PARAGON BANKING GROUP PLC

Half Year Pillar 3 Disclosures

For the six months ended 31 March 2025

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 4 June 2025.

Form and content of disclosures

The disclosures are provided for the Group as at 31 March 2025, 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.

There 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, including these applicable only to listed institutions. For a half yearly report the requirement is for a table of key metrics. The required disclosures are required to 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. 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 2025 in its half yearly report which is available on its investor relations 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 2024, can be found on the investor relations 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 2025	30 Sep 2024	31 Mar 2024	Notes
		£m	£m	£m	
	Available own funds (amounts)				
1	Common Equity Tier 1 (CET1) capital	1,193.2	1,177.9	1,174.9	
2	Tier 1 capital	1,193.2	1,177.9	1,174.9	
3	Total capital	1,343.2	1,327.9	1,324.9	
	Risk-weighted exposure amounts				
4	Total risk-weighted exposure amount	8,385.2	8,278.7	7,974.7	
	Capital ratios (as a percentage of risk-weighted exposure amount)				
5	Common Equity Tier 1 ratio (%)	14.2	14.2	14.7	
6	Tier 1 ratio (%)	14.2	14.2	14.7	
7	Total capital ratio (%)	16.0	16.0	16.6	
	Additional own funds requirements based on SREP (as a percentage of risk-weighted exposure amount)				
UK 7a	Additional CET1 SREP requirements (%)	0.1	0.4	0.4	**[a]**
UK 7b	Additional AT1 SREP requirements (%)	-	0.1	0.2	**[a]**
UK 7c	Additional T2 SREP requirements (%)	-	0.2	0.2	**[a]**
UK 7d	Total SREP own funds requirements (%)	8.1	8.7	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	2.0	
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	4.5	
UK 11a	Overall capital requirements (%)	12.6	13.2	13.3	

		31 Mar 2025	30 Sep 2024	31 Mar 2024	Notes
		£m	£m	£m	
12	CET1 available after meeting the total SREP own funds requirements (%)	7.9	7.3	7.9	[c]
	Leverage ratio				
13	Total exposure measure excluding claims on central banks	17,192.0	16,807.9	16,129.5	
14	Leverage ratio excluding claims on central banks (%)	6.9	7.0	7.3	
	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)	2,924.8	3,049.1	2,580.9	[e]
UK 16a	Cash outflows - Total weighted value	1,936.6	1,785.5	1,528.3	[e]
UK 16b	Cash inflows - Total weighted value	342.0	332.9	335.2	[e]
16	Total net cash outflows (adjusted value)	1,594.5	1,452.6	1,193.0	[e]
17	Liquidity coverage ratio (%)	183.2	211.5	218.2	[f]
	Net Stable Funding Ratio				
18	Total available stable funding	19,076.8	19,506.0	18,576.1	[g]
19	Total required stable funding	13,439.0	14,120.8	13,975.3	[g]
20	NSFR ratio (%)	142.0	138.2	132.9	[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.

[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 equity shareholders' funds, adjusted as required by the Regulatory Capital Rules of the PRA, and can be used for all capital purposes. Our total capital, in addition, includes T2 capital in the form of a Tier-2 Bond. This tier 2 capital can be used to meet up to 25% of our Total Capital Requirement ('TCR'). Capital levels in the period have remained broadly stable, with positive operational performance continuing to support the capital position, even after allowing for paid and proposed distributions.

Our TCR at 31 March 2025 now represents 8.1% of Total Risk-weighted Exposure ('TRE'), with a reduction in the level in the period the result of a positive outcome to the regulator's most recent review of our TCR (30 September 2024: 8.7%; 31 March 2024: 8.8%). This is only marginally greater than the minimum TCR allowed under the Basel 3.1 framework of 8.0%, giving us advantages in capital management and reflects the regulator's assessment of our risk strategy and their view of the appropriateness of our systems for the management of capital and risk.

The increases in TRE shown on above (line 4) relate principally to the growth in the loan asset base over the period, mitigated by a reduction in derivative exposures. However, the impact of the increase over the six months was more than offset by the positive result of the PRA's regular supervisory review, leading to a reduced TCR at 31 March 2025.

Our capital ratios (lines 5 to 7) remained stable across the six months, with the small downward move year-on-year in the period mostly a function of the unwind of fair value gains which had temporarily inflated CET1 prior to 2024.

CET1 capital must also cover the buffers required by the 'Capital Buffers Part' of the PRA Rulebook, set out on lines 8 to 11 above. Further buffers may be set by the PRA on a firm-by-firm basis, but may not be disclosed.

Our policy is to maintain strong levels of liquidity cover, and this policy impacts our operational capital and funding requirements. The major part of our HQLA comprises deposits at the Bank of England. However over recent periods we have diversified our position, with an increasing proportion of liquidity represented by highly rated UK gilts and AAA-rated covered bonds issued by UK financial institutions.

The Board regularly reviews liquidity risk appetite and closely monitors a number of key internal and external measures. The most significant of these, which are calculated for the Paragon Bank regulatory group on a basis which is standardised across the banking industry, are the Liquidity Coverage Ratio ('LCR') and Net Stable Funding Ratio ('NSFR').

The movements in our LCR, shown in lines 15 to 17 above, reflect the strategic management downward of the liquidity balance over time, releasing excess amounts. This follows the repayment of much of the wholesale debt within the business, particularly the repayments of TFSME borrowings over the last eighteen months and the retail bond repayment in falling due in August 2024. The LCR level is also impacted by cash held in respect of swap collateral, which was £152.7 million at 31 March 2025 (30 September 2024: £103.6 million; 31 March 2024: £215.0 million).

The NSFR, shown in lines 18 to 20, is a longer-term measure of liquidity with a one-year horizon, supporting the management of balance sheet maturities. At 31 March 2025, the Bank's NSFR was broadly similar to its 30 September 2024 level.

Paragon Banking Group PLC

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