



**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.**

If you are in any doubt as to any aspect of the proposals referred to in the document or as to the action you should take, you should seek advice from an independent financial adviser authorised under the Financial Services and Markets Act 2000.

If you have sold or otherwise transferred all of your shares in Paragon Banking Group PLC, please pass this document together with the accompanying documents to the purchaser or transferee, or to the person who arranged the sale or transfer so they can pass these documents to the person who now holds the shares.

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# Paragon Banking Group PLC

(incorporated and registered in England and Wales under number 2336032)

## Notice of Annual General Meeting

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Your attention is drawn to the letter from the Chair of Paragon Banking Group PLC (the 'Company') which is set out on page 2 of this document and which recommends you to vote in favour of the resolutions to be proposed at the Annual General Meeting.

The Notice of Annual General Meeting of the Company to be held on Wednesday 24 February 2021 at 9.00am is set out on pages 6 and 7 of this document.

Shareholders will also find enclosed with this document a proxy form for use in connection with the Annual General Meeting. **Due to recent UK Government restrictions as described further in the letter from the Chair of the Company, you are strongly encouraged to appoint the Chair of the meeting as your proxy. To be valid, the proxy form should be completed, signed and returned in accordance with the instructions printed on it, as soon as possible and, in any event, so as to reach the Registrars of the Company by no later than 9.00am on Monday 22 February 2021.** Further instructions relating to the proxy form are set out in the notes to the Notice of Annual General Meeting.

# Paragon Banking Group PLC

(incorporated and registered in England and Wales under number 2336032)

## Registered and Head Office

51 Homer Road  
Solihull, West Midlands,  
B91 3QJ

4 January 2021

## To all Shareholders: NOTICE OF ANNUAL GENERAL MEETING

### Dear Shareholder

I am pleased to advise you that our Annual General Meeting ('AGM') will be held on Wednesday 24 February 2021 at 9.00am. In accordance with the Corporate Insolvency and Governance Act 2020, the meeting will not be held in any particular place and shareholders will not be permitted to attend.

The Company has been closely monitoring developments relating to the Covid-19 outbreak in the UK, including the related public health guidance and legislation issued by the UK Government. Unfortunately, as a consequence of the current measures implemented by the UK Government, shareholders will not be permitted to attend the meeting in person. In accordance with provisions of the Corporate Insolvency and Governance Act 2020, the AGM will be held by electronic means and with the minimum necessary quorum in order to conduct the business of the meeting and the format of the AGM will be purely functional.

Although it will not be possible for shareholders to attend the AGM in person, shareholder participation remains important to us and **we strongly encourage shareholders to appoint the Chair of the meeting as their proxy** by completing the proxy form included with this Notice. Please return your completed proxy form to our Registrars, to be received by 9.00am on Monday 22 February 2021 to ensure that your vote is counted. The resolutions to be proposed at the meeting are set out in the Notice of AGM (the 'Notice') on pages 6 and 7 and explanatory notes on the proposed resolutions appear on pages 3 to 5 of this document.

You can access the meeting by visiting <https://web.lumiagm.com> on your smartphone, tablet or computer. You will need the latest version of your internet browser, eg Chrome, Safari, Internet Explorer 11, Edge or Firefox. Please ensure your browser is compatible.

You will be prompted to enter the Meeting ID which is **143-456-876**. You will then be required to click 'login' and enter your name and email address.

If you are viewing the meetings on a mobile device and you would like to listen to the broadcast, press the broadcast icon at the bottom of the screen. If you are viewing the meetings on a computer, the broadcast will appear at the side automatically once the meeting has started.

Please note that you will not be able to cast votes via the Lumi platform so if you wish to participate in the meeting please vote by proxy in accordance with the instructions above. We recognise that the AGM is a valuable opportunity for the Board to hear from our shareholders and we are keen to ensure that you have the opportunity to ask questions in advance of the meeting. Please submit questions, on the business of the meeting, either by email to [company.secretary@paragonbank.co.uk](mailto:company.secretary@paragonbank.co.uk) or in writing to Company Secretary Paragon Banking Group PLC, (AGM), 51 Homer Road, Solihull, West Midlands B91 3QJ. If you require a response prior to the proxy voting deadline, please ensure your question is submitted by Monday 15 February 2021. We will otherwise endeavour to respond to questions relating to the business of the meeting at the AGM.

We will continue to monitor the evolving impact of the Covid-19 outbreak and, if it becomes appropriate or necessary to make other changes to the arrangements for the AGM, we will inform shareholders as soon as we can.

The investor section on our website ([www.paragonbankinggroup.co.uk](http://www.paragonbankinggroup.co.uk)) includes financial news and other information, which we hope will be of interest to shareholders. If you would like to register to receive shareholder documents electronically in future, please visit [www.investorcentre.co.uk/ecomms](http://www.investorcentre.co.uk/ecomms).

The Directors consider that all the resolutions to be put to the meeting are in the best interests of the Company and its shareholders as a whole and unanimously recommend that you give them your support by voting in favour of all the resolutions, as they intend to in respect of their own beneficial holdings<sup>1</sup>.

Yours sincerely

**Fiona Clutterbuck**

Chair of the Board

<sup>1</sup>Nigel Terrington and Richard Woodman will not vote in respect of Resolution 23 as they have an interest in the increased cap proposed by this resolution.

# Explanation of the proposed resolutions

## **Resolution 1 (Annual Report and Accounts)**

The Directors must lay the Annual Report and Accounts, including the Strategic Report, the Directors' Report and the Auditor's Report, of the Company before its members at a general meeting for the members to receive and consider. This is a legal requirement following the Directors having approved the Accounts and the auditor having prepared their report.

