

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

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

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

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# Paragon Banking Group PLC

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

## NOTICE OF ANNUAL GENERAL MEETING

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Your attention is drawn to the letter from the Chairman of Paragon Banking Group PLC (the 'Company') which is set out on page 1 of this document and which recommends you to vote in favour of the resolutions to be proposed at the Annual General Meeting.

The Notice of Annual General Meeting of the Company to be held at the offices of Jefferies International Limited at Vintners Place, 68 Upper Thames Street, London, EC4V 3BJ on Thursday 14 February 2019 at 9.00am is set out on pages 6 to 8 of this document.

Shareholders will also find enclosed with this document a proxy form for use in connection with the Annual General Meeting. **To be valid, the proxy form should be completed, signed and returned in accordance with the instructions printed on it, as soon as possible and, in any event, so as to reach the Registrars of the Company by no later than 9.00am on Tuesday 12 February 2019.** Completion and return of a proxy form will not preclude shareholders from attending and voting at the Annual General Meeting should they choose to do so. Further instructions relating to the proxy form are set out in the notes to the Notice of Annual General Meeting.



# Paragon Banking Group PLC

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

## **Registered and Head Office:**

51 Homer Road  
Solihull  
West Midlands  
B91 3QJ

28 November 2018

To all Shareholders

## **NOTICE OF ANNUAL GENERAL MEETING**

Dear Shareholder

I am pleased to advise you that our Annual General Meeting ('AGM') will be held at the offices of Jefferies International Limited at Vintners Place, 68 Upper Thames Street, London, EC4V 3BJ on Thursday 14 February 2019 at 9.00am.

The resolutions to be proposed at the meeting are set out in the Notice of AGM (the 'Notice') on pages 6 to 8. If you would like to vote on the resolutions but are unable to attend the AGM, please complete the proxy form sent to you with this Notice and return it to our Registrars as soon as possible. They must receive it by 9.00am on Tuesday 12 February 2019 for your vote to count.

Explanatory notes on the proposed resolutions to be considered at the AGM appear on pages 2 to 5 of this document.

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

The directors consider that all the resolutions to be put to the meeting are in the best interests of the Company and its shareholders as a whole. Accordingly, the Board (other than, in the case of resolutions 4 to 12, the director proposed for reappointment in each resolution) unanimously recommends that members vote in favour of each resolution.

Yours sincerely

**Fiona Clutterbuck**

Chairman

# Explanation of the proposed resolutions

## **RESOLUTION 1 (ANNUAL REPORT AND ACCOUNTS)**

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

## **RESOLUTION 2 (DIRECTORS' REMUNERATION REPORT)**

The Directors' Remuneration Policy must be put to a vote at least every three years or sooner if there are any changes required to the policy. The policy was approved at the AGM on 9 February 2017 and no changes are being proposed to it. Consequently, shareholders are this year being asked only to consider and approve the Directors' Remuneration Report (excluding the Policy Report (found at section B5 of the Annual Report and Accounts 2018). This vote is advisory only and the directors' entitlement to remuneration is not conditional on it being passed.

## **RESOLUTION 3 (DECLARATION OF A FINAL DIVIDEND)**

Under the Articles of Association of the Company, a final dividend must be approved by shareholders by ordinary resolution. An interim dividend may, however, be authorised by the Board and the interim dividend of 5.5 pence per ordinary share paid on 27 July 2018 was so approved. The directors are recommending that shareholders declare a final dividend of 13.9 pence per ordinary share in respect of the year ended 30 September 2018. The amount declared as a final dividend may not exceed the amount recommended by directors. If approved, the final dividend will be paid on 18 February 2019 to shareholders on the Register of Members at close of business on 11 January 2019.

