

SUPPLEMENT DATED 15 JULY 2016 TO THE BASE PROSPECTUS DATED 22 JANUARY 2016



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 22 January 2016 (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, as amended (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 Issuer's latest unaudited interim financial results for the six-month period ended 31 March 2016; (ii) supplement the section entitled "*Risk Factors – Risks relating to the Issuer*" of the Base Prospectus following the United Kingdom's vote to leave the European Union; (iii) update the Summary section of the Base Prospectus in respect of the key financial information; and (iv) update the "*Additional Information*" section in relation to material adverse change in the prospects of the Issuer or the Group and significant change in the financial or trading position of the Issuer or the Group.

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.

Investors should be aware of their rights under section 87Q(4) of the Financial Services and Markets Act 2000, which allows them to withdraw their agreement to buy or subscribe for Notes issued under the Programme within 2 working days after the publication of this Supplement.

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.

INFORMATION INCORPORATED BY REFERENCE

On 24 May 2016, the Issuer published its unaudited interim consolidated financial statements in respect of the six-month period ended 31 March 2016 (the "**March 2016 Interim Financial Statements**"). A copy of the March 2016 Interim Financial Statements 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.

The March 2016 Interim Financial Statements have been filed with Morningstar plc (appointed by the Financial Conduct Authority to act as the National Storage Mechanism) and are available for viewing at <http://www.morningstar.co.uk/uk/NSM> and have been announced via the Regulatory News Service operated by the London Stock Exchange plc.

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/>. Any information contained in any of the documents specified above which is not incorporated by reference in this Base Prospectus is either not relevant to investors or is covered elsewhere in this Base Prospectus.

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

RISK FACTORS

The paragraph titled "*The Group could be materially affected by a severe downturn in the United Kingdom economy*" in the section "*Risk Factors – Risks relating to the Issuer*" appearing on page 19 of the Base Prospectus is replaced with the following:

The Group could be materially affected by a downturn in the United Kingdom economy

The Group's income is derived principally from activities within the UK. This geographical concentration of credit risk means the Group is sensitive to adverse changes in the UK economy, which could reduce demand for the Group's loan products, increase the number of customers that default on their loans and cause security asset values to fall.

In this regard, on 23 June 2016, the United Kingdom held a referendum on its continued membership of the European Union which resulted in a majority vote to leave. Negotiations for withdrawal from the EU are likely to take a number of years. Uncertainty during this period could have an adverse effect on UK economic or business conditions and financial market volatility.

A downturn in business conditions or the UK economy or increased financial market volatility could adversely affect the Group's cashflows, revenues and/or profits which could adversely impact the Issuer's ability to fulfil its obligations under the Notes.

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.

ADDITIONAL INFORMATION

Since 30 September 2015, the date of the last audited financial statements of the Issuer, there has been no material adverse change in the prospects of the Issuer or the Group.

Since 31 March 2016, the date of the most recently published unaudited interim consolidated financial statements of the Issuer, there has been no significant change in the financial or trading position of the Issuer or the Group.

APPENDIX 1

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: (i) the relevant Public Offer must occur during the period from and including [•] to but excluding [•] (the "Offer Period"); and (ii) the relevant Authorised Offeror must satisfy the following conditions: [•.] [The Issuer consents to the use of this Base Prospectus in connection with a Public Offer of the Notes by [•] on the following basis: (i) the relevant Public Offer must occur during the period from and including [•] to but excluding [•] (the "Offer Period"); and (ii) the relevant Authorised Offeror must satisfy the following conditions: [•.]