## **Resolution 2 (Directors' Remuneration Report)**

Shareholders are being asked to consider and approve the Directors' Remuneration Report, excluding the Directors' Remuneration Policy (the 'Policy') found at section B7 of the Annual Report and Accounts 2020. The vote on the approval of the Directors' Remuneration Report is advisory only and the Directors' entitlement to remuneration is not conditional on it being passed.

## **Resolution 3 (Declaration of a final dividend)**

Under the Articles of Association of the Company, a final dividend must be approved by shareholders by ordinary resolution. An interim dividend may, however, be authorised by the Board but given the uncertainties arising from Covid-19, the Company took the decision not to declare an interim dividend. The Directors are recommending that shareholders approve a final dividend of 14.4 pence per ordinary share in respect of the year ended 30 September 2020. The amount declared as a final dividend may not exceed the amount recommended by Directors. If approved, the final dividend will be paid on 26 February 2021 to shareholders on the Register of Members at close of business on 29 January 2021.

## **Resolutions 4 and 5 (Appointment of Directors joining the Board since the last AGM) and resolutions 6 to 11 inclusive (Annual re-election of Directors)**

The Company's Articles of Association provide that any new director appointed by the Board during the year may hold office only until the next AGM, when that director must stand for appointment by the shareholders. Alison Morris and Peter Hill have each joined the Board since the last AGM and are accordingly seeking appointment by shareholders.

The UK Corporate Governance Code 2018 (the 'Code') recommends that all directors of listed companies should be subject to annual re-election by shareholders. The Directors standing for re-election in light of this provision are listed in resolutions 6 to 11 below.

Following completion of internal performance evaluations, the Chair of the Board confirms on behalf of the Board that each director continues to make an effective and valuable contribution and demonstrates commitment to their role. The Board is also satisfied that each of the non-executive directors seeking appointment or reappointment remain independent for the purposes of the Code.

Further biographical information on the Directors, detailing their business knowledge and experience, can be found in section B3 of the Annual Report and Accounts circulated with this Notice.

## **Resolutions 12 and 13 (Reappointment and remuneration of the auditor)**

At each meeting at which Accounts are laid before the members, the Company is required to appoint auditors to serve from the conclusion of that meeting until the conclusion of the next such meeting. The Company's present auditor, KPMG LLP, have confirmed that they are willing to continue in office for a further year.

Resolution 12 proposes that KPMG LLP be reappointed. Resolution 13 gives authority to the Board, acting through the Audit Committee, to determine the auditor's remuneration. The remuneration will then be disclosed in the next Accounts of the Company.

## **Resolution 14 (Political donations)**

Part 14 of the Companies Act 2006 (the '2006 Act') prohibits companies from making political donations exceeding £5,000 in aggregate in any 12-month period to (i) political parties, (ii) other political organisations and (iii) independent election candidates and from incurring political expenditure without shareholders' consent. The Company does not make, and does not intend to make (either now or in the future), donations to political organisations or incur political expenditure in respect of any political party, political organisation or independent election candidate. However, the definitions of these terms used in the 2006 Act are very wide. As a result, the prohibition can cover normal business activities such as sponsorship, subscriptions, payment of expenses, paid leave for employees fulfilling certain public duties, and support for bodies representing the business community in policy review or reform. Shareholder approval is therefore being sought on a precautionary basis only, to ensure that the Company and any company which, at any time during the period for which this resolution has effect, is a subsidiary of the Company, does not inadvertently breach the 2006 Act.

## **Resolution 15 (Renewal of authority to allot shares)**

Section 549 of the 2006 Act states that directors may not exercise a company's power to allot shares or grant rights to subscribe for or convert any security into shares unless given authority to do so by resolution of the shareholders in general meeting.

The present authority of the Directors to allot shares of the Company was granted at the AGM on 13 February 2020 and will expire at the end of the forthcoming AGM. Resolution 15 seeks to give the Directors authority to allot shares or grant rights to subscribe for or convert any security into shares up to an aggregate nominal value of £85,500,000 representing approximately one third of the Company's issued share capital, excluding treasury shares, at 4 January 2021, the latest practicable date prior to publication of this Notice. At 4 January 2021 the Company held 5,218,702 treasury shares, representing 2.03 percent of the Company's issued share capital, excluding treasury shares, at that date. The Directors have no present intention of exercising this authority, which will expire at the conclusion of the following AGM or, if earlier, at the close of business on 23 May 2022. For information, allotments are made in connection with the Company's employee share schemes, from time to time, for which statute provides an exemption from the requirement to obtain authority under section 551 of the 2006 Act.

## **Resolutions 16 and 17 (Renewal of section 561 authority)**

Under section 561 of the 2006 Act, any shares allotted (or, in the case of any shares held in treasury, sold) wholly for cash must be offered to existing shareholders in proportion to their holdings, but this requirement may be modified by the authority of a special resolution of the shareholders in general meeting.

The authority given at the AGM held on 13 February 2020 will expire at the end of the forthcoming AGM and resolutions 16 and 17 seek to renew it. These special resolutions would give the Directors the power to allot ordinary shares (or sell any ordinary shares which the Company elects to hold in treasury) for cash without first offering them to existing shareholders in proportion to their existing shareholdings.

The power under resolution 16 would be, similar to previous years, limited to: (a) allotments or sales in connection with pre-emptive offers and offers to holders of other equity securities if required by the rights of those shares or as the Board otherwise considers necessary; or (b) otherwise up to a nominal amount of £12,800,000 (representing 12,800,000 ordinary shares). This nominal amount represents approximately 5 percent of the issued ordinary share capital of the Company (excluding treasury shares) as at 4 January 2021, the latest practicable date prior to publication of this Notice.