## **RESOLUTIONS 4 TO 12 INCLUSIVE (REAPPOINTMENT OF DIRECTORS)**

Under Article 85 of the Company's Articles of Association certain directors are required to submit themselves for reappointment. In accordance with the UK Corporate Governance Code (the 'Code') however, the Board of Directors has decided that it is appropriate for all directors to submit themselves for reappointment on an annual basis. Accordingly, all current directors, other than Mr Fletcher and Mr Newberry who have announced their intention to step down from the Board before the meeting, will retire and seek reappointment at the AGM.

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

Further biographical information on the directors, detailing their business knowledge and experience, can be found in section B2 of the Annual Report and Accounts circulated with this Notice.

## **RESOLUTIONS 13 AND 14 (REAPPOINTMENT AND REMUNERATION OF THE AUDITORS)**

At each meeting at which Accounts are laid before the members, the Company is required to appoint auditors to serve from the conclusion of that meeting until the conclusion of the next such meeting. The Company's present auditors, KPMG LLP, have confirmed that they are willing to continue in office for a further year. Resolution 13 proposes KPMG LLP be reappointed. Resolution 14 gives authority to the Board, acting through the Audit Committee, to determine the auditors' remuneration. The remuneration will then be disclosed in the next Accounts of the Company.

# Explanation of the proposed resolutions

## RESOLUTION 15 (RENEWAL OF AUTHORITY TO ALLOT SHARES)

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

The present authority of the directors to allot shares of the Company was granted at the AGM on 15 February 2018 and will expire at the end of the forthcoming AGM. Resolution 15 seeks to give the directors authority to allot shares or grant rights to subscribe for or convert any security into shares up to an aggregate nominal value of £86,800,000 representing approximately one third of the Company's issued share capital, excluding treasury shares, at 26 November 2018, the latest practicable date prior to publication of this Notice. At 26 November 2018 the Company held 20,800,284 treasury shares, representing 8.0 percent of the Company's issued share capital, excluding treasury shares, at that date. The directors have no present intention of exercising this authority, which will expire at the conclusion of the following AGM or, if earlier, at the close of business on 13 May 2020. For information, allotments are made in connection with the Company's employee share schemes, from time to time, for which statute provides an exemption from the requirement to obtain authority under section 551 of the Act.

## RESOLUTIONS 16 AND 17 (RENEWAL OF SECTION 561 AUTHORITY)

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

The authority given at the AGM held on 15 February 2018 will expire at the end of the forthcoming AGM and resolutions 16 and 17 seek to renew it. These resolutions would give the directors the power to allot ordinary shares (or sell any ordinary shares which the Company elects to hold in treasury) for cash without first offering them to existing shareholders in proportion to their existing shareholdings.

The power under resolution 16 would be, similar to previous years, limited to: (a) allotments or sales in connection with pre-emptive offers and offers to holders of other equity securities if required by the rights of those shares or as the Board otherwise considers necessary; or (b) otherwise up to a nominal amount of £13,000,000 (representing 13,000,000 ordinary shares). This nominal amount represents approximately 5 percent of the issued ordinary share capital of the Company (excluding treasury shares) as at 26 November 2018, the latest practicable date prior to publication of this Notice.

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

The power under resolution 17 would be limited to allotments up to a nominal amount of £13,000,000 (representing 13,000,000 ordinary shares) in connection with an acquisition or specified capital investment (within the meaning given in the Pre-Emption Group's Statement of Principles). This nominal amount represents approximately 5 percent of the issued ordinary share capital of the Company (excluding treasury shares) as at 26 November 2018, the latest practicable date prior to publication of this Notice).

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

The authorities under resolutions 16 and 17 will expire at the conclusion of the following AGM or, if earlier, at the close of business on 13 May 2020.

# Explanation of the proposed resolutions

## **RESOLUTION 18 (RENEWAL OF AUTHORITY TO PURCHASE OWN ORDINARY SHARES)**

Resolution 18 is to renew the authority granted to the Company at the 2018 AGM to purchase its shares. Whilst the Directors have no current intention of using this authority to make market purchases, this resolution provides the flexibility to allow them to do so in the future. The Company would only purchase its shares where the Directors believed that to do so would result in an increase in total return per share and that it was in the best interests of shareholders generally.

