

Final Terms dated 14 January 2014

**PARAGON GROUP OF COMPANIES PLC
Issue of Sterling denominated 6.125 per cent. Notes due 2022**

under the £1,000,000,000

Euro Medium Term Note Programme

The Base Prospectus referred to below (as completed by these Final Terms) has been prepared on the basis that, except as provided in sub-paragraph (ii) below, any offer of Notes in any Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**") will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Member State, from the requirement to publish a prospectus for offers of the Notes. Accordingly any person making or intending to make an offer of the Notes may only do so:

- (i) in circumstances in which no obligation arises for the Issuer, the Trustee or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer; or
- (ii) in those Public Offer Jurisdictions mentioned in Paragraph 7 of Part B below, provided such person is one of the persons described in Paragraph 7 of Part B below and which satisfies conditions set out in the Base Prospectus (as defined herein) and in the Final Terms and that such offer is made during the Offer Period specified for such purpose therein.

Neither the Issuer nor any Dealer has authorised, nor do they authorise, the making of any offer of Notes in any other circumstances.

The expression "**Prospectus Directive**" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive and the expression "**2010 PD Amending Directive**" means Directive 2010/73/EU **provided, however, that** all references in this document to the "Prospectus Directive" in relation to any Member State of the European Economic Area refer to Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the relevant Member State), and include any relevant implementing measure in the relevant Member State.

PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "**Conditions**") set forth in the Base Prospectus dated 11 February 2013 as supplemented on 8 January 2014 (the "**Base Prospectus**") for the purposes of the Prospectus Directive. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Base Prospectus.

Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus. The Base Prospectus is available for viewing at <http://www.paragon-group.co.uk/group/Retail-Bond> and during normal business hours at 51 Homer Road, Solihull, West Midlands B91 3QJ.

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| 1. | Issuer: | The Paragon Group of Companies PLC |
| 2. | (i) Series Number: | 2 |
| | (ii) Tranche Number: | 1 |
| | (iii) Date on which the Notes become fungible: | Not Applicable |
| 3. | Specified Currency or Currencies: | Pounds Sterling ("£") |
| 4. | Aggregate Nominal Amount: | The aggregate nominal amount of the Notes to be issued (the " Aggregate Nominal Amount ") will depend, among other things, on the amount of |

Notes for which indicative offers to subscribe are received during the Offer Period (as defined at paragraph 7(v) of Part B below) and will be specified in an announcement (the "**Final Terms Confirmation Announcement**") to be published shortly after expiry of the Offer Period.

5.	Issue Price:	100 per cent. of the Aggregate Nominal Amount
6.	(i) Specified Denominations:	£100
	(ii) Calculation Amount:	£100
7.	(i) Issue Date:	30 January 2014
	(ii) Interest Commencement Date:	Issue Date
8.	Maturity Date:	30 January 2022
9.	Interest Basis:	6.125 per cent. Fixed Rate
10.	Redemption/Payment Basis:	Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at 100 per cent. of their nominal amount.
11.	Change of Interest or Redemption/Payment Basis:	Not Applicable
12.	Put/Call Options:	Call Option
13.	Date Board approval for issuance of Notes obtained:	20 November 2013

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

14.	Fixed Rate Note Provisions	Applicable
	(i) Rate of Interest:	6.125 per cent. per annum payable semi-annually in arrear on each Interest Payment Date
	(ii) Interest Payment Date(s):	30 January and 30 July in each year up to (and including) 30 January 2022.
	(iii) Fixed Coupon Amount:	£3.0625 per Calculation Amount.
	(iv) Day Count Fraction:	Actual/Actual (ICMA)
15.	Floating Rate Note Provisions	Not Applicable
16.	Zero Coupon Note Provisions	Not Applicable

PROVISIONS RELATING TO REDEMPTION


17.	Call Option	Applicable
	(i) Optional Redemption Date(s):	In accordance with Condition 9(c)
	(ii) Optional Redemption Amount(s) and method, if any, of calculation of such amount(s):	Sterling Make-Whole Amount

	(a) Reference Bond:	3.75 per cent. United Kingdom Government Treasury Stock due 7 September 2021
	(b) Quotation Time:	11.00 a.m. (London time)
	(c) Redemption Margin:	1.00 per cent.
	(iii) If redeemable in part:	Not Applicable
	(iv) Notice period:	30 – 60 days
18.	Put Option	Not Applicable
19.	Final Redemption Amount of each Note	£100 per Calculation Amount
20.	Early Redemption Amount	
	Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons or on event of default or other early redemption:	£100 per Calculation Amount
21.	Early Termination Amount	£100 per Calculation Amount
22.	Unmatured coupons void	Not Applicable

GENERAL PROVISIONS APPLICABLE TO THE NOTES

23.	Form of Notes:	Bearer Notes: Permanent Global Note exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note CREST Depositary Interests ("CDIs") representing the Notes may also be issued in accordance with the usual procedures of Euroclear UK & Ireland Limited ("CREST")
24.	New Global Note:	No
25.	Additional Financial Centre(s) or other special provisions relating to payment dates:	Not Applicable
26.	Talons for future Coupons to be attached to Definitive Notes (and dates on which such Talons mature):	No

Signed on behalf of The Paragon Group of Companies PLC:

By: 
.....
Duly authorised

PART B – OTHER INFORMATION

1. **LISTING AND ADMISSION TO TRADING**

Application is expected to be made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the London Stock Exchange's regulated market and through the London Stock Exchange's electronic Order Book for Retail Bonds ("**ORB**") and listing on the Official List of the UK Listing Authority with effect from 30 January 2014.
2. **RATINGS**

Ratings: The Notes to be issued are not rated.
3. **INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE/OFFER**

Save as discussed in "*Subscription and Sale*", so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer.
4. **REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES**
 - (i) Reasons for the offer See "Use of Proceeds" in the Base Prospectus
 - (ii) Estimated net proceeds: The estimated net proceeds will be specified in the Final Terms Confirmation Announcement (as defined below).
 - (iii) Estimated total expenses: The estimated total expenses will be specified in the Final Terms Confirmation Announcement.
5. **YIELD**

Indication of yield: 6.125 per cent. per annum.

