



THE PARAGON GROUP OF COMPANIES PLC

(incorporated with limited liability in the United Kingdom)

£1,000,000,000

Euro Medium Term Note Programme

This supplement (the "**Supplement**") is supplemental to, forms part of and must be read and construed in conjunction with, the Base Prospectus dated 23 October 2014 (the "**Base Prospectus**") prepared by The Paragon Group of Companies PLC (the "**Issuer**") in connection with its Euro Medium Term Note Programme (the "**Programme**") for the issuance of up to £1,000,000,000 in aggregate principal amount of notes (the "**Notes**"). Terms given a defined meaning in the Base Prospectus shall, unless the context otherwise requires, have the same meaning when used in this Supplement.

This Supplement has been approved by the United Kingdom Financial Conduct Authority (the "**FCA**"), which is the United Kingdom competent authority for the purposes of Directive 2003/71/EC (the "**Prospectus Directive**") and relevant implementing measures in the United Kingdom, as a base prospectus supplement issued in compliance with the Prospectus Directive and relevant implementing measures in the United Kingdom.

The purpose of this Supplement is to (i) incorporate by reference into the Base Prospectus the annual report and accounts of the Issuer in respect of the year ended 30 September 2014 and (ii) update the Summary of the Programme in respect of the key financial information.

IMPORTANT NOTICES

The Issuer accepts responsibility for the information contained in this Supplement and declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Supplement is, to the best of its knowledge, in accordance with the facts and does not omit anything likely to affect the import of such information.

To the extent that there is any inconsistency between (a) any statement in this Supplement or any statement incorporated by reference into the Base Prospectus by this Supplement and (b) any other statement in, or incorporated by reference into, the Base Prospectus, the statements in (a) above will prevail.

Save as disclosed in this Supplement, no significant new factor, material mistake or inaccuracy relating to information included in the Base Prospectus which is capable of affecting the assessment of Notes issued under the Programme has arisen or been noted, as the case may be, since publication of the Base Prospectus.

A copy of this Supplement has been filed with the National Storage Mechanism and will be available for inspection at www.morningstar.co.uk/uk/NSM.

SUPPLEMENTS TO THE BASE PROSPECTUS

With effect from the date of this Supplement the information appearing in, or incorporated by reference into, the Base Prospectus shall be supplemented in the manner described below.

DOCUMENTS INCORPORATED BY REFERENCE

On 9 January 2015, the Issuer published its annual report and accounts in respect of the year ended 30 September 2014 (the "**2014 Annual Report and Accounts**"). A copy of the 2014 Annual Report and Accounts has been filed with the FCA and, by virtue of this Supplement, shall be deemed to be incorporated by reference in, and form part of, this Supplement and the Base Prospectus.

Copies of all documents incorporated by reference in this Supplement and the Base Prospectus may be inspected, free of charge, at 51 Homer Road, Solihull, West Midlands B91 3QJ, United Kingdom or on the Issuer's website at <http://www.paragon-group.co.uk/group/>. Any information contained in any of the documents specified above which is not incorporated by reference in this Supplement is either not relevant to investors or is covered elsewhere in this Supplement.

Any documents themselves incorporated by reference in the documents incorporated by reference in this Supplement shall not form part of this Supplement.

UPDATE OF THE SUMMARY OF THE PROGRAMME

The Summary of the Programme included in the Base Prospectus is updated in Appendix 1 to this Supplement to reflect the key financial information for the Issuer in respect of the year ended 30 September 2014.

APPENDIX

SUMMARY

Summaries are made up of disclosure requirements known as "Elements". These elements are numbered in Sections A – E (A.1 – E.7).

This summary contains all the Elements required to be included in a summary for this type of securities and Issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements.

Even though an Element may be required to be inserted in the summary because of the type of securities and Issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with the mention of "Not Applicable".

Words and expressions defined in the "Terms and Conditions of the Notes" below or elsewhere in this Base Prospectus have the same meanings in this summary.

Section A – Introduction and Warnings		
A.1	Introduction:	<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>
A.2	Consent:	[Not Applicable. The Notes are issued in denominations of at least €100,000 (or its equivalent in any other currency).] [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 (an " Authorised Offeror ") under the Markets in Financial Instruments Directive (Directive 2004/39/EC) on the following basis:

		<p>(i) the relevant Public Offer must occur during the period from and including [•] to but excluding [•] (the "Offer Period"); and</p> <p>(ii) the relevant Authorised Offeror must satisfy the following conditions: [•].]</p> <p>[The Issuer consents to the use of this Base Prospectus in connection with a Public Offer of the Notes by [•] on the following basis:</p> <p>(i) the relevant Public Offer must occur during the period from and including [•] to but excluding [•] (the "Offer Period"); and</p> <p>(ii) the relevant Authorised Offeror must satisfy the following conditions: [•].]</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 UNNAMED OFFEROR MUST STATE ON ITS WEBSITE THAT IT IS USING THE BASE PROSPECTUS IN ACCORDANCE WITH THIS CONSENT AND THE CONDITONS ATTACHED HERETO.</p>

Section B – Issuer		
B.1	Legal name of the Issuer:	The Paragon Group of Companies PLC
	Commercial name of the Issuer:	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:	<p><i>Trends in the UK housing and BTL markets</i></p> <p>As at 30 September 2014, both Halifax (part of the Lloyds Banking Group) and the Nationwide Building Society reported an upward trend in UK house prices with annual house price inflation in excess of 9 per cent (with significant regional variations).</p>

		<p>The Council of Mortgage Lenders ("CML") reported that activity in the UK's housing market, as measured by value of gross mortgage advances, decreased significantly from approximately £363 billion of transactions in 2007 to approximately £135 billion in 2010 and has since recovered to approximately £176 billion in 2013. During this period of reduced housing transactions, rental demand has grown significantly. Whilst transaction volumes remain low by historical standards, CML reported that, during the year ended 30 September 2013, the value of buy-to-let ("BTL") advances increased by 31.8 per cent. to £20.7 billion versus £15.7 billion in the year ended 30 September 2012. With both the owner-occupied and social rented sectors under pressure, the private rented sector has continued to expand in recent years, with the latest data from the Department for Communities and Local Government ("DCLG") confirming that within England the sector now accounts for 18 per cent. of all households (<i>English Housing Survey 2012 – 2013</i>). The Royal Institution of Chartered Surveyors ("RICS") UK Residential Market Survey published in July 2014 indicated that rents are projected to grow by 2.5 per cent. over the following 12 months. Data from the Association of Residential Letting Agents ("ARLA") supports this trend for increasing rents, with the latest ARLA Private Rented Sector Survey (Q2 2014) indicating that the majority of agents report strengthening rental demand. The same ARLA survey indicates that rental yields remain relatively stable at 4.9 per cent. for houses and 5.2 per cent. for flats.</p> <p><i>Trends in the UK debt purchase market</i></p> <p>The change of regulation to the Financial Conduct Authority of the United Kingdom ("FCA") has increased vendors' awareness of their obligation to maintain regulatory oversight of the third parties that purchase their assets. Regulatory oversight requirements are also increasing the barriers to entry, with vendors demonstrating a preference to transact with purchasers such as Idem Capital Securities Limited ("Idem"), that are able to demonstrate a track record of compliance with FCA requirements.</p> <p><i>Trends in UK retail banking – the emergence of challenger banks</i></p> <p>The expansion of banking services in the UK in recent years has seen the rise in number of smaller retail banks, often with no high street presence (frequently referred to as challenger banks), including some relatively established names such as Tesco Bank (the trading name of Tesco Personal Finance Group plc), Virgin Money plc and Handelsbanken (the trading name of Svenska Handelsbanken AB), alongside newer entrants such as Aldermore Bank PLC and Metro Bank PLC.</p>
B.5	The Group:	The Issuer, together with its subsidiaries (the " Group "), commenced operating in 1985 as a centralised mortgage lender focusing on the