In respect of the authority under resolution 16, the Board confirms its intention to follow the provisions of the Pre-Emption Group's Statement of Principles regarding cumulative usage of authority within a rolling three-year period where the Principles provide that usage in excess of 7.5 percent of issued ordinary share capital of the Company (excluding treasury shares) should not take place without prior consultation with shareholders, except in connection with an acquisition or specified capital investment as referred to below.

The power under resolution 17 would be limited to allotments up to a nominal amount of £12,800,000 (representing 12,800,000 ordinary shares) in connection with an acquisition or specified capital investment (within the meaning given in the Pre-Emption Group's Statement of Principles). This nominal amount represents approximately 5 percent of the issued ordinary share capital of the Company (excluding treasury shares) as at 4 January 2021, the latest practicable date prior to publication of this Notice).

In respect of the authority under resolution 17, the Board confirms that it will only allot shares pursuant to this authority where the acquisition or specified capital investment is announced contemporaneously with the allotment, or has taken place in the preceding six-month period and is disclosed in the announcement of the allotment.

The authorities under resolutions 16 and 17 will expire at the conclusion of the following AGM or, if earlier, at the close of business on 23 May 2022.

## **Resolution 18 (Renewal of authority to purchase own ordinary shares)**

Resolution 18 is to renew the authority granted to the Company at the 2020 AGM to purchase its shares. Whilst the Directors have no current intention of using this authority to make market purchases, this resolution provides the flexibility to allow them to do so in the future. The Company would only purchase its shares where the Directors believed that to do so would result in an increase in total return per share and that it was in the best interests of shareholders generally.

The Company currently has the necessary shareholder approval to undertake such share buy-backs and is proposing the appropriate renewal of this authority at its forthcoming AGM. This resolution, which is being proposed as a special resolution, will enable the Company to purchase, in the market, up to a maximum aggregate number of 25,600,000 of the Company's ordinary shares (approximately 10 percent of the issued share capital (excluding treasury shares) as at 4 January 2021) for cancellation, or to be held in treasury, at a minimum price (exclusive of expenses) of 10p per share and a maximum price (exclusive of expenses) of the higher of: (i) 5 percent above the average middle market quotation for an ordinary share as derived from the London Stock Exchange Daily Official List for the five business days immediately prior to purchase; and (ii) the higher of the price of the last independent trade and the highest current independent purchase bid on the trading venue where the purchase is carried out. Listed companies, with authorisation from shareholders, may buy and hold their own shares in treasury instead of cancelling them immediately. Shares held as treasury shares can in the future be cancelled, re-sold or used to provide shares for employee share schemes.

Any purchases made by the Company will be announced no later than 7.30am on the business day following the transaction. This authority will expire at the conclusion of the following AGM or, if earlier, at the close of business on 23 May 2022.

## **Resolution 19 (Authority to allot equity securities in relation to the issue of Additional Tier 1 Securities)**

The power under resolution 19 would give the Board authority to allot shares in the Company or grant rights to subscribe for, or to convert any security into, shares in the Company up to an aggregate nominal amount of £38,500,000 in connection with the issue of Additional Tier 1 Securities ('AT1 Securities'), representing approximately 15 percent of the issued ordinary share capital of the Company, excluding treasury shares, as at 4 January 2021 (being the latest practicable date prior to publication of this Notice). The authority under this resolution is in addition to the authority proposed under resolution 15. The authority sought under resolution 19 is not contemplated by the guidance issued by the Investment Association.

The authority sought under resolution 19 (and resolution 20 below) will be utilised as considered desirable to comply with or maintain compliance with regulatory capital requirements or targets applicable to the Group (being the Company and all of its subsidiary undertakings) from time to time, and taking into account a number of factors in respect of the Group, including its capital structure, an assessment of appropriate capital ratios, market conditions at the time and demand for the issue of AT1 Securities. However, the request for this authority should not be taken as an indication that the Company will or will not issue any, or any given amount of, AT1 Securities.

The authority under resolution 19 will expire at the end of the next AGM or, if earlier, at the close of business on 23 May 2022.

### **Resolution 20 (Authority to disapply pre-emption rights in relation to the issue of Additional Tier 1 Securities)**

The power under resolution 20 would give the Board authority to allot equity securities pursuant to any proposal to issue AT1 Securities, without first offering them to existing shareholders. This authorises the Board to allot shares in the Company or grant rights to subscribe for, or to convert any security into, shares in the Company on a non pre-emptive basis up to an aggregate nominal amount of £38,500,000 in connection with the issue of AT1 Securities, representing approximately 15 percent of the Company's issued ordinary share capital, excluding treasury shares, as at 4 January 2021 (the latest practicable date prior to publication of the Notice). Together with resolution 19, this resolution, which is being proposed as a special resolution, is intended to provide the Board with the flexibility to issue AT1 Securities which may convert into ordinary shares in the Company. This will allow the Company to manage its capital in the most efficient and economic way for the benefit of shareholders.

The authority under resolution 20 will expire at the end of the next AGM or, if earlier, at the close of business on 23 May 2022.

### **Resolution 21 (Notice period for general meetings to be 14 clear days)**

Shareholders may give approval, by special resolution, to shorten the notice period required for general meetings (other than AGMs) from 21 clear days to 14 clear days. At the AGM on 13 February 2020 shareholders approved the reduction of the notice period for general meetings (other than AGMs) to 14 clear days and resolution 21 seeks to renew this approval. The approval will be effective until the Company's next AGM, when it is intended that a similar resolution will be proposed. The shorter notice period will not be used as a matter of routine, but only in time-sensitive circumstances where flexibility is merited by the business of the meeting and the shorter notice period is to the advantage of the shareholders as a whole.

### **Resolution 22 (Adoption of revised Articles of Association)**

This year, as part of the AGM business, we are proposing to adopt new articles of association (the 'Articles'). The Company's current Articles were last substantively reviewed in 2018 and the Board has concluded that a number of changes should now be made to ensure that the Company's constitution is up to date and reflects best market practice. The principal changes to the Articles are summarised on pages 8 and 9 of this document.