The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.
6. **OPERATIONAL INFORMATION**

ISIN Code: XS1018830270

Common Code: 101883027

Any clearing system(s) other than Euroclear Bank SA/NV and Clearstream Banking, société anonyme and the relevant identification number(s): The Notes will also be made eligible for CREST via the issue of CDIs representing the Notes.

Intended to be held in a manner which would allow Eurosystem eligibility: No
7. **DISTRIBUTION**
 - (i) If syndicated: Not Applicable
 - (ii) If non-syndicated, name and address of Dealer: Canaccord Genuity Limited (the "**Manager**")
9th Floor, 88 Wood Street
London EC2V 7QR
United Kingdom

- (iii) Indication of the overall amount of the underwriting commission and of the placing commission: The Notes will be placed on a 'best efforts' basis, and will not be underwritten. The Manager will, pursuant to the Subscription Agreement referred to below, agree to deliver the Notes to the Authorised Offerors who have paid for the Notes.

The Manager is expected to enter into an agreement (the "**Subscription Agreement**") on or around 29 January 2014.

The Subscription Agreement will contain the terms on which the Manager agrees to place the Notes as described above, including as to the payment to it of the fee referred to below. Pursuant to the Subscription Agreement, the Manager will have the benefit of certain representations, warranties and undertakings and indemnities given by the Issuer in connection with the issue of the Notes.

The Manager will receive a management and distribution fee of 0.80 per cent. of the Aggregate Nominal Amount of the Notes. These fees will be payable by the Issuer to the Manager (who may share such fees with one or more Authorised Offerors (as defined below)) pursuant to the Subscription Agreement.

- (iv) U.S. Selling Restrictions: Regulation S Compliance Category 2; TEFRA C

- (v) Public Offer: The Issuer consents to the use of the Base Prospectus in connection with a Public Offer of the Notes during the period from 14 January 2014 until 5.00 pm (London time) on 27 January 2014 (the "**Offer Period**") in the United Kingdom (the "**Public Offer Jurisdiction**") by any financial intermediary which is authorised to make such offers under the Markets in Financial Instruments Directive (Directive 2004/39/EC) and which satisfies the conditions set out in the Base Prospectus (the "**Authorised Offerors**").

8. TERMS AND CONDITIONS OF THE OFFER

Offer Price: The Notes will be issued at the Issue Price. Any investor intending to acquire any Notes from an Authorised Offeror will do so at the Issue Price subject to and in accordance with any terms and other arrangements in place between such Authorised Offeror and such investor, including as to price, allocations and settlement arrangements. Neither the Issuer nor (unless acting as an Authorised Offeror in that capacity) the Manager is party to such arrangements with investors and accordingly investors must obtain such information from the relevant Authorised Offeror. Neither the Issuer nor (unless acting as an Authorised Offeror in that capacity) the Manager has any responsibility to an investor for such information.

Conditions to which the offer is subject: The issue of the Notes will be (i) conditional upon the Subscription Agreement being signed by the

Issuer and the Manager and (ii) subject to the terms of the Subscription Agreement which will in certain circumstances entitle the Manager to be released and discharged from its obligations under the Subscription Agreement prior to the issue of the Notes.

Total amount of the offer:

The Aggregate Nominal Amount of the Notes to be issued will depend, among other things, on the amount of Notes for which indicative offers to subscribe are received during the Offer Period and will be specified in the Final Terms Confirmation Announcement.

Description of arrangements and timing for announcing the offer to the public:

The Aggregate Nominal Amount of the Notes to be issued will be specified in an announcement (the "**Final Terms Confirmation Announcement**") to be published shortly after expiry of the Offer Period.

Offer Period including any possible amendments, during which the offer will be open:

The Offer Period commences on 14 January 2014 and is expected to end at 5.00 pm (London time) on 27 January 2014, provided that the Issuer may choose to end the Offer Period earlier than such date and time (in which case it will announce the change to the end of the Offer period via a Regulatory Information Service, expected to be the Regulatory News Service operated by the London Stock Exchange).

Description of the application process:

Applications to purchase Notes cannot be made directly to the Issuer. Notes will be issued to the investors in accordance with the arrangements in place between the relevant Authorised Offeror and such investor, including as to application process, allocations and settlement arrangements.

Investors will be notified by the relevant Authorised Offeror of their allocations of Notes and the settlement arrangements in respect thereof as soon as practicable after the Final Terms Confirmation Announcement is made which will be after the Offer Period has ended.

After the closing time and date of the Offer Period no Notes will be offered for sale (i) by or on behalf of the Issuer or (ii) by the Authorised Offerors (in their capacity as Authorised Offerors) except with the consent of the Issuer.

Investors may not be allocated all of the Notes for which they apply, for example if the total amount of orders for the Notes exceeds the aggregate amount of the Notes ultimately issued.

Description of possibility to reduce subscriptions and manner for refunding excess amount paid by applicants:

There will be no refund as investors will not be required to pay for any Notes until any application for Notes has been accepted and the Notes allotted.

Details of the minimum and/or maximum amount of application:

The minimum subscription per investor is £2,000 in nominal amount of the Notes.