		Authorised Offerors will provide information to any persons ("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. 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.
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	Section B – Issuer	
B.1	Legal name of the Issuer: Commercial name of the Issuer:	The Paragon Group of Companies PLC Paragon
B.2	Domicile and legal form of the Issuer:	The Issuer is a public limited company incorporated in England and Wales under the Companies Act 1985 and operating under the Companies Act 2006, as amended. The Issuer has its registered office in Solihull, West Midlands.
B.4b	Known Trend information:	Trends in the UK housing and BTL markets As at 30 November 2015, 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 at 9 per cent. according to the Halifax index and 3.7 per cent. according to Nationwide, however, significant regional variations persist. The Council of Mortgage Lenders ("CML") reported that activity in the UK housing market, as measured by value of total gross mortgage advances (to both homeowners and for buy to let ("BTL"), decreased significantly from approximately £357 billion of transactions in 2007 to approximately £134 billion in 2010 and has since recovered to approximately £203 billion in 2014. The private rented sector has continued to grow strongly. Data in the annual English Housing Survey for 2013-14, published in July 2015 and revised in September 2015 by the Department for Communities and Local Government, indicated that the private rented sector, comprising 19 per cent. of households in England, has increased greatly in recent years and now exceeds the social rented sector. The CML reported that, during the year ended 30 September 2015, the value of BTL advances increased by 36.4 per cent. to £35.2 billion versus £25.8 billion in the year ended 30 September 2014. The Royal Institution of Chartered Surveyors ("RICS") UK Residential Market Survey published in October 2015 reported that in the lettings market, tenant demand continued to outpace supply across all areas in the three months to October 2015 (on a seasonally adjusted basis). At a national level, this has been an ongoing trend for some time, with growth in demand persistently outstripping that of supply since 2009. Given this, rental expectations remain strong and respondents continue to expect rents to rise firmly over the year ahead. Further out, rental growth is anticipated to accelerate to an average of just under 5 per cent. per year over the coming five years. Nevertheless, the policy environment for housing is in flux. The government has made a number of commitments to expanding the development of new build homes, targeting particularly affordable properties for home buyers although it is not clear yet just how these plans will be delivered. There have also been announcements in the Summer Budget and the Autumn Statement that will impact the Private Rented Sector. In particular it was announced in the Summer Budget that landlords will only be allowed to reclaim tax on finance costs at the standard rate of 20 per cent. although the impact of this will be moderated by an extended 4 year phase-in period, beginning in April 2017. In the Autumn

		Statement the Chancellor announced an additional 3 per cent. in stamp duty land tax for those buying non-primary residential property including BTL properties; the Government is to consult on an exemption for incorporated landlords with larger portfolios. Trends in the UK debt purchase market Activity in the UK debt purchase market remained at a high level during the year, with UK based financial institutions continuing to dispose of both paying and non-paying consumer loans, either as business as usual sales or through deleveraging processes. These financial institutions have continued to actively manage, and to reduce the size of, their purchaser panels in recent years, for operational efficiency and to facilitate compliance with regulatory obligations. Idem Capital has maintained its position as an active panel member for the major UK based debt sellers and has participated in several transactions during the course of the financial year. Trends in UK retail banking – the emergence of challenger banks The rise in number of smaller retail banks seen in recent years has continued as the banking market at the smaller end develops further. In general these new so called 'challenger banks' fall into three categories: (i) relatively established names such as TSB, Tesco Bank, Virgin Money and Metro Bank who seek to challenge the incumbent providers across financial services; (ii) others such as Aldermore, Secure Trust, United Trust and Shawbrook Bank who have developed relatively broad savings propositions, offering standard deposits, cash ISAs and deposit facilities for businesses; and (iii) newer entrants such as Paragon Bank, Charter Savings, Milestone Savings, RCI Savings, OakNorth and Ikano who so far only offer a restricted range of savings products.
B.5	The Group:	The Issuer, together with its subsidiaries (the "Group"), commenced operating in 1985 as a centralised mortgage lender focusing on the residential market. 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 Capital Securities Limited, Moorgate Loan Servicing Limited, Paragon Personal Finance Limited (trading both in its own name and as Paragon Retail Finance) and Paragon Car Finance Limited.
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:	<u>The Issuer – selected key financial information</u> The selected financial information regarding the Issuer as of, and for each of the years ended, 30 September 2015 and 2014 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 2016 and 2015 have been extracted, without any adjustment, from the Issuer's unaudited consolidated financial statements.¹

¹ By virtue of the Supplement dated 15 July 2016, selected key information for the six months ending 31 March 2016 accompanied by comparative data from the same period in the prior financial year has been included.