		<p>residential market.</p> <p>The Issuer is the ultimate holding company of the Group. The principal subsidiaries are Paragon Finance PLC, Paragon Bank PLC ("Paragon Bank"), Paragon Mortgages Limited, Mortgage Trust Limited, Paragon Mortgages (2010) Limited, Idem, 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 2014 and 2013 has been extracted, without any adjustment, from the Issuer's audited consolidated financial statements in respect of those dates and periods and the selected financial information regarding the Issuer as of, and for the 6 month periods ended 31 March 2014 and 2013 have been extracted, without any adjustment, from the Issuer's unaudited consolidated financial statements.¹</p> <p>Consolidated Balance Sheets as at 31 March 2014 and 2013 and as at 30 September 2014 and 2013</p> <table border="1"> <thead> <tr> <th></th> <th style="text-align: center;">31 March 2014</th> <th style="text-align: center;">31 March 2013</th> <th style="text-align: center;">30 Sept 2014</th> <th style="text-align: center;">30 Sept 2013</th> </tr> <tr> <th></th> <th style="text-align: center;"><i>(unaudited)</i></th> <th style="text-align: center;"><i>(unaudited)</i></th> <th style="text-align: center;"><i>(audited)</i></th> <th style="text-align: center;"><i>(audited)</i></th> </tr> <tr> <th></th> <th style="text-align: center;"><i>(£m)</i></th> <th style="text-align: center;"><i>(£m)</i></th> <th style="text-align: center;"><i>(£m)</i></th> <th style="text-align: center;"><i>(£m)</i></th> </tr> </thead> <tbody> <tr> <td colspan="5">Assets employed</td> </tr> <tr> <td colspan="5">Non-current assets</td> </tr> <tr> <td>Intangible assets</td> <td style="text-align: right;">8.2</td> <td style="text-align: right;">9.0</td> <td style="text-align: right;">7.9</td> <td style="text-align: right;">8.5</td> </tr> <tr> <td>Property, plant and equipment</td> <td style="text-align: right;">23.4</td> <td style="text-align: right;">10.2</td> <td style="text-align: right;">22.9</td> <td style="text-align: right;">9.6</td> </tr> <tr> <td>Financial assets</td> <td style="text-align: right;">9,884.1</td> <td style="text-align: right;">9849.6</td> <td style="text-align: right;">9,969.6</td> <td style="text-align: right;">9,715.3</td> </tr> <tr> <td></td> <td style="text-align: right;">9,915.7</td> <td style="text-align: right;">9,868.8</td> <td style="text-align: right;">10,000.4</td> <td style="text-align: right;">9,733.4</td> </tr> <tr> <td colspan="5">Current assets</td> </tr> <tr> <td>Other receivables</td> <td style="text-align: right;">6.6</td> <td style="text-align: right;">7.7</td> <td style="text-align: right;">6.5</td> <td style="text-align: right;">7.6</td> </tr> <tr> <td>Short term investments</td> <td style="text-align: right;">0.5</td> <td style="text-align: right;">-</td> <td style="text-align: right;">39.4</td> <td style="text-align: right;">-</td> </tr> <tr> <td>Cash and cash equivalents</td> <td style="text-align: right;">716.3</td> <td style="text-align: right;">561.4</td> <td style="text-align: right;">848.8</td> <td style="text-align: right;">587.3</td> </tr> <tr> <td></td> <td style="text-align: right;">723.4</td> <td style="text-align: right;">569.1</td> <td style="text-align: right;">894.7</td> <td style="text-align: right;">594.9</td> </tr> <tr> <td>Total assets</td> <td style="text-align: right;">10,639.1</td> <td style="text-align: right;">10,437.9</td> <td style="text-align: right;">10,895.1</td> <td style="text-align: right;">10,328.3</td> </tr> <tr> <td colspan="5">Financed by</td> </tr> <tr> <td colspan="5">Equity shareholders' funds</td> </tr> <tr> <td>Called-up share capital</td> <td style="text-align: right;">307.1</td> <td style="text-align: right;">304.3</td> <td style="text-align: right;">307.3</td> <td style="text-align: right;">306.2</td> </tr> <tr> <td>Reserves</td> <td style="text-align: right;">649.5</td> <td style="text-align: right;">564.6</td> <td style="text-align: right;">688.0</td> <td style="text-align: right;">614.7</td> </tr> </tbody> </table>		31 March 2014	31 March 2013	30 Sept 2014	30 Sept 2013		<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(audited)</i>	<i>(audited)</i>		<i>(£m)</i>	<i>(£m)</i>	<i>(£m)</i>	<i>(£m)</i>	Assets employed					Non-current assets					Intangible assets	8.2	9.0	7.9	8.5	Property, plant and equipment	23.4	10.2	22.9	9.6	Financial assets	9,884.1	9849.6	9,969.6	9,715.3		9,915.7	9,868.8	10,000.4	9,733.4	Current assets					Other receivables	6.6	7.7	6.5	7.6	Short term investments	0.5	-	39.4	-	Cash and cash equivalents	716.3	561.4	848.8	587.3		723.4	569.1	894.7	594.9	Total assets	10,639.1	10,437.9	10,895.1	10,328.3	Financed by					Equity shareholders' funds					Called-up share capital	307.1	304.3	307.3	306.2	Reserves	649.5	564.6	688.0	614.7
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¹ By virtue of the Supplement dated 5 February 2015, selected key information for the six months ending 30 September 2014 accompanied by comparative data from the same period in the prior financial year has been included.