The Company currently has the necessary shareholder approval to undertake such share buy-backs and is proposing the appropriate renewal of this authority at its 2019 AGM. This resolution, which is being proposed as a special resolution, will enable the Company to purchase, in the market, up to a maximum aggregate number of 26,000,000 of the Company's ordinary shares (approximately 10 percent of the issued share capital (excluding treasury shares) as at 26 November 2018) for cancellation, or to be held in treasury, at a minimum price (exclusive of expenses) of 10p per share and a maximum price (exclusive of expenses) of the higher of: (i) 5 percent above the average middle market quotation for an ordinary share as derived from the London Stock Exchange Daily Official List for the five business days immediately prior to purchase; and (ii) the higher of the price of the last independent trade and the highest current independent purchase bid on the trading venue where the purchase is carried out. Any shares purchased under this authority will be held as treasury shares. Listed companies, with authorisation from shareholders, may buy and hold their own shares in treasury instead of cancelling them immediately. Shares held as treasury shares can in the future be cancelled, re-sold or used to provide shares for employee share schemes.

Any purchases made by the Company will be announced no later than 7.30am on the business day following the transaction. This authority will expire at the conclusion of the following AGM or, if earlier, at the close of business on 13 May 2020.

## **RESOLUTION 19 (AUTHORITY TO ALLOT EQUITY SECURITIES IN RELATION TO THE ISSUE OF ADDITIONAL TIER 1 SECURITIES)**

The power under resolution 19 would give the Board authority to allot shares in the Company or grant rights to subscribe for, or to convert any security into, shares in the Company up to an aggregate nominal amount of £39,120,000 in connection with the issue of Additional Tier 1 Securities ('AT1 Securities'), representing approximately 15 percent of the issued ordinary share capital of the Company, excluding treasury shares, as at 26 November 2018 (being the latest practicable date prior to publication of this Notice). The authority under this resolution is in addition to the authority proposed under resolution 15. The authority sought under resolution 19 is not contemplated by the guidance issued by the Investment Association.

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

The authority under resolution 19 will expire at the end of the next AGM (or, if earlier, at the close of business on 13 May 2020).

## **RESOLUTION 20 (AUTHORITY TO DISAPPLY PRE-EMPTION RIGHTS IN RELATION TO THE ISSUE OF ADDITIONAL TIER 1 SECURITIES)**

The power under resolution 20 would give the Board authority to allot equity securities pursuant to any proposal to issue AT1 Securities, without first offering them to existing shareholders. This authorises the Board to allot shares in the Company or grant rights to subscribe for, or to convert any security into, shares in the Company on a non pre-emptive basis up to an aggregate nominal amount of £39,120,000 in connection with the issue of AT1 Securities, representing approximately 15 percent of the Company's issued ordinary share capital, excluding treasury shares, as at 26 November 2018 (the latest practicable date prior to publication of this document). Together with resolution 19, this resolution, which is being proposed as a special resolution, is intended to provide the Board with the flexibility to issue AT1 Securities which may convert into ordinary shares in the Company. This will allow the Company to manage its capital in the most efficient and economic way for the benefit of shareholders.

The authority under resolution 20 will expire at the end of the next AGM (or, if earlier, at the close of business on 13 May 2020).

# Explanation of the proposed resolutions

## **RESOLUTION 21 (NEW SHARES SAVE PLAN)**

The Paragon UK Sharesave Plan 2009 expires for the purposes of new option grants in February 2019 and shareholders are being asked to approve the Paragon Sharesave Plan 2019 as a replacement for the existing plan. Like the 2009 plan, the 2019 plan is an all employee share plan which is designed to satisfy the requirements of the applicable UK tax legislation so as to provide beneficial tax treatment to participants and the Company. A summary of the principal terms of the new plan is set out in the Appendix to this Notice. A copy of the draft rules of the 2019 Sharesave Plan will be available for inspection at the Company's registered office during normal business hours on any weekday until the close of the AGM and at the place of the AGM for at least 15 minutes prior to and during the AGM.