<p>Details of the method and time limits for paying up and delivering the Notes:</p>	<p>The Notes will be issued on the Issue Date free of payment and the Manager will subsequently pay to the Issuer the subscription moneys (less any amount of fees that the Issuer and the Manager agree should be deducted from the subscription moneys). Investors will be notified by their relevant Authorised Offeror of their allocations of Notes (if any) and the settlement arrangements in respect thereof.</p>
<p>Manner in and date on which results of the offer are to be made public:</p>	<p>The results of the offer will be specified in the Final Terms Confirmation Announcement published by the Issuer after the Offer Period via a Regulatory Information Service (expected to be the Regulatory News Service operated by the London Stock Exchange) prior to the Issue Date; such announcement is currently expected to be made on or around 27 January 2014.</p>
<p>Procedure for exercise of any right of pre-emption, negotiability of subscription rights and treatment of subscription rights not exercised:</p>	<p>Not Applicable</p>
<p>Categories of potential investors to which the Notes are offered and whether tranche(s) have been reserved for certain countries:</p>	<p>Notes will be offered by the Authorised Offerors to the public in the United Kingdom, Jersey, Guernsey and the Isle of Man during the Offer Period.</p>
<p>Process for notification to applicants of the amount allotted and the indication whether dealing may begin before notification is made:</p>	<p>Investors will be notified by their relevant Authorised Offeror of their allocations of Notes (if any). No arrangements have been put into place by the Issuer as to whether dealings may begin before such notification is made. Accordingly, whether investors can commence dealing before such notification will be as arranged between the relevant investor and the relevant Authorised Offeror.</p>
<p>Amount of any expenses and taxes specifically charged to the subscriber or purchaser:</p>	<p>No such expenses or taxes upon issue will be allocated by the Issuer to any investor. Any investor intending to acquire any Notes from an Authorised Offeror will do so in accordance with any terms and other arrangements in place between the Authorised Offeror and such investor, including as to price, allocations and settlement arrangements. Neither the Issuer nor (unless acting as an Authorised Offeror in that capacity) the Manager is party to such arrangements with investors and accordingly investors must obtain such information from the relevant Authorised Offeror. Neither the Issuer nor (unless acting as an Authorised Offeror) the Manager has any responsibility to an investor for such information.</p>
<p>Name(s) and address(es), to the extent known to the Issuer, of the placers in the various countries where the offer takes place:</p>	<p>Barclays Stockbrokers Limited 1 Churchill Place London EH14 5HP www.barclaysstockbrokers.co.uk/pages/paragon.aspx</p> <p>Brown Shipley & Co Limited Founders Court Lothbury</p>

London, EC2R 7HE
www.brownshipleys.co.uk

Canaccord Genuity Wealth Limited
41 Lothbury
London EC2R 7AE
www.canaccord.com/WM

Canaccord Genuity Wealth (International) Limited
2 Grange Place, The Grange
St Peter Port
Guernsey
GY1 2QA

Interactive Investor Trading Ltd
Standon House
21 Mansell Street
London E1 8AA
www.iii.co.uk/investing/new-issues

Killik & Co LLP
46 Grosvenor Street
London, W1K 3HN
www.killik.com/bonds

Redmayne Bentley LLP
9 Bond Court
Leeds LS1 2JZ
www.redmayne.co.uk/paragon

NCL Investments Limited (trading as Smith & Williamson Securities)
25 Moorgate
London
EC2R 6AY
www.smith.williamson.co.uk/fixed-income-dealing-service

Talos Securities Limited (trading as Selftrade)
Boatman's House
2 Selsdon Way
London E14 9LA
www.selftrade.co.uk/paragon

Name and address of any paying agents and depositary agents:

Citibank, N.A., London Branch
13th Floor, Citigroup Centre
Canada Square
Canary Wharf
London E14 5LB
United Kingdom

Citibank Europe plc
1 North Wall Quay
Dublin 1
Ireland

Name and address of the entities which have a firm commitment to act as intermediaries in secondary trading,

Canaccord Genuity Limited will be appointed as registered market maker through ORB (www.londonstockexchange.com/exchange/prices-

providing liquidity through bid and offer rates and description of the main terms of their commitment: [*and-markets/retail-bonds/retail-bonds-search.html*](#)) when the Notes are issued.

SUMMARY

Section A – Introduction and Warnings		
A.1	Introduction:	<p><i>This summary should be read as introduction to the Base Prospectus; any decision to invest in the Notes should be based on consideration of the Base Prospectus as a whole by the investor; where a claim relating to the information contained in the Base Prospectus is brought before a court, the plaintiff investor might, under the national legislation of the Member States, have to bear the costs of translating the Base Prospectus before the legal proceedings are initiated; and civil liability attaches only to those persons who have tabled the summary including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the Base Prospectus or it does not provide, when read together with the other parts of the Base Prospectus, key information in order to aid investors when considering whether to invest in such Notes.</i></p>
A.2	Consent:	<p>The Issuer consents to the use of the Base Prospectus in connection with a Public Offer of the Notes by any financial intermediary which is authorised to make such offers under the Markets in Financial Instruments Directive (Directive 2004/39/EC) (the "Authorised Offeror") on the following basis:</p> <ul style="list-style-type: none"> (i) the relevant Public Offer must occur during the period from and including 14 January 2014 to 5:00pm (London time) on 27 January 2014 (the "Offer Period"); (ii) the relevant Authorised Offeror must satisfy the following conditions: <ul style="list-style-type: none"> 1. The relevant Authorised Offeror will, and it agrees, represents, warrants and undertakes for the benefit of the Issuer and the Dealer that it will, at all times in connection with the Public Offer: <ul style="list-style-type: none"> (a) act in accordance with all applicable laws, rules, regulations and guidance of any applicable regulatory bodies (the "Rules"), including the Rules published by the Financial Conduct Authority ("FCA") (including its guidance for distributors in "<i>The Responsibilities of Providers and Distributors for the Fair Treatment of Customers</i>") from time to time including, without limitation and in each case, Rules relating to both the appropriateness or suitability of any investment in the Notes by any person and disclosure to any potential investor, and will immediately inform the Issuer and the relevant Dealer if at any time such financial intermediary becomes aware or suspects that it is or may be in violation of any Rules; (b) comply with the restrictions set out under "<i>Subscription and Sale</i>" in the Base Prospectus which would apply as if it were a Dealer; (c) ensure that any fee (and any commissions or benefits of any kind) received or paid by the Authorised Offeror in relation to the offer or sale of the Notes does not violate the Rules and is fully and clearly disclosed to Investors or potential Investors; (d) hold all licences, consents, approvals and permissions required in connection with solicitation of interest in, or offers or sales of, the Notes under the Rules, including authorisation under the Financial Services and Markets Act 2000; (e) comply with applicable anti-money laundering, anti-bribery and "know your client" Rules, and will not permit any application for Notes in circumstances where the financial intermediary has any

