

RNS ANNOUNCEMENT  
26 January 2024

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

**POSITIVE START TO THE NEW YEAR: FULL YEAR GUIDANCE RECONFIRMED**

Paragon Banking Group PLC (“the Group” or “Paragon”) today publishes its trading update based on the business performance from 1 October to 31 December 2023.

The Group’s trading performance has been in line with the Board’s expectations for the first quarter of its 2023/24 financial year and full year guidance is reiterated.

Nigel Terrington, Chief Executive, said:

*“The first quarter of the new year has started well. The positive momentum seen in the business in 2023 has continued, alongside robust margins and a resilient credit performance. This, coupled with a notable improvement in sentiment, gives us encouragement for the remainder of the year.”*

**Operational highlights**

We have seen an encouraging start to the financial year with improved customer sentiment leading to rising enquiry levels. We expect this to translate to improving volumes as the year progresses. New lending across the business for the quarter to 31 December 2023 totalled £610.7 million compared to £861.7 million in 2023 Q1. Within this, buy-to-let lending totalled £336.3 million (2023 Q1: £591.1 million) and Commercial Lending advances were £274.4 million (2023 Q1: £270.6 million). The buy-to-let pipeline ended the quarter at £559.6 million (September 2023: £594.6 million) but is now comfortably above the 2023 year end level.

Buy-to-let redemption rates continued to fall during the quarter, with £204.5 million of loans redeeming at an annualised redemption rate of 6.4% (2023 Q1: £407.8 million / 13.5%), reflecting strong retention levels at product maturity.

Net balance sheet loans grew by 1.1% to £15.04 billion during the quarter.

The Group’s loan portfolios continue to display strong credit resilience. Arrears remain below the industry average and although the variable rate legacy buy-to-let book continues to be impacted by the higher rate environment, the new buy-to-let book and all the commercial portfolios are seeing low and stable arrears.

**Capital and funding**

Deposit balances grew by 7.0% during the quarter, supporting growth and providing strong liquidity, taking the year-on-year growth to 26.5%. This strong flow supported a £400 million repayment of the Group’s TFSME drawing during the quarter and leaves the Group with strong liquidity levels after having made the repayments. We expect to make further accelerated TFSME repayments in the current quarter.

After allowing for half of an interim dividend in line with policy and the remaining element of the announced 2023 buy-back, the Group's unverified CET1 and total capital ratios remained strong at 14.7% and 16.7% respectively.

The Group continues to make progress with the PRA on its buy-to-let IRB application.

### **Guidance and outlook**

The Board's FY24 guidance for margins, new business flows, operating costs and RoTE remain unchanged, although margins are currently running slightly ahead of expectations.

### **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 2024 on Wednesday 5 June 2024.**