## **RESOLUTION 22 (NOTICE PERIOD FOR GENERAL MEETINGS TO BE 14 CLEAR DAYS)**

Shareholders may give approval, by special resolution, to shorten the notice period required for general meetings (other than AGMs) from 21 clear days to 14 clear days. At the AGM on 15 February 2018 shareholders approved the reduction of the notice period for general meetings (other than AGMs) to 14 clear days. In order to preserve this reduction, resolution 22 seeks to renew this approval. The approval will be effective until the Company's next AGM, when it is intended that a similar resolution will be proposed. The shorter notice period will not be used as a matter of routine, but only in time-sensitive circumstances where flexibility is merited by the business of the meeting and the shorter notice period is to the advantage of the shareholders as a whole.

# Notice of Annual General Meeting

## To all shareholders

NOTICE IS HEREBY GIVEN that the thirtieth Annual General Meeting of Paragon Banking Group PLC (the 'Company') will be held at the offices of Jefferies International Limited at Vintners Place, 68 Upper Thames Street, London, EC4V 3BJ on Thursday 14 February 2019 at 9.00am to transact the business set out in the resolutions below.

**Resolutions 1 to 15 (inclusive) and Resolutions 19 and 21** are proposed as ordinary resolutions. This means that for each of those resolutions to be passed, more than 50 percent of the votes cast must be in favour of the resolution.

**Resolutions 16, 17, 18, 20, and 22** are proposed as special resolutions. This means that for each of those resolutions to be passed, at least 75 percent of the votes cast must be in favour of the resolution.

- 1 To receive and consider the Company's Annual Report and Accounts for the year ended 30 September 2018, the Strategic Report and the Reports of the Directors and the Auditors.
- 2 To consider and approve the Directors' Remuneration Report for the year ended 30 September 2018, excluding the Directors' Remuneration Policy.
- 3 To declare a final dividend of 13.9 pence per ordinary share payable to holders of ordinary shares registered at the close of business on 11 January 2019.
- 4 To reappoint as a director of the Company Fiona Clutterbuck.
- 5 To reappoint as a director of the Company Nigel Terrington.
- 6 To reappoint as a director of the Company Richard Woodman.
- 7 To reappoint as a director of the Company John Heron.
- 8 To reappoint as a director of the Company Peter Hartill.
- 9 To reappoint as a director of the Company Hugo Tudor.
- 10 To reappoint as a director of the Company Barbara Ridpath.
- 11 To reappoint as a director of the Company Finlay Williamson.
- 12 To reappoint as a director of the Company Graeme Yorston.
- 13 To reappoint KPMG LLP as auditors of the Company, to hold office from the conclusion of this meeting until the conclusion of the next general meeting at which Accounts are laid before the members.
- 14 To authorise the directors to fix the remuneration of the auditors.
- 15 THAT the Board be and it is hereby generally and unconditionally authorised (in substitution for all subsisting authorities to the extent unused) to exercise all powers of the Company to allot shares in the Company and to grant rights to subscribe for or convert any security into shares in the Company up to an aggregate nominal amount of £86,800,000 PROVIDED THAT this authority shall expire at the end of the next Annual General Meeting of the Company (or, if earlier, at the close of business on 13 May 2020) but in each case, prior to its expiry, the Company may make offers, or enter into agreements, which would or might require shares to be allotted or rights to subscribe for or convert securities into shares to be granted after such expiry and the Board may allot shares or grant rights to subscribe for or convert securities into shares under any such offer or agreement as if the authority had not expired.