### **Resolution 23 (Maximum ratio of fixed to variable remuneration)**

The Prudential Regulation Authority ('PRA') and Financial Conduct Authority ('FCA') are expected to introduce revised rules, to be contained in the Remuneration Part of the PRA Rulebook and the FCA Remuneration Code for dual-regulated firms respectively (together the 'Remuneration Rules'), which implement the latest EU Capital Requirements Directive ('CRD V') in the UK.

As a consequence, firms will no longer be able to disapply the limit on the ratio between the fixed and variable components of total remuneration for individuals classified as Remuneration Code Staff. Accordingly, the variable element of remuneration for Remuneration Code Staff is capped at 100 per cent of fixed remuneration, but this cap may be increased to 200 per cent with shareholder approval.

This cap will apply to the Company (and its subsidiaries) in respect of performance years beginning on and after 1 October 2021, along with other remuneration requirements that the Group will now be subject to as a Level 2 CRD V firm. The Remuneration Committee, operating under the delegated authority of the Board, has decided that it would be appropriate to raise the cap to 200 per cent as outlined above in respect of Remuneration Code Staff who are employed by the Company or any of its subsidiaries (together the 'Group').

The Remuneration Committee considers the increase to the cap appropriate to retain sufficient flexibility, in line with regulation, whilst remaining competitive in attracting and retaining key staff members with the necessary skills and experience to deliver the Group's strategy and who continue to generate value for shareholders. A number of the Group's UK competitors have already sought such approval to apply the higher maximum level of variable remuneration and it is anticipated that the introduction of CRD V, and therefore expansion of the application of the cap, will significantly impact a number of the Group's other UK competitors in the same manner. To remain competitive in the market for talent, and to limit the need to increase the Group's fixed remuneration cost base, the Remuneration Committee considers it important to retain as much flexibility as possible.

Furthermore, the Group does not expect the ability to award Remuneration Code Staff variable remuneration of up to two times' their individual fixed remuneration to adversely impact the Company's (or any other member of the Group's) ability to maintain a sound capital base. The Remuneration Committee considers carefully its regulatory obligation under the Remuneration Rules to ensure that total variable remuneration does not affect the Group's ability to strengthen its capital base.

The Company is therefore seeking approval for the Company and any of its subsidiaries to award variable remuneration of up to a maximum of 200 per cent of fixed remuneration in respect of Remuneration Code Staff.

There are currently 54 staff, employed in the Group who are deemed to be Remuneration Code Staff, although the number of Remuneration Code Staff varies each year and so the current figure should only be used as a guide to the number of individual staff concerned. Remuneration Code Staff perform activities in different roles across all businesses within the Group. This includes Directors, senior management and senior staff engaged in control functions.

Resolution 23 is subject to special procedural rules. It must be approved by shareholders holding a majority of at least 66 per cent of the shares represented (in person or by proxy) at the AGM, provided that at least 50 per cent of the total shares are represented (in person or by proxy) at the AGM. If less than 50 per cent of the total shares are represented (in person or by proxy) at the AGM, resolution 23 must be approved by a majority of at least 75 per cent of the shares represented (in person or by proxy) at the AGM.

Employees who have an interest in the increased cap proposed by this resolution are not allowed to exercise, directly or indirectly, any voting rights they may have as shareholders.

# Notice of Annual General Meeting

## To all Shareholders

NOTICE IS HEREBY GIVEN that the thirty-second Annual General Meeting of Paragon Banking Group PLC (the 'Company') will be held as a closed meeting on Wednesday 24 February 2021 at 9.00am to transact the business set out in the resolutions below.

**Resolutions 1 to 15 (inclusive)** are proposed as ordinary resolutions. This means that for each of those resolutions to be passed, more than 50 percent of the votes cast must be in favour of the resolution.

**Resolutions 16 to 22 (inclusive)** are proposed as special resolutions. This means that for each of those resolutions to be passed, at least 75 percent of the votes cast must be in favour of the resolution.

**Resolution 23** is subject to special procedural rules. It must be approved by shareholders holding a majority of at least 66 per cent of the shares represented (in person or by proxy) at the AGM, provided that at least 50 per cent of the total shares are represented (in person or by proxy) at the AGM. If less than 50 per cent of the total shares are represented (in person or by proxy) at the AGM, resolution 23 must be approved by a majority of at least 75 per cent of the shares represented (in person or by proxy) at the AGM. Employees who have an interest in the increased cap proposed by this resolution are not allowed to exercise, directly or indirectly, any voting rights they may have as shareholders.

- 1 To receive and consider the Company's Annual Report and Accounts for the year ended 30 September 2020, the Strategic Report and the Reports of the Directors and the Auditor.
- 2 To consider and approve the Directors' Remuneration Report for the year ended 30 September 2020, excluding the Directors' Remuneration Policy.
- 3 To declare a final dividend of 14.4 pence per ordinary share payable to holders of ordinary shares registered at the close of business on 29 January 2021.
- 4 To appoint Peter Hill as a director of the Company.
- 5 To appoint Alison Morris as a director of the Company.
- 6 To reappoint Fiona Clutterbuck as a director of the Company.
- 7 To reappoint Nigel Terrington as a director of the Company.
- 8 To reappoint Richard Woodman as a director of the Company.
- 9 To reappoint Barbara Ridpath as a director of the Company.
- 10 To reappoint Hugo Tudor as a director of the Company.
- 11 To reappoint Graeme Yorston as a director of the Company.
- 12 To reappoint KPMG LLP as auditor of the Company, to hold office from the conclusion of this meeting until the conclusion of the next general meeting at which Accounts are laid before the members.
- 13 To authorise the Directors to fix the remuneration of the auditor.