		suspicious as to the source of the application monies;
		<p>(f) retain investor identification records for at least the minimum period required under applicable Rules, and shall, if so requested, make such records available to the Dealer, the Issuer or directly to the appropriate authorities with jurisdiction over the Issuer and/or the Dealer in order to enable the Issuer and/or the Dealer to comply with anti-money laundering, anti-bribery and "know your client" Rules applying to the Issuer and/or the Dealer;</p> <p>(g) ensure that it does not, directly or indirectly, cause the Issuer or the relevant Dealer to breach any Rule or subject the Issuer or the Dealer to any requirement to obtain or make any filing, authorisation or consent in any jurisdiction;</p> <p>(h) comply with any further requirements relevant to the Public Offer as specified in the applicable Final Terms;</p> <p>(i) not convey or publish any information that is not contained in or entirely consistent with the Base Prospectus; and</p> <p>(j) if it conveys or publishes any communication (other than the Base Prospectus or any other materials provided to such financial intermediary by or on behalf of the Issuer for the purposes of the relevant Public Offer) in connection with the relevant Public Offer, it will ensure that such communication (A) is fair, clear and not misleading and complies with the Rules, (B) states that such financial intermediary has provided such communication independently of the Issuer, that such financial intermediary is solely responsible for such communication and that none of the Issuer and the Dealer accepts any responsibility for such communication and (C) does not, without the prior written consent of the Issuer or the Dealer (as applicable), use the legal or publicity names of the Issuer or the Dealer or any other name, brand or logo registered by an entity within their respective groups, except to describe the Issuer as issuer of the relevant Notes; and</p> <p>2. agrees and undertakes to indemnify each of the Issuer and the Dealer (in each case on behalf of such entity and its respective directors, officers, employees, agents, affiliates and controlling persons) against any losses, liabilities, costs, claims, charges, expenses, actions or demands which any of them may incur or which may be made against any of them arising out of or in relation to, or in connection with, any breach of any of the foregoing agreements, representations, warranties or undertakings by such financial intermediary, including (without limitation) any unauthorised action by such financial intermediary or failure by such financial intermediary to observe any of the above restrictions or requirements; and</p> <p>3. agrees and accepts that:</p> <p>(a) the contract between the Issuer and the Authorised Offeror formed upon acceptance by the financial intermediary of the Issuer's offer to use the Base Prospectus with its consent in connection with the relevant Public Offer (the "Authorised Offeror Contract"), and any non-contractual obligations arising out of or in connection with the Authorised Offeror Contract, shall be governed by, and construed in accordance with, English law;</p>

		<p>(b) the courts of England are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Authorised Offeror Contract (including a dispute relating to any non-contractual obligations arising out of or in connection with the Authorised Offeror Contract) and accordingly submits to the exclusive jurisdiction of the English courts; and</p> <p>(c) each Dealer will, pursuant to the Contracts (Rights of Third Parties) Act 1999, be entitled to enforce those provisions of the Authorised Offeror Contract which are, or are expressed to be, for their benefit, including the agreements, representations, warranties, undertakings and indemnity given by the financial intermediary pursuant to the Authorised Offeror Terms.</p> <p>Authorised Offerors will provide information to Investors on the terms and conditions of the Public Offer of the relevant Notes at the time such Public Offer is made by the Authorised Offeror to the investor.</p> <p>ANY OFFEROR MUST STATE ON ITS WEBSITE THAT IT IS USING THE BASE PROSPECTUS IN ACCORDANCE WITH THIS CONSENT AND THE CONDITONS ATTACHED HERETO.</p>
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Section B – Issuer		
B.1	Legal name of the Issuer: Commercial name of the Issuer:	The Paragon Group of Companies PLC Paragon
B.2	Domicile and legal form of the Issuer:	The Issuer is a public limited company incorporated in England and Wales under the Companies Act 1985 and operating under the Companies Act 2006, as amended. The Issuer has its registered office in Solihull, West Midlands.
B.4b	Known Trend information:	The Council of Mortgage Lenders ("CML") reported that activity in the UK's housing market, as measured by the number of house sales, has decreased significantly from £362 billion of transactions in 2007 to £141 billion in 2011. During this period of reduced housing transactions, rental demand has grown significantly. Whilst transaction volumes remain low by historical standards, CML reported that the value of buy-to-let ("BTL") advances increased by 23.6 per cent. to £15.7 billion during 2012 versus £12.7 billion in 2011 (September to September). As a consequence of the high level of demand, recent Royal Institution of Chartered Surveyors ("RICS") UK Residential Lettings Survey surveys indicated that rental yields are expected to increase. Data from the Association of Residential Letting Agents (September 2012) supports this trend, with the majority of agents reporting an increase in achievable rents over the six months to June 2012.