# Notice of Annual General Meeting

16 THAT, subject to the passing of resolution 15, the Board be authorised to allot equity securities (as defined in section 560 of the Companies Act 2006) for cash under the authority given by resolution 15 and/or to sell ordinary shares held by the Company as treasury shares for cash as if section 561 of the Companies Act 2006 did not apply to any such allotment or sale, such authority to be limited:

- (a) to the allotment of equity securities in connection with a rights issue, open offer or any other pre-emptive offer in favour of ordinary shareholders and in favour of all holders of any other class of equity security in accordance with the rights attached to such class where the equity securities respectively attributable to the interests of all such persons on a fixed record date are proportionate (as nearly as may be) to the respective numbers of equity securities held by them or are otherwise allotted in accordance with the rights attaching to such equity securities (subject in either case to such exclusions or other arrangements as the Board may deem necessary or expedient to deal with treasury shares, fractional entitlements, record dates or legal or practical problems arising in any overseas territory, the requirements of any regulatory body or any stock exchange in any territory or any other matter whatsoever); and
- (b) to the allotment of equity securities or sale of treasury shares (otherwise than under paragraph (a) above) up to a nominal amount of £13,000,000 (representing not more than 5 percent of the Company's issued ordinary share capital excluding treasury shares),

such authority to expire at the end of the next Annual General Meeting of the Company (or, if earlier, at the close of business on 13 May 2020) but, in each case, prior to its expiry the Company may make offers, and enter into agreements, which would, or might, require equity securities to be allotted (and treasury shares to be sold) after the authority expires and the Board may allot equity securities (and sell treasury shares) under any such offer or agreement as if the authority had not expired.

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

- (a) limited to the allotment of equity securities or sale of treasury shares up to a nominal value of £13,000,000; and
- (b) used only for the purposes of financing (or refinancing, if the authority is to be used within six months after the original transaction) a transaction which the Board of the Company determines to be an acquisition or other capital investment of a kind contemplated by the Statement of Principles on Disapplying Pre-Emption Rights most recently published by the Pre-Emption Group prior to the date of this Notice,

such authority to expire at the end of the next Annual General Meeting of the Company (or, if earlier, at the close of business on 13 May 2020) but, in each case, prior to its expiry the Company may make offers, and enter into agreements, which would, or might, require equity securities to be allotted (and treasury shares to be sold) after the authority expires and the Board may allot equity securities (and sell treasury shares) under any such offer or agreement as if the authority had not expired.

18 THAT the Company be and is hereby generally and unconditionally authorised for the purposes of section 701 of the Companies Act 2006 (the 'Act') to make one or more market purchases (within the meaning of section 693(4) of the Act) on the London Stock Exchange PLC of ordinary shares of £1 each in the share capital of the Company ('Ordinary Shares') PROVIDED THAT:

- (a) the maximum aggregate number of Ordinary Shares hereby authorised to be purchased is 26,000,000 (representing approximately 10 percent of the Company's issued ordinary share capital excluding treasury shares);
- (b) the minimum price (exclusive of expenses) which may be paid for an Ordinary Share is 10p;
- (c) the maximum price (exclusive of expenses) which may be paid for an Ordinary Share is the higher of: (i) an amount equal to 105 percent of the average of the middle market price shown in the quotations for an Ordinary Share as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the Ordinary Share is contracted to be purchased; and (ii) the higher of the price of the last independent trade and the highest current independent purchase bid on the trading venue where the purchase is carried out;

