

# THE PARAGON GROUP OF COMPANIES PLC

## Interim Management Statement

The Paragon Group of Companies PLC today publishes its Interim Management Statement based on the performance of the business from 1 April 2010 to date, including a commentary on the unaudited financial information for the period from 1 October 2009 to 30 June 2010.

The Group's financial performance during the third quarter of the financial year continued to be strong, contributing to operating profits (before exceptional and fair value items) for the nine months to 30 June 2010 of £47.6 million. Pre-tax profits, inclusive of an exceptional profit of £5.7 million on the purchase of Group securitised bonds and a charge of £0.5 million for fair value hedging items, were £52.7 million for the period.

The performance of the Group since the end of the third quarter has been consistent with that quarter.

### Trading

Arrears within the buy-to-let portfolio improved further during the third quarter, with the proportion of the portfolio three months or more in arrears reducing to 0.97% at 30 June 2010 from 1.17% at 31 March 2010. In addition, the number of accounts in arrears within the secured consumer finance book remained stable. These improvements in arrears trends contributed to a lower impairment charge in both segments of the business from the previous two quarters. The impact of the funding shortage on the availability of competitor products, combined with our customer retention programme, has served to keep the level of redemptions low.

Cash generation from the Group's SPVs has remained strong over the period and, as a result, free cash balances increased during the quarter to £145.4 million.

### Business Activity

During the quarter, a period of weakness in the bond markets provided us with the opportunity to buy back £12.5 million nominal of Group securitisation bonds at a cost of £7.3 million, generating an exceptional profit of £5.2 million.

As we have previously stated, we aim to recommence lending when funding market conditions are appropriate. Discussions with potential warehouse providers continue and, whilst we cannot provide any guidance regarding timing or outcome, the Group continues to make operational preparations for the recommencement of lending. This may include,