		The Issuer, together with its subsidiaries (the " Group "), has taken a cautious approach to new business origination since 2010, initially focusing on professional landlords under the Paragon Mortgages brand and constraining lending volumes to be well within the Group's funding capacity. More recently, following increases in funding capacity, the focus has widened to include campaigns under the Mortgage Trust brand targeted towards private investor landlords. Its business is widely sourced from a large number of mortgage and commercial finance intermediaries, rather than being concentrated in the hands of a smaller number of mainstream mortgage distribution firms. This has the benefit of maintaining access for the Group to whole of market distribution where there is the capacity to support materially higher volumes of origination.
B.5	The Group:	<p>The Group commenced operating in 1985 as a centralised mortgage lender focusing on the residential market.</p> <p>The Issuer is the ultimate holding company of the Group. The principal subsidiaries are Paragon Finance PLC, Paragon Mortgages Limited, Mortgage Trust Limited, Paragon Mortgages (2010) Limited, Idem Capital Securities Limited, Moorgate Loan Servicing Limited, Paragon Personal Finance Limited (trading both in its own name and as Paragon Retail Finance), and Paragon Car Finance Limited.</p>
B.9	Profit Forecast:	Not Applicable. The Issuer has not made any public profit forecast or profit estimate.
B.10	Audit Report Qualification:	Not Applicable. There are no qualifications in the audit report on the historical financial information.
B.12	Key Financial Information:	<p><u>The Issuer – selected key financial information</u></p> <p>The selected financial information regarding the Issuer as of, and for each of the years ended, 30 September 2013, 2012 and 2011 has been extracted, without any adjustment, from the Issuer's audited consolidated financial statements in respect of those dates and periods.</p>

Consolidated Balance Sheet as at 30 September 2013, 2012 and 2011

	30 Sept 2013	30 Sept 2012	30 Sept 2011
	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>
	<i>(£m)</i>	<i>(£m)</i>	<i>(£m)</i>
Assets employed			
Non-current assets			
Intangible assets	8.5	9.1	9.3
Property, plant and equipment	9.6	10.7	11.4
Financial assets	9,715.3	9,505.2	9,891.2
	9,733.4	9,525.0	9,911.9
Current assets			
Other receivables	7.6	7.3	4.7
Cash and cash equivalents	587.3	504.8	571.6
	594.9	512.1	576.3
Total assets	10,328.3	10,037.1	10,488.2
Financed by			
Equity shareholders' funds			
Called-up share capital.....	306.2	301.8	299.7
Reserves	614.7	550.2	490.7
Share capital and reserves.....	920.9	852.0	790.4
Own shares.....	(47.6)	(48.5)	(48.4)
Total equity	873.3	803.5	742.0
Current liabilities			
Financial liabilities.....	3.0	2.0	1.8
Current tax liabilities	5.9	13.3	10.7
Other liabilities.....	36.2	36.7	38.3
	45.1	52.0	50.8
Non-current liabilities			
Financial liabilities.....	9,383.4	9,159.0	9,674.5
Retirement benefit obligations.....	15.7	13.9	14.4
Deferred tax	9.9	7.6	5.0
Other liabilities.....	0.9	1.1	1.5
	9,409.9	9,181.6	9,695.4
Total liabilities	9,455.0	9,233.6	9,746.2
	10,328.3	10,037.1	10,488.2

Consolidated Income Statement for the years ended 30 September 2013, 2012 and 2011

	Year to 30 Sept 2013	Year to 30 Sept 2012	Year to 30 Sept 2011
	<i>(audited)</i> <i>(£m)</i>	<i>(audited)</i> <i>(£m)</i>	<i>(audited)</i> <i>(£m)</i>
Interest receivable	272.6	293.8	258.0
Interest payable and similar charges	(111.3)	(136.0)	(122.2)
Net interest income	161.3	157.8	135.8
Other operating income	16.6	12.4	15.1
Total operating income	177.9	170.2	150.9
Operating expenses	(58.6)	(51.9)	(45.4)
Provisions for losses.....	(15.2)	(24.1)	(24.4)
Operating profit before fair value items	104.1	94.2	81.1
Fair value net gains / (losses)	1.3	1.3	(0.3)
Operating profit being profit on ordinary activities before taxation	105.4	95.5	80.8
Tax charge on profit on ordinary activities.....	(20.2)	(23.3)	(21.2)
Profit on ordinary activities after taxation ...	85.2	72.2	59.6
Dividend – Rate per share for the period.....	7.20p	6.00p	4.00p
Basic earnings per share.....	28.4p	24.2p	20.2p
Diluted earnings per share.....	27.5p	23.5p	19.6p

Consolidated cash flow statement for the years ended 30 September 2013, 2012 and 2011

	Year to 30 Sept 2013	Year to 30 Sept 2012	Year to 30 Sept 2011
	<i>(audited)</i> <i>(£m)</i>	<i>(audited)</i> <i>(£m)</i>	<i>(audited)</i> <i>(£m)</i>
Net cash (utilised) / generated by operating activities.....	(31.9)	117.3	246.1
Net cash (utilised) by investing activities	(1.6)	(2.2)	(2.1)
Net cash generated / (utilised) by financing activities.....	115.2	(181.9)	(209.6)
Net increase / (decrease) in cash and cash equivalents	81.7	(66.8)	34.4
Opening cash and cash equivalents	504.2	571.0	536.6
Closing cash and cash equivalents	585.9	504.2	571.0
Represented by balances within:.....			
Cash and cash equivalents	587.3	504.8	571.6
Financial liabilities	(1.4)	(0.6)	(0.6)
	585.9	504.2	571.0

Since 30 September 2013, there has been no significant change in the financial or trading position of the Issuer or the Group and there has been no material adverse change in the prospects of the Issuer or the Group.

B.13	Recent Events:	Not applicable. There have been no recent events particular to the Issuer which are to a material extent relevant to the Issuer's solvency.
B.14	Dependence upon other entities within the Group:	Please see Element B.5 above. The Issuer is, directly or indirectly, the ultimate holding company of all the companies in the Group. As the Issuer's business is conducted through the Group, the Issuer is, accordingly, dependent upon those members of the Group.