Share capital and reserves	956.6	868.9	995.3	920.9
Own shares	(46.7)	(49.0)	(48.2)	(47.6)
Total equity.....	909.9	819.9	947.1	873.3
Current liabilities				
Financial liabilities	1.0	2.7	54.4	3.0
Current tax liabilities	10.1	10.9	11.9	5.9
Other liabilities	35.4	37.9	40.1	36.2
	46.5	51.5	106.4	45.1
Non-current liabilities				
Financial liabilities	9,659.6	9,529.6	9,814.0	9,383.4
Retirement benefit obligations	12.2	29.1	17.3	15.7
Deferred tax	10.6	6.8	10.1	9.9
Other liabilities	0.3	1.0	0.2	0.9
	9,682.7	9,566.5	9,841.6	9,409.9
Total liabilities.....	9,729.2	9,618.0	9,948.0	9,455.0
	10,639.1	10,437.9	10,895.1	10,328.3

Consolidated Income Statements for the 6 month periods ended 31 March 2014 and 2013 and for the years ended 30 September 2014 and 2013

	Six months to 31 March 2014	Six months to 31 March 2013	Six months to 31 March 2013	Year to 30 Sept 2014	Year to 30 Sept 2013	Year to 30 Sept 2013
	(unaudited) (£m)	(restated) (unaudited) (£m)	(as originally reported) (unaudited) (£m)	(audited) (£m)	(restated) (audited) (£m)	(as originally reported) (audited) (£m)
Interest receivable	143.9	133.5	135.4	302.4	269.0	272.6
Interest payable and similar charges	(56.9)	(53.6)	(55.3)	(123.0)	(108.0)	(111.3)
Net interest income.....	87.0	79.9	80.1	179.4	161.0	161.3
Other operating income.....	9.4	6.7	6.7	18.5	16.6	16.6
Total operating income.....	96.4	86.6	86.8	197.9	177.6	177.9
Operating expenses	(31.0)	(29.4)	(29.3)	(63.4)	(58.9)	(58.6)
	(7.5)	(9.3)	(9.3)	(12.3)	(15.2)	(15.2)
Provisions for losses						
Operating profit before fair value items	57.9	47.9	48.2	122.2	103.5	104.1
Fair value net gains	0.3	0.9	0.9	0.6	1.3	1.3
Operating profit being profit on ordinary activities before taxation.....	58.2	48.8	49.1	122.8	104.8	105.4
Tax charge on profit on ordinary activities	(12.6)	(11.2)	(11.3)	(25.6)	(20.1)	(20.2)
Profit on ordinary activities after taxation.....	45.6	37.6	37.8	97.2	84.7	85.2
Dividend – Rate per share for the period	3.0p	2.4p	2.4p	9.0p	7.2p	7.20p
Basic earnings per share.....	15.0p	12.6p	12.6p	31.9p	28.2p	28.4p
	14.6p	12.1p	12.2p	31.1p	27.3p	27.5p
Diluted earnings per share.....						

		Consolidated Cash Flow Statement for the 6 month periods ended 31 March 2014 and 2013 and for the years ended 30 September 2014 and 2013				
		Six months to 31 March 2014	Six months to 31 March 2013	Year to 30 Sept 2014	Year to 30 Sept 2013	
		<i>(unaudited)</i> <i>(£m)</i>	<i>(unaudited)</i> <i>(£m)</i>	<i>(audited)</i> <i>(£m)</i>	<i>(audited)</i> <i>(£m)</i>	
		Net cash (utilised) / generated by operating activities.....	(246.4)	37.9	(269.5)	(31.9)
		Net cash (utilised) / generated by investing activities.....	(25.7)	(1.0)	(65.2)	(1.6)
		Net cash (utilised) / generated by financing activities.....	401.5	19.1	596.2	115.2
		Net increase / (decrease) in cash and cash equivalents	129.4	56.0	261.8	81.7
		Opening cash and cash equivalents	585.9	504.2	585.9	504.2
		Closing cash and cash equivalents	715.3	560.2	847.7	585.9
		Represented by balances within:.....				
		Cash and cash equivalents	716.3	561.4	848.8	587.3
		Financial liabilities	(1.0)	(1.2)	(1.1)	(1.4)
			715.3	560.2	847.7	585.9
		Since 30 September 2014, there has been no significant change in the financial or trading position of the Issuer or the Group ² and since 30 September 2014, there has been no material adverse change in the prospects of the Issuer or the Group ³ .				
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	The Issuer is a leading specialist lender of BTL mortgages, one of the				

² By virtue of the Supplement dated 5 February 2015, the date since which there has been no significant change in the financial or trading position of the Issuer or the Group has been updated from 31 March 2014 to 30 September 2014.

³ By virtue of the Supplement dated 5 February 2015, the date since which there has been no material adverse change in the prospects of the Issuer or the Group has been updated from 30 September 2013 to 30 September 2014.

