

## Trading Update

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Paragon Group Of Companies PLC  
26 July 2017

### THE PARAGON GROUP OF COMPANIES PLC

#### Trading Update

#### **Good progress across all business lines, additional buy-back announced**

The Paragon Group of Companies PLC ("the Group" or "Paragon"), the specialist lender and banking group, today publishes its trading update based upon the business performance from 1 October 2016 to date.

#### **Operating activity**

New business levels continue to be strong, with growth in each of our main lending products year to date. A further £575.7 million of new lending completed in the third quarter, taking aggregate advances to £1,439.7 million for the nine months.

£ million	Q3 '17	Q3 '16 YTD	Q3 '17 YTD
Buy-to-let	458.0	989.6	1,014.2
Asset finance	58.8	99.3	165.5
Specialist lending	58.9	99.8	164.6
<b>Total new lending</b>	<b>575.7</b>	<b>1,188.7</b>	<b>1,344.3</b>
Idem Capital	0.0	208.8	95.4
<b>Total new lending and investment</b>	<b>575.7</b>	<b>1,397.5</b>	<b>1,439.7</b>

#### **Buy-to-let**

Paragon's application flows remain strong reflecting market share gains in an otherwise subdued UK buy-to-let market. The Group's growth reflects increasing demand from more complex and professional customers. The proportion of these customers in the pipeline has risen to 70.0% during the quarter, up from 61.8% at the start of the year. The pipeline (58.5% of which is for remortgage) continues to be healthy at £699.8 million at the end of the quarter. Paragon launched its updated complex lending proposition on 17 July 2017, well in advance of the PRA's 1 October 2017 deadline.

96% of lending in the quarter took place through Paragon Bank, reflecting its increasingly important role in financing the Group's new lending flows.

Redemption levels rose on the new BTL portfolio as it continues to mature, taking the annualised redemption rate for 2017 to 20.6% for the new book and 10.9% for the total portfolio.

#### **Asset finance**

The asset finance division continues to make good progress, with new business levels increasing to £58.8 million in the quarter as target markets, systems and operations continue to develop in line with the Group's strategy.

#### **Specialist lending**

Combined completion volumes for the Group's other specialist business streams (car finance, development finance, second mortgage lending and residential mortgages) totalled £58.9 million for the quarter, reflecting the measured expansion planned for these product lines. The Group's residential mortgage initiative continues as a pilot lending project while system and distribution testing takes place.

#### **Idem Capital**

Idem made no new investments in the quarter but maintains a strong pipeline of opportunities, both where it invests alone and where it partners with Paragon Bank.

#### **Funding update**

Paragon Bank's savings deposit balances rose to £2.9 billion as at 30 June and currently exceed £3.0 billion, with over 100,000 customers.

Further drawings of £175.0 million were also made under the TFS scheme during the quarter. Total drawings stood at £450.0 million at the quarter end.

During May one of the Group's buy-to-let securitisations, Paragon Mortgages (no.19) PLC was called, with £119.0 million buy-to-let loans being acquired by Paragon Bank. More recently a call notice has been given on one of the Group's legacy securitisations, Paragon Mortgages (no.7) PLC, where the loans will be refinanced by Paragon Bank during August. In July, the Group's non-bank origination company was sold to Paragon Bank, meaning all subsequent origination activity will take place in Paragon Bank or one of its subsidiaries.

The Group's £110 million subordinated bond issue was repaid in April as planned and Idem Capital extended its bi-lateral facility with Citi by £70 million.

Group free cash stood at £255.6 million at the end of June.

#### **Credit quality**

The credit quality of the portfolio remains exemplary, with just 9 basis points of three month plus arrears on the buy-to-let portfolio at the quarter end. All portfolios continue to exhibit strong behavioural scores suggesting no emerging signs of stress.

#### **Capital management**

Paragon's capital position remains strong, with an unaudited CET1 ratio of 16.1% at 30 June 2017. The Group concluded its £50 million share buy-back during July and, given its strong cash and capital position, will be extending this 2017 buy-back by up to an additional £15 million. The Group's capital management plans will, as normal, be reviewed at the year end and will be communicated to investors with the Group's preliminary announcement on 23 November, 2017.

#### **Outlook**

The Group continues to see good progress in each of its business lines and continues to trade in line with expectations and reiterates its guidance for the year.

Nigel Terrington, Paragon's Chief Executive said:

"I am pleased with the Group's performance for the year to date. Our strong capital and funding resources provide the foundations for further growth alongside returning additional sums to shareholders via the enhanced buy-back programme. Our new business streams continue to develop well and the increasingly complex focus in buy-to-let demand is also supporting absolute growth and market share gains for Paragon. The Group is well-placed for the next phase of PRA underwriting rule changes, which will provide Paragon with a further competitive advantage".

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

##### **The Paragon Group of Companies PLC**

Nigel Terrington, Chief Executive

Richard Woodman, Group Finance Director

Tel: 020 7786 8455

##### **Headland**

Lucy Legh and Del Jones

paragon@headlandconsultancy.com

Tel: 020 3805 4822

**Paragon will be releasing its preliminary results for the year to 30 September 2017 on 23 November 2017.**

This information is provided by RNS  
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