B.15	The Issuer's Principal Activities:	<p>The Issuer is a specialist lender of Buy-to-let ("BTL") mortgages to landlords and residential property investors in the UK, as well as a loan servicing provider for third party clients and an active acquirer of loan assets and portfolios.</p> <p>The Group operates in two principal areas:</p> <p><i>Lending:</i> BTL specialist lending to landlord customers through the Paragon Mortgages and Mortgage Trust brands, and the provision of consumer loans; and</p> <p><i>Portfolio acquisitions:</i> the investment division of the Group, Idem Capital, which undertakes acquisitions of loan portfolios, including first and second mortgages as well as unsecured assets.</p> <p>In addition, the Group services mortgage and loan portfolios for itself and for a number of clients such as banks, private equity houses and specialist lenders.</p>
B.16	Controlling Persons:	<p>The Issuer is neither directly nor indirectly owned or controlled by any one party. The largest shareholder in the Issuer is BlackRock which as at 31 December 2012 held, directly or indirectly, 13.37 per cent. of the ordinary share capital of the Issuer.</p>
B.17	Ratings assigned to the Issuer or its Debt Securities:	<p>The Issuer is not rated.</p> <p>The Notes to be issued are not rated.</p>

Section C – The Notes		
C.1	Description of Type and Class of Securities:	<p>Series Number : 2</p> <p>Tranche Number: 1</p> <p>Aggregate Nominal Amount: The aggregate nominal amount of the Notes to be issued (the "Aggregate Nominal Amount") will depend, among other things, on the amount of Notes for which indicative offers to subscribe are received during the Offer Period and will be specified in an announcement (the "Final Terms Confirmation Announcement") to be published shortly after expiry of the Offer Period.</p> <p>ISIN Code: XS1018830270</p> <p>Common Code: 101883027</p> <p>Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking, <i>société anonyme</i> and the relevant identification number(s): The Notes will also be made eligible for CREST via the issue of CDIs.</p> <p>The Notes are sterling- denominated 6.125 per cent. Notes due 2022</p>

		<p>Form of Notes:</p> <p>Bearer Notes:</p> <p>Permanent Global Note exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note.</p> <p>Holders of CREST Depository Interests ("CDIs") will hold CDIs constituted and issued by the CREST Depository representing indirect interests in the Notes. The CDIs will be issued and settled through CREST.</p>
C.2	Currency of the Securities Issue:	The currency of the Notes is pounds sterling ("£").
C.5	Transferability:	Regulation S Compliance Category 2; TEFRA C
C.8	The Rights Attaching to the Securities, including Ranking and Limitations to those Rights:	<p>Issue Price : 100 per cent. of the Aggregate Nominal Amount.</p> <p>Denominations: Specified Denomination: £100</p> <p>Status of the Notes: The Notes constitute direct, general, unconditional and unsubordinated obligations of the Issuer which rank at least <i>pari passu</i> with all other present and future unsecured obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.</p> <p>Negative Pledge: The Notes will have the benefit of a negative pledge that so long as any Note remains outstanding, (i) the Issuer shall not create or permit to subsist any Security Interest (other than a Permitted Security Interest) upon the whole or any part of its present or future undertaking, assets or revenues (including uncalled capital) to secure any Indebtedness of the Issuer or Guarantee entered into by the Issuer; and (ii) the Issuer shall procure that none of its Subsidiaries will create or permit to subsist any Guarantee in respect of any Indebtedness of the Issuer, without (in respect of (i)) (a) at the same time or prior thereto securing the Notes equally and rateably therewith to the satisfaction of the Trustee, or (b) providing such other security for the Notes as the Trustee may in its absolute discretion consider to be not materially less beneficial to the interests of the Noteholders or as may be approved by an Extraordinary Resolution of Noteholders.</p> <p>Gearing covenant: So long as any Note remains outstanding (as defined in the Trust Deed), the Issuer will ensure that the ratio of Net Senior Debt of the Issuer to Issuer Equity shall not exceed 1:1 (the "Gearing Ratio") on each Calculation Date. A default only exists if the Issuer is in breach of the Gearing Ratio covenant on a Calculation Date and has not remedied such breach before the Reporting Date following such Calculation Date.</p> <p>Events of Default: The Conditions contain Events of Default including those relating to (a) non-payment, (b) breach of other obligations, (c) cross default subject to a threshold of £20,000,000, (d) enforcement proceedings, (e) security enforcement, (f) insolvency, and (g) winding-up. The provisions include certain minimum thresholds and grace periods. In addition, Trustee certification that certain events would be materially prejudicial to the interests of the Noteholders is required before certain events will be deemed to constitute Events of Default.</p>