14 That, in accordance with sections 366 and 367 of the Companies Act 2006, the Company and any company which, at any time during the period for which this resolution has effect, is a subsidiary of the Company, be and are hereby authorised to:

- a) make political donations to political parties and/or independent election candidates not exceeding £50,000 in total; b) make political donations to political organisations other than political parties not exceeding £50,000 in total; and c) incur political expenditure not exceeding £50,000 provided that the aggregate amount of any such donations and expenditure shall not exceed £50,000, during the period beginning with the date of the passing of this resolution and ending at the conclusion of the AGM to be held in 2022 or on 24 May 2022, whichever is sooner. For the purpose of this resolution, the terms "political donations", "political parties", "independent election candidates", "political organisations" and "political expenditure" have the meanings set out in Sections 363 to 365 of the Companies Act 2006 in total.

15 THAT the Board be and it is hereby generally and unconditionally authorised (in substitution for all subsisting authorities to the extent unused) to exercise all powers of the Company to allot shares in the Company and to grant rights to subscribe for or convert any security into shares in the Company up to an aggregate nominal amount of £85,500,000 PROVIDED THAT this authority shall expire at the end of the next Annual General Meeting of the Company (or, if earlier, at the close of business on 23 May 2022) but in each case, prior to its expiry, the Company may make offers, or enter into agreements, which would or might require shares to be allotted or rights to subscribe for or convert securities into shares to be granted after such expiry and the Board may allot shares or grant rights to subscribe for or convert securities into shares under any such offer or agreement as if the authority had not expired.

16 THAT, subject to the passing of resolution 15, the Board be authorised to allot equity securities (as defined in the Companies Act 2006) for cash under the authority given by resolution 15 and/or to sell ordinary shares held by the Company as treasury shares for cash as if section 561 of the Companies Act 2006 did not apply to any such allotment or sale, such authority to be limited:

- (a) to the allotment of equity securities in connection with a rights issue, open offer or any other pre-emptive offer in favour of ordinary shareholders and in favour of all holders of any other class of equity security in accordance with the rights attached to such class where the equity securities respectively attributable to the interests of all such persons on a fixed record date are proportionate (as nearly as may be) to the respective numbers of equity securities held by them or are otherwise allotted in accordance with the rights attaching to such equity securities (subject in either case to such exclusions or other arrangements as the Board may deem necessary or expedient to deal with treasury shares, fractional entitlements, record dates or legal or practical problems arising in any overseas territory, the requirements of any regulatory body or any stock exchange in any territory or any other matter whatsoever); and

- (b) to the allotment of equity securities or sale of treasury shares (otherwise than under paragraph (a) above) up to a nominal amount of £12,800,000, such authority to expire at the end of the next Annual General Meeting of the Company (or, if earlier, at the close of business on 23 May 2022) but, in each case, prior to its expiry the Company may make offers, and enter into agreements, which would, or might, require equity securities to be allotted (and treasury shares to be sold) after the authority expires and the Board may allot equity securities (and sell treasury shares) under any such offer or agreement as if the authority had not expired.
- 17 THAT, subject to the passing of resolution 15, the Board be authorised in addition to any authority granted under resolution 16 to allot equity securities (as defined in the Companies Act 2006) for cash under the authority given by that resolution and/or to sell ordinary shares held by the Company as treasury shares for cash as if section 561 of the Companies Act 2006 did not apply to any such allotment or sale, such authority to be:
- (a) limited to the allotment of equity securities or sale of treasury shares up to a nominal value of £12,800,000; and
- (b) used only for the purposes of financing (or refinancing, if the authority is to be used within six months after the original transaction) a transaction which the Board of the Company determines to be an acquisition or other capital investment of a kind contemplated by the Statement of Principles on Disapplying Pre-Emption Rights most recently published by the Pre-Emption Group prior to the date of this Notice, such authority to expire at the end of the next Annual General Meeting of the Company (or, if earlier, at the close of business on 23 May 2022) but, in each case, prior to its expiry the Company may make offers, and enter into agreements, which would, or might, require equity securities to be allotted (and treasury shares to be sold) after the authority expires and the Board may allot equity securities (and sell treasury shares) under any such offer or agreement as if the authority had not expired.
- 18 THAT the Company be and is hereby generally and unconditionally authorised for the purposes of section 701 of the Companies Act 2006 to make one or more market purchases (within the meaning of section 693(4) of the Companies Act 2006) of ordinary shares of £1 each in the share capital of the Company ('Ordinary Shares') PROVIDED THAT:
- (a) the maximum aggregate number of Ordinary Shares hereby authorised to be purchased is 25,600,000 (representing approximately 10 percent of the Company's issued ordinary share capital excluding treasury shares);
- (b) the minimum price (exclusive of expenses) which may be paid for an Ordinary Share is 10p;
- (c) the maximum price (exclusive of expenses) which may be paid for an Ordinary Share is the higher of: (i) an amount equal to 105 percent of the average of the middle market price shown in the quotations for an Ordinary Share as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the Ordinary Share is contracted to be purchased; and (ii) the higher of the price of the last independent trade and the highest current independent purchase bid on the trading venue where the purchase is carried out;
- (d) unless previously renewed, varied or revoked, the authority hereby conferred shall expire on the earlier of the conclusion of the next Annual General Meeting of the Company (or, if earlier, at the close of business on 23 May 2022); and
- (e) the Company may make a contract or contracts to purchase Ordinary Shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiry of such authority, and may make a purchase of Ordinary Shares in pursuance of any such contract or contracts as if the authority had not expired.
- 19 THAT, in addition to the authority granted under resolution 15 (if passed), the Board be and it is hereby generally and unconditionally authorised to exercise all powers of the Company to allot shares in the Company and to grant rights to subscribe for or convert any security into shares in the Company up to an aggregate nominal amount of £38,500,000 in relation to the issue by the Company or any subsidiary or subsidiary undertaking of the Company of any Additional Tier 1 Securities that automatically convert into or are exchanged for ordinary shares in the Company in prescribed circumstances where the Directors consider that the issue of such Additional Tier 1 Securities would be desirable, including for the purpose of complying with, or maintaining compliance with, the regulatory requirements or targets applicable to the Company and its subsidiaries and subsidiary undertakings from time to time PROVIDED THAT this authority shall expire at the end of the next Annual General Meeting of the Company (or, if earlier, at the close of business on 23 May 2022) but in each case, prior to its expiry the Company may make offers, and enter into agreements which would, or might, require shares to be allotted or rights to subscribe for or convert securities into shares to be granted after the authority expires and the Board may allot shares or grant rights to subscribe for or convert securities into shares under such an offer or agreement as if the authority had not expired.
- 20 THAT, subject to the passing of resolution 19 and in addition to the power granted pursuant to resolution 17 (if passed), the Board be authorised to allot equity securities (as defined in section 560 of the Companies Act 2006) for cash under the authority given in resolution 19 up to an aggregate nominal amount of £38,500,000 in relation to the issue of Additional Tier 1 Securities as if section 561 of the Companies Act 2006 did not apply to any such allotment, such authority to expire at the end of the next Annual General Meeting of the Company (or, if earlier, at the close of business on 23 May 2022) but, in each case, prior to its expiry the Company may make offers, or enter into agreements which would, or might, require equity securities to be allotted after the authority expires and the Board may allot equity securities under any such offer or agreement as if the authority had not expired.
- 21 THAT a general meeting other than an annual general meeting may be called on not less than 14 clear days' notice.
- 22 THAT the articles of association produced to the meeting and initialled by the Chair of the meeting (for the purpose of identification) be adopted as the articles of association of the Company in substitution for, and to the exclusion of, the existing articles of association.
- 23 THAT the Company and its subsidiaries be authorised to apply a ratio of the variable to fixed components of remuneration for those individuals who are classified as Remuneration Code Staff of up to 2:1 (such that the variable component of total remuneration for each such individual shall not exceed 200 per cent of the fixed component of total remuneration for that individual).