# Notice of Annual General Meeting

- (d) unless previously renewed, varied or revoked, the authority hereby conferred shall expire on the earlier of the conclusion of the next Annual General Meeting of the Company and the close of business on 13 May 2020; and
- (e) the Company may make a contract or contracts to purchase Ordinary Shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiry of such authority, and may make a purchase of Ordinary Shares in pursuance of any such contract or contracts as if the authority had not expired.
- 19 THAT, in addition to the authority granted under resolution 15 (if passed), the Board be and it is hereby generally and unconditionally authorised to exercise all powers of the Company to allot shares in the Company and to grant rights to subscribe for or convert any security into shares in the Company up to an aggregate nominal amount of £39,120,000 in relation to the issue by the Company or any subsidiary or subsidiary undertaking of the Company of any Additional Tier 1 Securities that automatically convert into or are exchanged for ordinary shares in the Company in prescribed circumstances where the directors consider that the issue of such Additional Tier 1 Securities would be desirable, including for the purpose of complying with, or maintaining compliance with, the regulatory requirements or targets applicable to the Company and its subsidiaries and subsidiary undertakings from time to time PROVIDED THAT this authority shall expire at the end of the next Annual General Meeting of the Company (or, if earlier, at the close of business on 13 May 2020) but in each case, prior to its expiry the Company may make offers, and enter into agreements which would, or might, require shares to be allotted or rights to subscribe for or convert securities into shares to be granted after the authority expires and the Board may allot shares or grant rights to subscribe for or convert securities into shares under such an offer or agreement as if the authority had not expired.
- 20 THAT, subject to the passing of resolution 19 and in addition to the power granted pursuant to resolution 17 (if passed), the Board be authorised to allot equity securities (as defined in section 560 of the Companies Act 2006) for cash under the authority given in resolution 19 up to an aggregate nominal amount of £39,120,000 in relation to the issue of Additional Tier 1 Securities as if section 561 of the Companies Act 2006 did not apply to any such allotment, such authority to expire at the end of the next Annual General Meeting of the Company (or, if earlier, at the close of business on 13 May 2020) but, in each case, prior to its expiry the Company may make offers, or enter into agreements which would, or might, require equity securities to be allotted after the authority expires and the Board may allot equity securities under any such offer or agreement as if the authority had not expired.
- 21 THAT, the rules of the Paragon Sharesave Plan 2019 (the '2019 Sharesave Plan'), in the form produced in draft to the meeting and initialled by the Chairman of the meeting for the purposes of identification and the principal terms of which are summarised in the Appendix to the circular containing the Company's 2019 Notice of Annual General Meeting, be and they are hereby approved and the Directors be and are generally authorised to:
- (a) make such modifications to the 2019 Sharesave Plan as they may consider appropriate to take account of the requirements of HM Revenue & Customs and best practice and for the implementation of the 2019 Sharesave Plan and to adopt the 2019 Sharesave Plan and to do all acts and things that they consider necessary or expedient to give effect to the 2019 Sharesave Plan; and
- b) establish further plans based on the 2019 Sharesave Plan but modified to take account of local tax, exchange control or securities laws in overseas territories, provided that any share made available under such further schemes are treated as counting against any limits on individual or overall participation in the 2019 Sharesave Plan.
- 22 THAT a general meeting other than an annual general meeting may be called on not less than 14 clear days' notice.

By order of the Board

**Pandora Sharp**

Company Secretary

Registered and Head Office  
51 Homer Road  
Solihull  
West Midlands B91 3QJ  
28 November 2018

Registered in England and Wales under number 2336032

# Notes

The Annual General Meeting ('AGM') is a private meeting for shareholders, proxies, duly authorised representatives and the Company's auditors. Non-shareholders, including spouses and partners and nominated persons are not entitled to admission to the meeting. Any disabled shareholder may be accompanied and the person accompanying them need not be a shareholder. In the case of joint holders of a share, the vote of the senior holder who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders and, for this purpose, seniority shall be determined by the order in which the names stand in the Register of Members of the Company in respect of the relevant joint holding.

## APPOINTMENT OF PROXIES

A member entitled to attend and vote at this meeting may appoint another person as their proxy to exercise all or any of their rights to attend and to speak and vote at a meeting of the Company. A member may appoint more than one proxy in relation to the AGM provided that the member specifies the number of shares in relation to which each proxy is appointed and each proxy is appointed to exercise the rights attached to a different share or shares held by that member. A proxy need not also be a member of the Company. A proxy form is enclosed for use in connection with the meeting. Proxy forms and any power of attorney or other written authority under which they are executed (or an office or notarially certified copy thereof) should be lodged with the Registrars of the Company at the address shown on the proxy form by 9.00am on Tuesday 12 February 2019. The appointment of a proxy or any CREST Proxy Instruction (as described below) will not preclude a shareholder from attending and voting at the meeting.