		<p>Taxation: All payments in respect of Notes will be made free and clear of withholding taxes of the United Kingdom unless the withholding is required by law. In that event, the Issuer will, subject to customary exceptions, pay such additional amounts as will result in the Noteholders receiving such amounts as they would have received in respect of such Notes had no such withholding been required.</p> <p>Meetings: The Conditions contain certain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders, including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.</p> <p>Governing Law: English law.</p> <p>Enforcement of Notes in Global Form: In the case of Global Notes, individual Investors' rights against the Issuer will be governed by a Trust Deed dated 11 February 2013, a copy of which will be available for inspection at the specified office of the Principal Paying Agent.</p>
C.9	<p>The Rights Attaching to the Securities (Continued), Including Information as to Interest, Maturity, Yield and the Representative of the Holders:</p>	<p>Rate of interest: 6.125 per cent. per annum payable semi-annually in arrear on each Interest Payment Date</p> <p>Interest Payment Date(s): 30 January and 30 July in each year up to (and including) 30 January 2022.</p> <p>Fixed Coupon Amount(s): £3.0625 per Calculation Amount, payable on each Interest Payment Date up to (and including) 30 January 2022.</p> <p>Floating Rate Notes are not being issued pursuant to these Final Terms</p> <p>Zero Coupon Notes are not being issued pursuant to these Final Terms.</p> <p>Maturities:</p> <p><i>Maturity Date:</i> Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed on 30 January 2022.</p> <p>Redemption:</p> <p><i>Final Redemption Amount:</i> Unless previously redeemed, or purchased and cancelled, each Note will be redeemed at its Final Redemption Amount of 100 per cent.</p> <p>Optional Redemption: Notes may be redeemed before their stated maturity at the option of the Issuer (either in whole or in part) and/or the Noteholders to the extent (if at all) specified in the relevant Final Terms.</p> <p><i>Redemption at the Option of the Issuer:</i> The Notes may be redeemed at the option of the Issuer in whole at any time in accordance with Condition 9(c) at the Sterling Make-Whole Amount:</p>
		<p>(i) Optional Redemption Sterling Make-Whole Amount Amount(s) and method, if any, of calculation of such amount(s):</p> <p>(a) Reference Bond: 3.75 per cent. United Kingdom Government Treasury Stock due 7</p>

		<p style="text-align: right;">September 2021</p> <p>(b) Quotation Time: 11.00 a.m. (London time)</p> <p>(c) Redemption Margin: 1.00 per cent.</p> <p>(ii) Notice period: 30 – 60 days</p> <p>Tax Redemption: Except as described in "<i>Optional Redemption</i>" above, early redemption will only be permitted if the Issuer has or will become obliged to pay certain additional amounts in respect of the Notes as a result of any change in the tax laws of the United Kingdom.</p> <p>Yield: Based upon the Issue Price of 100 per cent., at the Issue Date the anticipated yield of the Notes is 6.125 per cent. per annum.</p> <p>Trustee for the Noteholders: Citicorp Trustee Company Limited (the "Trustee", which expression includes all persons for the time being trustee or trustees appointed under the Trust Deed).</p>
C.10	Derivative Components:	Not Applicable. There is no derivative component in the interest payments made in respect of any Notes issued under the Programme.
C.11 C.21	Listing and Trading:	Applications have been made for the Notes to be admitted to listing on the Official List of the FCA and to trading on the Regulated Market of the London Stock Exchange and through the electronic order book for retail bonds (" ORB ").

Section D – Risks		
D.2	Key risks specific to the Issuer:	<p>The following key risks are specific to the Issuer:</p> <ul style="list-style-type: none"> • As a primary lender and purchaser of loan portfolios, the Group faces credit risk as an inherent component of its lending activities and any adverse changes in credit quality and loan recoverability could affect the Group's business. • A downturn in business condition or the general economy in the UK may adversely affect all aspects of the Group's business as demand for the Group's products is susceptible to demand for rental property, fluctuations in interest rates, employment levels, taxation and other factors that determine disposable income and rental yields. In addition, decreases in UK residential property prices could also reduce the value of security against outstanding loans potentially increasing the Group's losses in the event of a repossession. Such reductions in demand for new products and decreases in value of security could have an impact on the profitability of the Group. • Changes and mismatches in interest rates may adversely impact the Group's revenue and/or profits where there are differences in the rate of borrowing and the rate of lending, payable interest rates change on different dates to receivable rates, and interest rates are not determined by reference to LIBOR so increases cannot be passed on to borrowers. <hr/> <ul style="list-style-type: none"> • Changes in supervision and regulation could materially affect the Group's business, the products or services it offers or the value of its assets or returns from its assets as a result of stricter regulatory requirements beyond the Group's control. • Increases in the cost or reductions in availability of the Group's funding to finance the origination of new business, portfolio acquisitions and working capital could adversely impact the Group's financial performance and results from operations.

D.3	Key risks Specific to the Notes:	<p>The following key risks are specific to the Notes:</p> <ul style="list-style-type: none"> • The Notes will be structurally subordinated to the claims of all holders of debt securities and other creditors, including trade creditors, of the Issuer's subsidiaries. In the event of an insolvency, liquidation, reorganisation, dissolution or winding up of the business of any subsidiary of the Issuer, creditors of such subsidiary generally will have the right to be paid in full before any distribution is made to the Issuer. • Holders of CREST depository interests will hold or have an interest in a separate legal instrument and will not be the legal owners of the Notes so rights under the Notes cannot be enforced except indirectly through the intermediary depositories and custodians and rights are governed by external provisions. • The Notes are not protected by the Financial Services Compensation Scheme (the "FSCS") or any other government savings or deposit protection scheme. The FSCS will not pay compensation to an investor in the Notes upon the failure of the Issuer. If the Issuer goes out of business or becomes insolvent, Noteholders may lose all or part of their investment in the Notes. • Investors and sellers of the Notes may be required to pay taxes or other documentary charges or duties in accordance with the laws and practices of the country where the Notes are transferred or other jurisdictions. • Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be liquid. Investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. If an investor chooses to sell prior to maturity of the Notes, the investor may receive an amount less than the amount due to be repaid upon maturity.
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Section E - Offer		
E.2b	Reasons for the Offer and Use of Proceeds:	Use of proceeds: the net proceeds from the Issue of Notes will be issued for the general financing purposes of the Group.
E.3	Terms and Conditions of the Offer:	An investor intending to acquire or acquiring Notes from an Authorised Offeror other than the Issuer, will do so, and offers and sale of Notes to an investor by such Authorised Offeror will be made, in accordance with any terms and other arrangements in place between such Authorised Offeror and such investor including as to price, allocations and settlement arrangements.