By order of the Board

**Marius van Niekerk**

General Counsel and Company Secretary

4 January 2021

51 Homer Road, Solihull, West Midlands, B91 3QJ

Registered in England and Wales: Company number 2336032

# Appendix 1 – Changes to Articles of Association

## **Amendments to articles of association – explanatory notes for Paragon's AGM Notice**

It is proposed to adopt new Articles of Association (the 'New Articles') to update the Company's current Articles of Association (the 'Current Articles') which were adopted in 2018. The principal changes introduced in the New Articles are primarily to reflect best market practice and changes to UK Corporate Governance Code 2018 (the 'Code'). The proposed New Articles are available to view on the Company's website and will also be available for inspection at the offices of Slaughter and May, One Bunhill Row, London EC1Y 8YY from the date of this Notice until close of the AGM. The main changes are summarised below.

### **Untraced shareholders**

The New Articles amend the position in relation to untraced shareholders, whereby the Company may sell the shares of a shareholder of the Company who is no longer cashing their dividends, not otherwise in touch with the Company and cannot reasonably be traced. Rather than requiring the Company to take out two newspaper advertisements, the New Articles require the Company to use reasonable efforts to trace the shareholder. 'Reasonable efforts' to trace a shareholder may include, if considered appropriate, the Company engaging a professional asset reunification company or other tracing agent to search for a shareholder who has not kept their shareholder details up to date.

In addition, the New Articles provide that money from the sale of the shares of an untraced shareholder will be forfeited if not claimed after six years, rather than 12 years.

These changes reflect best practice and provide the Company with appropriate flexibility in connection with locating untraced shareholders. The amendments are designed to safeguard shareholder rights whilst not placing unduly onerous administrative obligations on the Company.

### **Sub-division of shares**

The New Articles clarify that any shares resulting from a sub-division of the Company's existing shares may, in addition to having any preference or advantage as compared with the Company's other shares, also have deferred or other rights. This change makes administering any sub-division of shares more straightforward.

### **Operation of general meetings**

The New Articles provide that the Company may hold 'hybrid' general meetings (including annual general meetings) in such a way that enables members to attend and participate in the business of the meeting by attending a physical location or by attending by means of an electronic facility. Voting at hybrid meetings will, by default, be decided on a poll. Hybrid meetings may be adjourned in the event of a technological failure.

The New Articles allow the Company, where appropriate, to make changes to the arrangements for general meetings (including the introduction, change or cancellation of electronic facilities) after notice of the meeting has been issued. The Company may give notice of any such changes in any manner considered appropriate (rather than via an advertisement in two national newspapers). The New Articles also explicitly allow the Company to introduce health and safety arrangements at its meetings.

These changes were introduced to provide the Board greater flexibility to align with technological advances, changes in investor sentiment and evolving best practice, particularly in light of the Covid-19 outbreak. In line with the views expressed by the Investment Association and Institutional Shareholder Services, the changes will not permit meetings to be held exclusively on an electronic basis, so a physical meeting will still be required. In deciding whether to hold a hybrid general meeting in future, the Company will have regard to the views of shareholders and institutional governance bodies at the relevant time.

The New Articles also specifically refer to the possibility of satellite/multi-venue meetings, such as the use of overflow rooms. Satellite meetings are legally valid even without such a provision, but it has been added for clarity.

These changes are primarily contained in articles 56, 62 and 64 in the New Articles. A number of other consequential amendments have been made to the New Articles.