	Principal Activities:	<p>UK's most active investors in the debt purchase market, through its Idem Capital division, and operates in the consumer loan market through Paragon Bank.</p> <p>The Group operates in three principal areas:</p> <p><i>Paragon Mortgages:</i> is an independent BTL mortgage specialist lending to landlord customers through the Paragon Mortgages and Mortgage Trust brands, and the provision of BTL loans; and</p> <p><i>Idem:</i> is the investment division of the Group, investing primarily in loan portfolios and has established itself as one of the leading investors in the UK debt purchase market. In addition, Idem also services loans for third parties and its co-investment partners.</p> <p><i>Retail Banking:</i> the banking subsidiary of the Group, Paragon Bank, was launched on 18 February 2014 as a retail-funded lending bank using an internet distribution channel for savings and an intermediated channel for its loan products.</p>
B.16	Controlling Persons:	The Issuer is neither directly nor indirectly owned or controlled by any one party. The largest shareholder in the Issuer is Standard Life Investments which as at 30 September 2014 held, directly or indirectly, 8.41 per cent. of the ordinary share capital of the Issuer.
B.17	Ratings assigned to the Issuer or its Debt Securities:	<p>The Issuer is not rated.</p> <p>A Tranche of Notes issued under the Programme may be rated or unrated. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.</p> <p><i>Issue Specific Summary:</i></p> <p>The Notes to be issued [are not/have been/are expected to be] rated:</p> <p>[Standard & Poor's: [•]]</p> <p>[Moody's: [•]]</p> <p>[Fitch: [•]]</p>

Section C – The Notes		
C.1	Description of Type and Class of	Issuance in Series: Notes will be issued in series (each a "Series"). Each Series may comprise one or more tranches (each a "Tranche") issued on different issue dates. The Notes of each Series will all be subject to

	Securities:	<p>identical terms, except that the issue date and the amount of the first payment of interest may be different in respect of different Tranches. The Notes of each Tranche will all be subject to identical terms in all respects save that a Tranche may comprise Notes of different denominations.</p> <p>The Notes may be Fixed Rate Notes, Floating Rate Notes or Zero Coupon Notes.</p>
		<p>Forms of Notes: Notes may be issued in bearer form ("Bearer Notes") or in registered form ("Registered Notes"). Bearer Notes will not be exchangeable for Registered Notes and Registered Notes will not be exchangeable for Bearer Notes. No single Series or Tranche may comprise both Bearer Notes and Registered Notes.</p> <p>Each Tranche of Bearer Notes will initially be either a temporary global note in bearer form (the "Temporary Global Note"), without interest coupons, or a permanent global note in bearer form (the "Permanent Global Note"), without interest coupons, (each a "Global Note") in each case as specified in the relevant Final Terms. Each Global Note which is not intended to be issued in new global note form (a "Classic Global Note" or "CGN"), as specified in the relevant Final Terms, will be deposited on or around the relevant issue date with a depositary or a common depositary for Euroclear Bank S.A./N.V. ("Euroclear") and Clearstream Banking, <i>société anonyme</i> ("Clearstream, Luxembourg") and/or any other relevant clearing system and each Global Note which is intended to be issued in new global note form (a "New Global Note" or "NGN"), as specified in the relevant Final Terms, will be deposited on or around the relevant issue date with a common safekeeper for Euroclear and/or Clearstream, Luxembourg. Each Temporary Global Note will be exchangeable for a Permanent Global Note or, if so specified in the relevant Final Terms, for individual notes in definitive form ("Definitive Notes"). If the TEFRA D Rules are specified in the relevant Final Terms as applicable, certification as to non-U.S. beneficial ownership will be a condition precedent to any exchange of an interest in a Temporary Global Note or receipt of any payment of interest in respect of a Temporary Global Note. Each Permanent Global Note will be exchangeable for Definitive Notes in accordance with its terms. Definitive Notes will, if interest-bearing, have Coupons attached and, if appropriate, a Talon for further Coupons.</p> <p>Each Tranche of Registered Notes will be in the form of either individual Note Certificates in registered form ("Individual Note Certificates") or a global Note in registered form (a "Global Registered Note"), in each case as specified in the relevant Final Terms. Each Tranche of Notes represented by a Global Registered Note will either be: (a) in the case of</p>

a Note which is not to be held under the new safekeeping structure ("**New Safekeeping Structure**" or "**NSS**"), registered in the name of a common depository (or its nominee) for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and the relevant Global Registered Note will be deposited on or about the issue date with the common depository; or (b) in the case of a Note to be held under the New Safekeeping Structure, be registered in the name of a common safekeeper (or its nominee) for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and the relevant Global Registered Note will be deposited on or about the issue date with the common safekeeper for Euroclear and/or Clearstream, Luxembourg.