Consolidated Balance Sheets as at 31 March 2016 and 2015 and as at 30 September 2015 and 2014

	31 March 2016	31 March 2015	30 Sept 2015	30 Sept 2014
	<i>(unaudited) (£m)</i>	<i>(unaudited) (£m)</i>	<i>(audited) (£m)</i>	<i>(audited) (£m)</i>
Assets employed				
Non-current assets				
Intangible assets	87.0	7.6	7.7	7.9
Property, plant and equipment.....	36.7	22.8	22.1	22.9
Financial assets.....	11,800.3	10,300.2	10,745.8	9,969.6
	11,924.0	10,330.6	10,775.6	10,000.4
Current assets				
Other receivables.....	9.5	6.1	6.2	6.5
Short term investments.....	17.3	48.5	41.1	39.4
Cash and cash equivalents	895.3	812.6	1,056.0	848.8
	922.1	867.2	1,103.3	894.7
	12,846.1	11,197.8	11,878.9	10,895.1
Total assets.....				
Financed by				
Equity shareholders' funds				
Called-up share capital	309.6	308.9	309.3	307.3
Reserves	793.4	709.0	760.2	688.0
Share capital and reserves	1,103.0	1,017.9	1,069.5	995.3
Own shares.....	(138.6)	(65.4)	(100.0)	(48.2)
Total equity	964.4	952.5	969.5	947.1
Current liabilities				
Financial liabilities	809.5	101.3	339.6	54.4
Current tax liabilities.....	16.7	11.4	12.5	11.9
Other liabilities.....	63.3	36.2	43.0	40.1
	889.5	148.9	395.1	106.4
Non-current liabilities				
Financial liabilities	10,958.4	10,061.5	10,481.4	9,814.0
Retirement benefit obligations.....	24.0	26.0	21.5	17.3
Deferred tax.....	8.1	8.7	11.3	10.1
Other liabilities.....	1.7	0.2	0.1	0.2
	10,992.2	10,096.4	10,514.3	9,841.6
Total liabilities	11,881.7	10,245.3	10,909.4	9,948.0
	12,846.1	11,197.8	11,878.9	10,895.1

Consolidated Income Statements for the 6 month periods ended 31 March 2016 and 2015 and for the years ended 30 September 2015 and 2014

	Six months to 31 March 2016 <i>(unaudited)</i> <i>(£m)</i>	Six months to 31 March 2015 <i>(unaudited)</i> <i>(£m)</i>	Year to 30 Sept 2015 <i>(audited)</i> <i>(£m)</i>	Year to 30 Sept 2014 <i>(audited)</i> <i>(£m)</i>
Interest receivable	203.4	164.7	341.0	302.4
Interest payable and similar charges....	(93.6)	(67.5)	(143.6)	(123.0)
Net interest income	109.8	97.2	197.4	179.4
Other operating income	12.5	6.8	14.1	18.5
Total operating income	122.3	104.0	211.5	197.9
Operating expenses	(49.4)	(36.6)	(71.2)	(63.4)
Provisions for losses	(3.5)	(3.5)	(5.6)	(12.3)
Operating profit before fair value items	69.4	63.9	134.7	122.2
Fair value net gains	0.1	(1.3)	(0.5)	0.6
Operating profit being profit on ordinary activities before taxation ...	69.5	62.6	134.2	122.8
Tax charge on profit on ordinary activities	(13.6)	(12.8)	(27.1)	(25.6)
Profit on ordinary activities after taxation	55.9	49.8	107.1	97.2
Dividend – Rate per share for the period	4.3p	3.6p	11.0p	9.0p
Basic earnings per share	19.1p	16.3p	35.5p	31.9p
Diluted earnings per share	18.8p	16.0p	34.8p	31.1p

