

Strategic reorganisation

The Paragon Group of Companies PLC ('Paragon' or 'the Group'), today announces a strategic reorganisation of the Group to accelerate its transformation into a diversified specialist banking institution. This reorganisation will increase operational and financial efficiency, enhancing engagement and delivery to customers and business partners and will increase the Group's capacity to meet its ambitious growth plans.

As part of the reorganisation, the Group also intends to change its name to Paragon Banking Group PLC and to refresh its branding.

Internal business transfers

A series of actions have been taken to simplify the Group's corporate structure:

- The Group's holding company, following PRA and FCA approval, has sold investments in Paragon Finance PLC and certain legacy origination companies to Paragon Bank PLC ('Paragon Bank' or the 'Bank')
- As a consequence, all the Group's lending and operating activities, together with substantially all its loan portfolios including the Group's SPVs, now sit below Paragon Bank within the Group structure, with the exception of Idem Capital and certain other, non-material, entities
- All the Group's employees are now employed by Paragon Bank or one of its operating subsidiaries

These actions reflect the Group's strategy to source the majority of its funding from the retail deposit market, whilst utilising other sources opportunistically. These changes will mean that Paragon Bank no longer requires substantial periodic capital injections from the Group, as it will be self-sustaining and consistently profitable. Over time, they are also expected to have a favourable impact on the Group's cash requirements and working capital cycle.

Board and management changes

The Group has adopted a new, streamlined management structure, with specific responsibilities as follows:

- Patrick Newberry and Finlay Williamson join the Group Board, currently Non-Executive Directors of Paragon Bank PLC. Finlay becomes Chairman of the Risk & Compliance Committee, in place of Fiona Clutterbuck, and a member of the Audit Committee, and Patrick becomes a member of the Audit, Risk & Compliance and Nomination Committees
- Fiona Clutterbuck becomes Chairman of the Remuneration Committee, taking over from Alan Fletcher who will cease to be an independent non-executive director in February 2018

- Barbara Ridpath and Graeme Yorston join as Non-Executive Directors and become members of the Audit Committee and the Risk & Compliance Committee
- Stephen Blaney, formerly Chairman of Paragon Bank, leaves the business after leading the Bank's Board during its initial growth phase
- Executive and Non-Executive Directors of the Group Board now also constitute the Board of Paragon Bank
- All of the above changes are effective from 20 September 2017

The new management structure brings a more simple and effective governance structure which will enhance operational efficiency and optimise the speed of decision-making.

Change of name and rebranding

The change of name to Paragon Banking Group PLC reflects the changing focus towards the Group becoming a fully integrated banking business. A series of rebranding exercises will follow in the coming weeks to align the Group's various subsidiary brands and allow customers to recognise Paragon as one fully integrated banking organisation.

Nigel Terrington, Chief Executive of Paragon, said: *"Paragon Bank has delivered outstanding progress since its authorisation in early 2014. Since that time, it has delivered over £3.5 billion of retail deposits and led the Group's diversification strategy, adding six new product lines. This strategic reorganisation is the logical next step in our transition to a more broadly based banking Group."*

"The new name and rebranding reflects the strategy and will deliver greater clarity for our customers, and utilises the strength of the Paragon brand across the business."

"This revised organisational structure and the financial efficiency from aligning the vast majority of the Group's business lines under the Bank will help optimise funding and capital over time, thereby delivering improved competitiveness for customers, supporting greater capacity for growth and enhancing shareholder returns."

Bob Dench, Chairman of Paragon, said: *"I would like to thank Stephen Blaney for his leadership of the Bank's Board during the important initial phase and for his support through the transition process over the past year."*

"We are very pleased to welcome Barbara Ridpath and Graeme Yorston, and also Patrick Newberry and Finlay Williamson from Paragon Bank, all of whom bring a wealth of banking experience and will strengthen Paragon's Group Board. The reorganisation announced today will enhance the Group's governance and means that we have the optimal structure to support our strategy. In addition, bringing more of Paragon's business into the banking framework will make it easier for customers to understand who we are and how we are funded."

For further information, please contact:

Del Jones, Headland Consultancy: Tel 020 3805 4860 / 07894 077 816

Lucy Legh, Headland Consultancy: Tel 020 3805 4810 / 07788 577 637