If so specified in the applicable Final Terms, Investors may also hold interest in the Notes through Euroclear UK & Ireland Limited (formerly known as CREST Co Limited) ("**CREST**") through the issuance of dematerialised depository interests, held, settled and transferred through CREST ("**CDIs**"), representing interests in the relevant Notes underlying the CDIs (the "**Underlying Notes**"). CDIs are independent securities constituted under English law and transferred through CREST and will be issued by CREST Depository Limited (the "**CREST Depository**") pursuant to the global deed poll dated 25 June 2001 (as subsequently modified, supplemented and/or restated). Neither the Notes nor any rights attached thereto will be issued, held, transferred or settled within the CREST system other than through the issue, holding, transfer and settlement of CDIs. Holders of CDIs will not be entitled to deal directly in the Notes and, accordingly, all dealings in the Notes will be effected through CREST in relation to the holdings of CDIs.

Security Identification Number(s): In respect of each Tranche of Notes, the relevant security identification number(s) will be specified in the relevant Final Terms.

Issue Specific Summary:

[The Notes shall be consolidated and form a single series with the [insert description of the Series] on [insert date/the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as specified in the relevant Final Terms.]

Series Number : [•]

Tranche Number: [•]

Aggregate Nominal Amount: [•]

[(i) Series: [•]]

[(ii) Tranche: [•]]

		<p>ISIN Code: [•]</p> <p>Common Code: [•]</p> <p>Any clearing system(s) [Not Applicable/ give name(s) and other than Euroclear Bank number(s)] S.A./N.V. and Clearstream Banking, <i>société anonyme</i> and the relevant identification number(s):</p> <p>The Notes are [£/€/\$/[•]] [[•] per cent./Floating Rate/ Zero Coupon] Notes due [•].</p> <p>[Bearer Notes:]</p> <p>[Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note.]</p> <p>[Temporary Global note exchangeable for Definitive Notes on [•] days' notice.]</p> <p>[Permanent Global Note exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note.]</p> <p>[Registered Notes:]</p> <p>[Global Registered Note exchangeable for Individual Note Certificates in the limited circumstances specified in the Global Registered Note.]</p> <p>[CREST Depository Interests:]</p> <p>[Holders of 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:	<p>Notes may be denominated in pounds sterling, euro, dollars or in any other currency or currencies, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements. Payments in respect of Notes may, subject to such compliance, be made in and/or linked to, any currency or currencies other than the currency in which such Notes are denominated.</p> <p><i>Issue Specific Summary:</i></p>

		[The currency of the Notes is [•].]
C.5	Transferability:	<p>The Issuer and the Dealers have agreed restrictions on offers, sales and deliveries of Notes and on the distribution of offering material in the United States of America, the European Economic Area, the United Kingdom, Jersey, Guernsey, Isle of Man and Japan.</p> <p>The Issuer is Category 2 for the purposes of Regulation S under the Securities Act, as amended.</p> <p>The Notes in bearer form for US federal income tax purposes will be issued in compliance with U.S. Treasury Regulations §1.163-5(c)(2)(i)(D) (the "TEFRA D Rules") unless (i) the relevant Final Terms states that Notes are issued in compliance with U.S. Treasury Regulations §1.163-5(c)(2)(i)(C) (the "TEFRA C Rules") or (ii) the Notes are issued other than in compliance with the TEFRA D Rules or the TEFRA C Rules but in circumstances in which the Notes will not constitute "registration required obligations" under the United States Tax Equity and Fiscal Responsibility Act of 1982 ("TEFRA"), which circumstances will be referred to in the relevant Final Terms as a transaction to which TEFRA is not applicable.</p> <p>Subject thereto, the Notes will be freely transferable.</p> <p><i>Issue specific summary:</i></p> <p>Regulation S Compliance Category 2; [TEFRA C/TEFRA D/TEFRA not applicable.]]</p>
C.8	The Rights Attaching to the Securities, including Ranking and Limitations to those Rights:	<p>Issue Price</p> <p>Notes may be issued at their nominal amount or at a discount or premium to their nominal amount. The issue price will be determined by the Issuer prior to the offering of each Tranche after taking into account certain factors including market conditions.</p> <p><i>Issue specific summary:</i></p> <p>[[•] per cent. of the Aggregate Nominal Amount [plus accrued interest from [•]]</p> <p>Denominations</p> <p>Notes will be issued in such denominations as may be specified in the relevant Final Terms, subject to compliance with all legal and/or regulatory requirements.</p> <p><i>Issue specific summary:</i></p>

[Specified Denomination: [•]]

Status of the Notes: The Notes constitute direct, general, unconditional and unsubordinated obligations of the Issuer which rank at least *pari passu* 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.

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.