Consolidated Cash Flow Statement for the 6 month periods ended 31 March 2016 and 2015 and for the years ended 30 September 2015 and 2014

	Six months to 31 March 2016 <i>(unaudited)</i> <i>(£m)</i>	Six months to 31 March 2015 <i>(unaudited)</i> <i>(£m)</i>	Year to 30 Sept 2015 <i>(audited)</i> <i>(£m)</i>	Year to 30 Sept 2014 <i>(audited)</i> <i>(£m)</i>
Net cash (utilised) / generated by operating activities	243.1	(47.5)	(25.9)	(269.5)
Net cash (utilised) / generated by investing activities	(285.9)	(10.2)	(3.6)	(65.2)
Net cash (utilised) / generated by financing activities	(118.2)	22.4	237.1	596.5
Net increase / (decrease) in cash and cash equivalents	(161.0)	(35.3)	207.6	261.8
Opening cash and cash equivalents	1,055.3	847.7	847.7	585.9
Closing cash and cash equivalents	894.3	812.4	1,055.3	847.7
Represented by balances within:				
Cash and cash equivalents	895.3	812.6	1,056.0	848.8
Financial liabilities	(1.0)	(0.2)	(0.7)	(1.1)
	894.3	812.4	1,055.3	847.7

		Since 31 March 2016, there has been no significant change in the financial or trading position of the Issuer or the Group ² and since 30 September 2015, there has been no material adverse change in the prospects of the Issuer or the Group.
B.13	Recent Events:	Not applicable. There have been no recent events particular to the Issuer which are to a material extent relevant to the Issuer's solvency.
B.14	Dependence upon other entities within the Group:	Please see Element B.5 above. The Issuer is, directly or indirectly, the ultimate holding company of all the companies in the Group. As the Issuer's business is conducted through the Group, the Issuer is, accordingly, dependent upon those members of the Group.
B.15	The Issuer's Principal Activities:	The Issuer is a leading specialist lender of BTL mortgages, one of the UK's most active investors in the debt purchase market, through its Idem Capital division, and operates in the consumer lending and SME markets through Paragon Bank. The Group operates in three principal areas: <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. <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. <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.
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 2015 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:	The Issuer has a long term issuer default rating of BBB- from Fitch Ratings Ltd ("Fitch"). 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. Issue Specific Summary: The Notes to be issued [are not/have been/are expected to be] rated: [Standard & Poor's: [•]] [Moody's: [•]] [Fitch: [•]]

² By virtue of the Supplement dated 15 July 2016, 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 30 September 2015 to 31 March 2016.

Section C – The Notes		
C.1	Description of Type and Class of Securities:	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 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. The Notes may be Fixed Rate Notes, Floating Rate Notes or Zero Coupon Notes. 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. 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. 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 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 depositary (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 depositary; 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: [•]]

ISIN Code: [•]

Common Code: [•]

Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking, *société anonyme* and the relevant identification number(s): [Not Applicable/ give name(s) and number(s)]

The Notes are [£/€/\$/[•]] [[•] per cent./Floating Rate/ Zero Coupon] Notes due [•].

[Bearer Notes:]

[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.]

[Temporary Global note exchangeable for Definitive Notes on [•] days' notice.]

[Permanent Global Note exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note.]

[Registered Notes:]

[Global Registered Note exchangeable for Individual Note Certificates in the

		limited circumstances specified in the Global Registered Note.] [CREST Depository Interests:] [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.]
C.2	Currency of the Securities Issue:	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. Issue Specific Summary: [The currency of the Notes is [•].]
C.5	Transferability:	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. The Issuer is Category 2 for the purposes of Regulation S under the Securities Act, as amended. 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. Subject thereto, the Notes will be freely transferable. Issue specific summary: Regulation S Compliance Category 2; [TEFRA C/TEFRA D/TEFRA not applicable.]
C.8	The Rights Attaching to the Securities, including Ranking and Limitations to those Rights:	Issue Price 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. Issue specific summary: [[•] per cent. of the Aggregate Nominal Amount [plus accrued interest from [•]] Denominations 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.