		<p>Offer Price:</p> <p>Conditions to which the offer is subject:</p> <p>Total amount of the offer:</p> <p>Description of arrangements and timing for announcing the offer to the public:</p> <p>Offer Period including any possible amendments, during which the offer will be open:</p>	<p>The Notes will be issued at the Issue Price. Any investor intending to acquire any Notes from an Authorised Offeror will do so at the Issue Price subject to and in accordance with any terms and other arrangements in place between such Authorised Offeror and such investor, including as to price, allocations and settlement arrangements. Neither the Issuer nor (unless acting as an Authorised Offeror in that capacity) the Manager is party to such arrangements with investors and accordingly investors must obtain such information from the relevant Authorised Offeror. Neither the Issuer nor (unless acting as an Authorised Offeror in that capacity) the Manager has any responsibility to an investor for such information.</p> <p>The issue of the Notes will be (i) conditional upon the Subscription Agreement being signed by the Issuer and the Manager and (ii) subject to the terms of the Subscription Agreement which will in certain circumstances entitle the Manager to be released and discharged from its obligations under the Subscription Agreement prior to the issue of the Notes.</p> <p>The Aggregate Nominal Amount of the Notes to be issued will depend, among other things, on the amount of Notes for which indicative offers to subscribe are received during the Offer Period and will be specified in the Final Terms Confirmation Announcement.</p> <p>The Aggregate Nominal Amount of the Notes to be issued will be specified in an announcement (the "Final Terms Confirmation Announcement") to be published shortly after expiry of the Offer Period.</p> <p>The Offer Period commences on 14 January 2014 and is expected to end at 5.00 pm (London time) on 27 January 2014, provided that the Issuer may choose to end the Offer Period earlier than such date and time (in which case it will announce the change to the end of the Offer period via a Regulatory Information Service, expected to be the Regulatory News Service operated by the London Stock Exchange).</p>
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		<p>Description of the application process:</p> <p>Applications to purchase Notes cannot be made directly to the Issuer. Notes will be issued to the investors in accordance with the arrangements in place between the relevant Authorised Offeror and such investor, including as to application process, allocations and settlement arrangements.</p> <p>Investors will be notified by the relevant Authorised Offeror of their allocations of Notes and the settlement arrangements in respect thereof as soon as practicable after the Final Terms Confirmation Announcement is made which will be after the Offer Period has ended.</p> <p>After the closing time and date of the Offer Period no Notes will be offered for sale (i) by or on behalf of the Issuer or (ii) by the Authorised Offerors (in their capacity as Authorised Offerors) except with the consent of the Issuer.</p> <p>Investors may not be allocated all of the Notes for which they apply, for example if the total amount of orders for the Notes exceeds the aggregate amount of the Notes ultimately issued.</p> <p>Description of possibility to reduce subscriptions and manner for refunding excess amount paid by applicants:</p> <p>There will be no refund as investors will not be required to pay for any Notes until any application for Notes has been accepted and the Notes allotted.</p> <p>Details of the minimum and/or maximum amount of application:</p> <p>The minimum subscription per investor is £2,000 in nominal amount of the Notes.</p> <p>Details of the method and time limits for paying up and delivering the Notes:</p> <p>The Notes will be issued on the Issue Date free of payment and the Manager will subsequently pay to the Issuer the subscription moneys (less any amount of fees that the Issuer and the Manager agree should be deducted from the subscription moneys). Investors will be notified by their relevant Authorised Offeror of their allocations of Notes (if any) and the settlement arrangements in respect thereof.</p> <p>Manner in and date on which results of the offer are to be made public:</p> <p>The results of the offer will be specified in the Final Terms Confirmation Announcement published by the Issuer after the Offer Period via a Regulatory Information Service (expected to be the Regulatory News Service operated by the London Stock Exchange) prior to the Issue Date; such announcement is currently expected to be made on or around 27 January 2014.</p>
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		<p>Guernsey GY1 2QA</p> <p>Interactive Investor Trading Ltd Standon House 21 Mansell Street London E1 8AA www.iii.co.uk/investing/new-issues</p> <p>Killik & Co LLP 46 Grosvenor Street London, W1K 3HN www.killik.com/bonds</p> <p>Redmayne Bentley LLP 9 Bond Court Leeds LS1 2JZ www.redmayne.co.uk/paragon</p> <p>NCL Investments Limited (trading as Smith & Williamson Securities) 25 Moorgate London EC2R 6AY www.smith.williamson.co.uk/fixed-income-dealing-service</p> <p>Talos Securities Limited (trading as Selftrade) Boatman's House 2 Selsdon Way London E14 9LA www.selftrade.co.uk/paragon</p> <p>Name and address of any paying agents and depositary agents:</p> <p>Citibank, N.A., London Branch 13th Floor, Citigroup Centre Canada Square Canary Wharf London E14 5LB United Kingdom</p> <p>Citibank Europe plc 1 North Wall Quay Dublin 1 Ireland</p>
		<p>Name and address of the entities which have a firm commitment to act as intermediaries in secondary trading, providing liquidity through bid and offer rates and description of the main terms of their commitment:</p> <p><i>Canaccord Genuity Limited will be appointed as registered market maker through ORB (www.londonstockexchange.com/exchange/prices-and-markets/retail-bonds/retail-bonds-search.html) when the Notes are issued.</i></p>
E.4	Interests Material to the Issue:	The Issuer has appointed Canaccord Genuity Limited and any other Dealer appointed from time to time (the " Dealers ") as Dealers for the Programme. The arrangements under which Notes may from time to time be agreed to be sold by the Issuer to, and purchased by, Dealers are set out in the Programme Agreement made between the Issuer and the Dealers.
E.7	Estimated	No expenses are being charged to an investor by the Issuer, however, expenses may

	Expenses:	be charged by an Authorised Offeror in the range of between 1 per cent. and 7 per cent. of the nominal amount of the Notes to be purchased by the relevant investor.
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