Gearing covenant: So long as any Note remains outstanding (as defined in a trust deed dated 11 February 2013 (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.

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.

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>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>Interest: Notes may be interest-bearing or non-interest bearing. Interest (if any) may accrue at a fixed rate or a floating rate based upon the Euro Interbank Offered Rate ("EURIBOR") or the London Interbank Offered Rate ("LIBOR"). In respect of each Tranche of Notes, the date from which interest becomes payable and the due dates for interest, the maturity date the repayment procedures and an indication of yield will be specified in the relevant Final Terms.</p> <p>Fixed Rate Notes: Fixed interest will be payable in arrear on the date or dates in each year specified in the Final Terms.</p> <p><i>Issue specific summary:</i></p> <p>[Fixed Rate Notes are not being issued pursuant to these Final Terms]</p> <p>[Rate[(s)] of interest: [•] per cent. per annum payable [•] in arrear on each Interest Payment Date</p> <p>Interest Payment Date(s): [•] in each year</p> <p>Fixed Coupon Amount[(s)]: [•] per Calculation Amount]</p> <p>Floating Rate Notes:</p> <p>Floating Rate Notes will bear interest as follows:</p> <p>(i) on the same basis as the floating rate under a notional interest rate on swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc.; or</p> <p>(ii) by reference to LIBOR or EURIBOR as adjusted for any margin.</p> <p>Interest periods will be specified in the relevant Final Terms.</p> <p><i>Issue specific summary:</i></p>

[Floating Rate Notes are not being issued pursuant to these Final Terms]

[Interest Period(s): [•]

Specified Period: [•]

Specified Interest Payment Dates: [Not Applicable/[•], subject to adjustment in accordance with the Business Day Convention set out below]

First Interest Payment Date: [•]

Business Day Convention: [Floating Rate Convention/ Following Business Day Convention/ Modified Following Business Day Convention/Preceding Business Day Convention]]

Margin(s): [+/-][•] per cent. per annum

Minimum Rate of Interest: [[•] per cent. per annum/Not Applicable]

Maximum Rate of Interest: [[•] per cent. per annum/Not Applicable]

: Manner in which the Rate(s) of Interest is/are to be determined: [Screen Rate Determination/ISDA Determination]

Zero Coupon Notes:

Zero Coupon Notes (as defined in "*Terms and Conditions of the Notes*") may be issued at their nominal amount or at a discount to it and will not bear interest.

Issue specific summary:

[Zero Coupon Notes are not being issued pursuant to these Final Terms.]

[Accrual Yield: [•] per cent. per annum.]

[Reference Price: [•].]

Maturities: Any maturity, subject, in relation to specific currencies, to compliance with all applicable legal and/or regulatory and/or central bank requirements.

Any Notes having a maturity of less than one year must (a) have a minimum redemption value of £100,000 (or its equivalent in other currencies) and be issued only to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses; or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses or (b) be issued in other circumstances which do not constitute a contravention of section 19 of the Financial Services and Markets Act 2000, as amended ("FSMA") by the Issuer.

Issue specific summary:

[*Maturity Date:* Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed on [•]/ the Interest Payment Date falling in or nearest to [•]]

Redemption: Notes may be redeemable at par or at such other Redemption Amount as may be specified in the relevant Final Terms.

Issue specific summary:

[*Final Redemption Amount:* Unless previously redeemed, or purchased and cancelled, each Note will be redeemed at its Final Redemption Amount of [•].]

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.

Issue specific summary:

[*Redemption at the Option of the Issuer:* The Notes may be redeemed at the option of the Issuer [in whole]/[in whole or in part] on [•] at the [Optional Redemption Amount (Call)]/[Sterling Make-Whole Amount]/[Non-Sterling Make-Whole Amount]:

(i) Optional Redemption [•]
Date(s):

(ii) Optional Redemption [[•] per Calculation Amount][Sterling Amount(s) and method, Make-Whole Amount][Non-Sterling if any, of calculation of Make-Whole Amount]]
such amount(s):

[(a) Reference Bond: [•][FA Selected Bond][Not Applicable]

[(b) Quotation Time: [•]

		<p>[(c) Redemption Margin: [[•] per cent./ Not Applicable]</p> <p>(iii) If redeemable in part:</p> <p>(a) Minimum Redemption Amount: [•] per Calculation Amount</p> <p>(b) Maximum Redemption Amount: [•] per Calculation Amount</p> <p>(iv) Notice period: [•]</p> <p><i>[Redemption at the Option of the Noteholders: The Issuer shall, at the option of the holder of any Note redeem such Note on [•] at [•] together with interest (if any) accrued to such date.]</i></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: The yield of each Tranche of Notes will be calculated on an annual or semi-annual basis using the relevant Issue Price at the relevant Issue Date.</p> <p>Issue specific summary: [Yield: Based upon the Issue Price of [•], at the Issue Date the anticipated yield of the Notes is [•] 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:	<p>Applications have been made for Notes to be admitted during the period of twelve months after the date hereof to listing on the Official List of the FCA and to trading on the Regulated Market of the London Stock Exchange plc (the "London Stock Exchange") [and through the electronic order book for retail bonds (the "ORB")].</p> <p>Issue specific summary: <i>[Application has 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 ORB].]</i></p>

[Application has been made for the Notes to be admitted to listing, trading and/or quotation by [•].]