### **Appointment / removal of directors**

In line with the requirements of the Code and in line with existing Company practice, the New Articles require directors to retire (and should they wish to remain in office, seek re-election) at each annual general meeting. This requirement does not apply to directors in their first year of appointment who were appointed in the period between the AGM notice being issued and the AGM itself.

The New Articles also provide clarity that an appointment / removal of a director can be tabled at a meeting of the board, where appropriate. They also provide flexibility allowing all other directors to remove a director from the board, providing that this resolution is made by at least three people.

### **Directors below minimum through vacancies**

The Current Articles provide that where the number of continuing directors falls below the minimum number or the number required for a quorum of the board, they may only act either to appoint further directors themselves or summon general meetings. The New Articles provide greater flexibility as they allow continuing directors or a sole continuing director to act notwithstanding any vacancy (including to fill vacancies and summon general meetings for the purpose of appointing further directors). The Board considers it prudent to provide the directors with increased flexibility to ensure that the Company has a functioning board at all times.

### **Forfeiture of unclaimed dividends**

The Current Articles provide that if a dividend or other payment due to members has not been claimed for twelve years after being declared or becoming due, it will be forfeited to the Company. Article 139 of the New Articles reduces this period from twelve to six years.

### **Payments of dividends and other amounts**

The New Articles give the Board greater flexibility to determine the appropriate method(s) it pays dividends (and other sums) to shareholders. The New Articles would permit the Company to pay any dividend or other money payable in cash relating to a share by inter-bank transfer or by other electronic means, including payment through CREST. Whilst there are no immediate plans to change the way dividends are currently paid to shareholders, the Board considers it prudent to have the option of paying future dividends solely by direct credit into a bank or building society account nominated by the recipient. This flexibility will help the Board take account of developments in market practice and keep down the administrative cost of making payments. The New Articles also provide that where a payment cannot be made because a shareholder has not provided valid account details to the Company, that amount will be treated as unclaimed until the shareholder provides those details.

### **Scrip dividend authority**

A scrip dividend authority has been included at article 142. This new article gives directors the power to offer ordinary shareholders (excluding any shareholder holding shares as treasury shares) the opportunity to receive extra ordinary shares, which are credited as fully paid up, instead of some or all of their cash dividend, subject to shareholders passing an ordinary resolution authorising the Directors to make this offer.

This amendment is proposed as there may be circumstances in which the Directors consider a scrip dividend to benefit both the Company and shareholders. A potential benefit for the Company would be the retention within the business of cash which would otherwise have been paid out as dividend. From the shareholders' point of view, a scrip dividend may enable a shareholder to increase their holding in shares in the Company without incurring dealing costs or stamp duty.

### **Strategic report and supplementary materials**

The Companies Act 2006 and the Companies (Receipt of Accounts and Reports) Regulations 2013 allow the Company to send a copy of its strategic report with supplementary material instead of its full accounts to a member who has elected or tacitly agreed to receive these documents, provided that the Company is not prohibited from doing so in its articles. The Company has therefore proposed to replace article 144 to take advantage of this provision. Shareholders should note that they can always view the full annual report on the Company's website or request a hard copy from the Company's registrar.

### **Service of notices**

Changes are proposed to clarify the articles relating to service of notices or documents by the Company, and in particular, that the Company may choose not to serve a notice or other document to a member where it considers it necessary or appropriate to deal with legal, regulatory or practical problems in a particular territory.

### **General**

As the Company is proposing to make the changes described above, the opportunity has been taken generally to incorporate amendments of a more minor, technical or clarifying nature to reflect changes in applicable law or current market best practice, to remove provisions in the Current Articles which duplicate English company law, and to include some clearer language in other parts of the New Articles.

# Notes

The Annual General Meeting ('AGM') is a private meeting for shareholders, proxies, duly authorised representatives and the auditor of Paragon Banking Group PLC (the 'Company'). In the case of joint holders of a share, the vote of the senior holder who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders and, for this purpose, seniority shall be determined by the order in which the names stand in the Register of Members of the Company in respect of the relevant joint holding.

## Appointment of proxies

A member entitled to attend and vote at this meeting may appoint another person as their proxy to exercise all or any of their rights to attend and to speak and vote at a meeting of the Company. A member may appoint more than one proxy in relation to the AGM provided that the member specifies the number of shares in relation to which each proxy is appointed and each proxy is appointed to exercise the rights attached to a different share or shares held by that member. A proxy need not also be a member of the Company. Given the current UK Government guidance and restrictions, as the meeting will be a closed meeting and it will not be possible for you to attend in person, you are strongly encouraged to appoint the Chair of the meeting as your proxy. Appointment of any person other than the Chair of the meeting would result in your votes not being cast. A proxy form is enclosed for use in connection with the meeting. Proxy forms and any power of attorney or other written authority under which they are executed (or an office or notarially certified copy thereof) should be lodged with the Registrars of the Company at the address shown on the proxy form by 9.00am on Monday 22 February 2021.

Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.

To be entitled to attend and vote at the AGM (and for the purpose of the determination by the Company of the votes they may cast), shareholders must be registered in the Register of Members of the Company at the close of business on Monday 22 February 2021 (or, in the event of any adjournment, on the date which is two days before the time of the adjourned meeting). Changes to the Register of Members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.

## Nominated persons

The proxy appointment rights described above do not apply to any person nominated to enjoy information rights under section 146 of the Companies Act 2006 (a 'Nominated Person') by a member who holds shares on behalf of that person. The rights described in the above paragraphs can only be exercised by members of the Company.

A Nominated Person may, under an agreement between him or her and the member by whom he or she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the AGM. If a Nominated Person has no such right or does not wish to exercise it, he or she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.