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

To be entitled to attend and vote at the AGM (and for the purpose of the determination by the Company of the votes they may cast), shareholders must be registered in the Register of Members of the Company at the close of business on Tuesday 12 February 2019 (or, in the event of any adjournment, on the date which is two days before the time of the adjourned meeting). Changes to the Register of Members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.

## NOMINATED PERSONS

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

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

# Notes

## **ELECTRONIC PROXY APPOINTMENT THROUGH CREST**

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

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications, and must contain the information required for such instruction, as described in the CREST Manual (available via [www.euroclear.com](http://www.euroclear.com)). The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID number 3RA50) by 9.00am on Tuesday 12 February 2019. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Application Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

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

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

## **ELECTRONIC PROXY APPOINTMENT**

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

## **SHAREHOLDER QUESTIONS**

Any member attending the meeting has the right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the meeting but no such answer need be given if: (a) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information; (b) the answer has already been given on a website in the form of an answer to a question; or (c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

## **AUDIT INFORMATION ON WEBSITE**

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

# Notes

## INSPECTION DOCUMENTS

The Register of Directors' Interests, copies of directors' service contracts and letters of appointment of non-executive directors will be available for inspection during normal business hours on any weekday (public holidays excepted) at the Registered Office of the Company from the date of this Notice until the date of the AGM and at the place of the AGM from 8.30am on the date of such meeting until the conclusion thereof.

A copy of the draft rules of the 2019 Sharesave Plan will be available for inspection at the Company's registered office during normal business hours on any weekday (public holidays excepted) until the close of the AGM and at the place of the AGM for at least 15 minutes prior to and during the AGM.

## GENERAL

Biographical details of current directors are provided in section B2 of the Annual Report and Accounts circulated with this Notice.

As at 26 November 2018 (being the latest practicable date prior to the publication of this Notice) the Company's issued share capital consisted of 281,615,246 ordinary shares, carrying one vote each, of which 20,800,284 were held in treasury. Therefore, the total voting rights in the Company as at 26 November 2018 were 260,814,962.

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

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

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

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

# Notes

## APPENDIX - SUMMARY OF THE PRINCIPAL TERMS OF THE PARAGON SHARESAVE PLAN 2019

### INTRODUCTION

The Company has previously operated the Paragon UK Sharesave Plan 2009, which expires for the purposes of granting new options in February 2019. Subject to approval of the Paragon Sharesave Plan 2019 (the '2019 Sharesave Plan') at the Company's 2019 AGM, it is proposed that the 2019 Sharesave Plan will replace the existing plan. The 2019 Sharesave Plan is similar to the existing plan, but has been updated to reflect current practice and legislative changes.

### OVERVIEW

The 2019 Sharesave Plan is an 'all employee' share option plan, which is intended to satisfy the requirements of Schedule 3 to the Income Tax (Earnings and Pensions) Act 2003 and will give participating employees the opportunity to acquire ordinary shares of £1.00 each in the Company ('Shares'). The 2019 Sharesave Plan will be administered and operated by the Board or a duly authorised committee, and references in this summary to the Board should be read accordingly.

Shares may be acquired using savings of up to £500 per month or such other amount permitted under the relevant legislation governing UK 'tax-advantaged' SAYE plans from time to time (the 'Savings Limit') over a fixed period of three or five years.

### ELIGIBILITY

Each time that the Board decides to operate the 2019 Sharesave Plan, it must invite all employees of the Company and designated participating subsidiaries of the Company who are UK-resident taxpayers (including executive directors) to apply for options over Shares.

The Board may set a qualifying period of employment of up to five years.

### SAVINGS CONTRACTS

Under the 2019 Sharesave Plan, employees will be required to make regular savings under a savings contract (a 'Savings Contract') with a savings provider.