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. Any deterioration in UK economic conditions could lead to generally weaker than expected growth, contracting GDP, reduced business confidence, higher levels of unemployment, rising inflation, potentially higher interest rates and falling property prices which could consequently lead to an increase in delinquency rates and default rates by the Group's customers. Any adverse changes in credit quality and loan recoverability could have a material adverse effect on the Group's reputation, business, results of operations, profitability or financial condition which could adversely impact the Issuer's ability to fulfil its obligations under the Notes. • 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 fluctuations in interest rates, employment levels, taxation and other factors that determine disposable income and demand for rental property. 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 interest rates, and interest rates are not determined by reference to LIBOR so increases cannot be passed on to borrowers. • Increasing competition in all of the core markets in which it operates. • 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. • The Prudential Regulation Authority of the United Kingdom regulates the activities of Paragon Bank, the Issuer and the Group in connection with the Group's banking activities. Any regulatory action in the event of a bank failure by Paragon Bank could materially adversely affect the value of the Notes.
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		<ul style="list-style-type: none"> 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.

Section E - Offer		
E.2b	Reasons for the Offer and Use of Proceeds:	<p>The net proceeds from each issue of Notes will be used for the general financing purposes of the Group. If, in respect of any particular issue, there is a particular identified use of proceeds, this will be stated in the applicable Final Terms.</p> <p><i>Issue specific summary:</i></p> <p>[Reasons for the offer: [•]]</p> <p>Use of proceeds: [•]]</p>

E.3	Terms and Conditions of the Offer:	<p>Notes may be issued at any price as specified in the relevant Final Terms. The price and amount of Notes to be issued under the Programme will be determined by the Issuer and the relevant Dealer(s) at the time of issue in accordance with prevailing market conditions.</p> <p><i>Issue specific summary:</i></p> <p>[Not Applicable. The Notes are in denominations of at least €100,000 (or its equivalent in any other currency).]</p> <p>[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> <p>Offer Price: [•]</p> <p>Conditions to which the offer is subject: [Not Applicable/[•]]</p> <p>Total amount of the offer: [Not Applicable/[•]]</p> <p>Description of arrangements and timing for announcing the offer to the public: [Not Applicable/[•]]</p> <p>Offer Period including any possible amendments, during which the offer will be open: [The period from [[•] until [•]/[the Issue Date]/[the date which falls [•] days thereafter]</p> <p>Description of the application process: [Not Applicable/[•]]</p> <p>Description of possibility to reduce subscriptions and manner for refunding excess amount paid by applicants: [Not Applicable/[•]]</p> <p>Details of the minimum and/or maximum amount of application: [Not Applicable/[•]]</p> <p>Details of the method and time limits for paying up and delivering the Notes: [Not Applicable/[•]]</p>
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E.4	Interests Material to the Issue:	<p>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.</p> <p><i>Issue specific summary:</i></p>

		The following additional interest(s) are material to issues of the Notes: [•].
E.7	Estimated Expenses:	<p>It is not anticipated that the Issuer will charge any expenses to investors in connection with any issue of Notes. Other Authorised Offerors may, however, charge expenses to investors. Such expenses (if any) will be determined on a case by case basis but would be expected to be 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.</p> <p>[There are no expenses charged to an Investor by the Issuer]/[No expenses are being charged to an Investor by the Issuer, however, expenses may be charged by an Authorised Offeror in the range of between [•] per cent. and [•] per cent. of the nominal amount of the Notes to be purchased by the relevant Investor.]</p> <p>[No expenses will be chargeable by the Issuer [or the Authorised Offeror(s)] to an Investor in connection with any offer of Notes./Expenses may be chargeable to Investors by the Authorised Offeror(s); these are beyond the control of the Issuer and are not set by the Issuer. Such expenses may vary depending on the size of the amount of Notes subscribed for and the Investor's arrangements with the Authorised Offeror(s). The estimated expenses chargeable to the Investor by the Authorised Offeror(s) are [•].]</p>