Banking Group PLC

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