### EXERCISE PRICE

The proceeds of the Savings Contract can be used to exercise an option to acquire Shares at an exercise price set at the date of invitation. The exercise price may not be less than 80 percent (or such other percentage as may be permitted by the relevant UK legislation from time to time) of the market value of a Share at the date of invitation.

When calculating the market value of a Share for setting the exercise price, share prices may only be used from within the six week period following: (i) the approval of the 2019 Sharesave Plan by the Company's shareholders; (ii) the announcement of the Company's results for any period; (iii) any day on which changes to UK legislation affecting employee share schemes are proposed or made; (iv) any day on which a new Savings Contract is announced or comes into effect; or (v) any day on which the Board determines that exceptional circumstances exist. However, if restrictions apply on dealing in Shares during these periods, share prices in the period of six weeks following the relevant restriction being lifted may be used.

### EXERCISE OF OPTIONS

Ordinarily, an option may be exercised within six months of the date the Savings Contract matures.

# Notes

## APPENDIX - SUMMARY OF THE PRINCIPAL TERMS OF THE PARAGON SHARESAVE PLAN 2019

### CESSATION OF EMPLOYMENT

If an employee or director dies whilst holding an option, the participant's personal representatives will normally have up to a year from the date of the participant's death to exercise the option.

Options may also be exercised early for a period of up to six months from the date the participant ceases to be an employee or director with the Group (being the Company and all of its subsidiary undertakings) because of: (i) his or her injury or disability; (ii) redundancy or retirement; (iii) the sale of the entity that employs the participant out of the Group; or (iv) provided the option has been held for at least three years, any other reason apart from dismissal for misconduct.

If a participant ceases to be an employee or director with the Group in any other circumstances, any option held by the participant will lapse on the date on which the participant ceases employment.

### CORPORATE EVENTS

In the event of a takeover or winding up of the Company (which is not an internal reorganisation of the Group), options may be exercised early. Alternatively, options may be exchanged (with the agreement of the acquiring company) for equivalent options over shares in the acquiring company. Options will be exchanged (or will lapse) in the event of an internal reorganisation.

### OVERALL PLAN LIMITS

The 2019 Sharesave Plan may operate over new issue Shares, treasury Shares or Shares purchased in the market.

In any ten-year period, the Company may not issue (or grant rights to issue) more than 10 percent of the issued ordinary share capital of the Company under the 2019 Sharesave Plan and any other employee share plan adopted by the Company.

Treasury Shares will count as new issue Shares for the purposes of these limits unless institutional investors consider they need not count.

This limit may be adjusted in the event of a variation of the Company's share capital or similar events (see 'Variation of capital' below).

### VARIATION OF CAPITAL

In the event of any variation of the Company's share capital, the Board may make such adjustments as it considers appropriate to the number of Shares subject to an option, the exercise price applicable to an option or the limits on the maximum number of Shares that may be used in connection with the 2019 Sharesave Plan.

Any adjustment to an option may only be made in accordance with the requirements of the applicable legislation.

### ALTERATIONS, TERMINATION AND FURTHER TERMS OF THE 2019 SHARES SAVE PLAN

The Board may, at any time, amend the 2019 Sharesave Plan in any respect, provided that prior approval of the Company's shareholders in a general meeting will be required for amendments to the advantage of participants relating to the rules governing eligibility, limits on participation, the basis for determining a participant's entitlement to, and the terms of, the Shares subject to an option and the impact of any variation of capital.

The requirement to obtain the prior approval of shareholders will not, however, apply to any minor alteration made to benefit the administration of the 2019 Sharesave Plan, to take account of a change in legislation or to maintain favourable tax, exchange control or regulatory treatment for participants or for any company in the Group.

The 2019 Sharesave Plan will terminate on the tenth anniversary of its approval by shareholders but the rights of existing participants will not be affected by any termination.

Options granted under the 2019 Sharesave Plan are not transferable other than to the participant's personal representatives in the event of death. Options will not form part of pensionable earnings.



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