## Electronic proxy appointment through CREST

In accordance with the Corporate Insolvency and Governance Act 2020, shareholders are unable to attend the AGM in person this year. Shareholders are strongly advised to appoint the Chair of the meeting as their proxy to ensure that their votes are counted. Proxy appointments should be submitted as early as possible (and should be received by the Company no later than 9.00am on Monday 22 February 2021).

CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications, and must contain the information required for such instruction, as described in the CREST Manual (available via [www.euroclear.com](http://www.euroclear.com)). The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID number 3RA50) by 9.00am on Monday 22 February 2021. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Application Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors, or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider, to procure that their CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

## Electronic proxy appointment

As an alternative to appointing a proxy using the proxy form or CREST, members can appoint a proxy online at [www.investorcentre.co.uk/eproxy](http://www.investorcentre.co.uk/eproxy). In order to appoint a proxy using this website, members will need their Control Number, Shareholder Reference Number ('SRN') and PIN. This information is printed on the proxy form. If for any reason a member does not have this information, they should contact the Registrars by telephone on 0370 707 1244. Members may appoint a proxy using the website no later than 48 hours (excluding non-working days) before the time of the AGM or any adjournment of that meeting.

## Shareholder questions

We recognise that, in light of the exceptional circumstances around this year's AGM, shareholders will not have the opportunity to ask questions at the meeting. Please therefore submit questions, on the business of the meeting, via email to [company.secretary@paragonbank.co.uk](mailto:company.secretary@paragonbank.co.uk) or in writing to Company Secretary Paragon Banking Group PLC (AGM), 51 Homer Road, Solihull, West Midlands B91 3QJ. If you require a response prior to the proxy voting deadline, please ensure your question is submitted by Monday 15 February 2021. We will otherwise endeavour to respond to questions relating to the business of the meeting at the AGM. Questions may not be answered where (i) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information, (ii) the answer has already been given on a website in the form of an answer to a question, or (iii) it is undesirable in the interests of the Company that the question be answered.

## Audit information on website

Under section 527 of the 2006 Act members meeting the threshold requirements set out in that section have the right to require the Company to publish on a website a statement setting out any matter relating to: (a) the audit of the Company's accounts (including the Auditor's Report and the conduct of the audit) that are to be laid before the AGM; or (b) any circumstance connected with the auditor of the Company ceasing to hold office since the previous meeting at which annual reports and accounts were laid in accordance with section 437 of the 2006 Act. The Company may not require the shareholders requesting any such website publication to pay its expenses in complying with sections 527 or 528 of the 2006 Act. Where the Company is required to place a statement on a website under section 527 of the 2006 Act, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the AGM includes any statement that the Company has been required under section 527 of the 2006 Act to publish on a website.

## Inspection of documents

The Register of Directors' Interests, copies of directors' service contracts and letters of appointment of non-executive directors would normally be available for inspection at the registered office of the Company during normal business hours on any weekday (weekends and public holidays excluded). However, under the current circumstances, these documents will be available upon request via email from [company.secretary@paragonbank.co.uk](mailto:company.secretary@paragonbank.co.uk) until the conclusion of the AGM.

Along with the proposed New Articles, we have also uploaded these to our website at [www.paragonbankinggroup.co.uk](http://www.paragonbankinggroup.co.uk).

## Total shares and voting rights

As at 4 January 2021 (being the latest practicable date prior to the publication of this Notice) the Company's issued share capital consisted of 261,894,706 ordinary shares, carrying one vote each, of which 5,218,702 were held in treasury. Therefore, the total voting rights in the Company as at 4 January 2021 were 256,676,004.

## Voting interests

The voting interests disclosed to the Company, in accordance with DTR 5 of the FCA's Disclosure Guidance and Transparency Rules, between 1 October 2020 and 2 December 2020 are set out on page 141 of the 2020 Annual Report. Between 3 December 2020 and 4 January 2021, the Company was notified that the voting interests of the following shareholders had changed as follows:

Shareholder	% held	Notification date
J O Hambro Capital Management Limited	4.98	18 December 2020
Royal London Asset Management Limited	6.99	18 December 2020

## Directors' interests

The share interests of the Directors, reported up to 2 December 2020, are set out on page 120 of the 2020 Annual Report. Between 3 December 2020 and 4 January 2021 the Company was notified of the following changes to the number of shares beneficially owned by the following directors:

	Date	Nigel Terrington	Richard Woodman
Award under the Paragon Performance Share Plan	11 Dec 2020	236,661	149,046
Award under the Paragon Deferred Share Bonus Plan	11 Dec 2020	130,361	82,099
Role based allowance (shares purchased)	22 Dec 2020	4,518 shares	2,904 shares

## General

Biographical details of current directors are provided in section B3 of the Annual Report and Accounts circulated with this Notice.

Voting on all resolutions will be conducted by way of a poll rather than on a show of hands. This means that a shareholder has one vote for every share held. This approach ensures that all resolutions are conducted on the same basis and therefore assists with the smooth running of the meeting. The results will be published on our website ([www.paragonbankinggroup.co.uk](http://www.paragonbankinggroup.co.uk)) following the AGM and released to the London Stock Exchange.

Except as provided above, members who have general queries about the AGM should contact the Company's Registrars by either: calling their shareholder helpline on 0370 707 1244; emailing them at [webqueries@computershare.co.uk](mailto:webqueries@computershare.co.uk); or writing to them at Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol, BS99 6ZZ.

You may not use any electronic address provided either in this Notice or any related documents (including the Chair of the Board's letter and proxy form) to communicate with the Company for any purposes other than those expressly stated.

A copy of this Notice, and other information required by section 311A of the 2006 Act, can be found at [www.paragonbankinggroup.co.uk](http://www.paragonbankinggroup.co.uk).



**PARAGON BANKING GROUP PLC**  
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