Issue specific summary:

[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.

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.

Governing Law: English law.

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.
C.9	The Rights Attaching to the Securities (Continued), Including Information as to Interest, Maturity, Yield and the Representative of the Holders:	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. Fixed Rate Notes: Fixed interest will be payable in arrear on the date or dates in each year specified in the Final Terms. Issue specific summary: [Fixed Rate Notes are not being issued pursuant to these Final Terms] [Rate(s)] of interest: [•] per cent. per annum payable [•] in arrear on each Interest Payment Date Interest Payment Date(s): [•] in each year Fixed Coupon Amount(s): [•] per Calculation Amount] Floating Rate Notes: Floating Rate Notes will bear interest as follows: (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 (ii) by reference to LIBOR or EURIBOR as adjusted for any margin. Interest periods will be specified in the relevant Final Terms. Issue specific summary: [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 Amount(s) and method, if any, of calculation of such amount(s): [[•] per Calculation Amount][Sterling Make-Whole Amount][Non-Sterling Make-Whole Amount]] [(a) Reference Bond: [•][FA Selected Bond][Not Applicable] [(b) Quotation Time: [•] [(c) Redemption Margin: [[•] per cent./ Not Applicable] (iii) If redeemable in part: (a) Minimum Redemption Amount: [•] per Calculation Amount (b) Maximum Redemption Amount [•] per Calculation Amount (iv) Notice period: [•]] <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> Tax Redemption: Except as described in "Optional Redemption" 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. 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. 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.] 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).
C.10	Derivative Components:	Not Applicable. There is no derivative component in the interest payments made in respect of any Notes issued under the Programme.
C.11 C.21	Listing and Trading:	Applications have been made for 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")]. 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> <i>[Application has been made for the Notes to be admitted to listing, trading and/or quotation by [•].]</i>

Section D – Risks

D.2	Key risks specific to the Issuer:	The following key risks are specific to the Issuer: • The Group's income is derived principally from activities within the UK. This geographical concentration of credit risk means the Group is sensitive to adverse changes in the UK economy, which could reduce demand for the Group's loan products, increase the number of customers that default on their loans and cause security asset values to fall. • The Group is heavily reliant on lending to customers investing in the UK private rented sector. • The Group operates in highly competitive markets and faces strong competition in all of the core areas in which it is active. • As a lender, the Group is exposed to the risk of unexpected material losses in the event of customers being unable to repay their debts, or through the failure of wholesale counterparties with whom it places deposits and transacts derivatives. • Being unable to recruit and retain skilled senior management and key personnel at all levels could affect the Group's ability to deliver its business plan and strategic objectives. • A significant breakdown of the Group's information technology systems or losses in migration or in processing transactions may have an adverse effect on the Group's business, results of operations, profitability or financial condition. • There is a risk of disruption of the Group's systems or loss or disclosure of sensitive data as a result of cyber crime or from the actions of a careless or malicious insider, which could result in damage to the reputation of the Group, losses from reductions of business volumes or lost contracts, fines from regulators or damages arising as a result of legal action. • The failure to identify, interpret and comply with relevant regulatory and legal obligations exposes the Group to the risk that its financial performance and reputation could suffer significantly. • The Prudential Regulation Authority and the Financial Conduct Authority of the United Kingdom regulate 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 failure of Paragon Bank could materially adversely affect the value of the Notes. • 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. • 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.
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D.3	Key risks Specific to the Notes:	The following key risks are specific to the Notes: • The Notes will be structurally subordinated to the claims of all holders of debt securities and other creditors, including trade creditors, of the Issuer's subsidiaries. In the event of an insolvency, liquidation, reorganisation, dissolution or winding up of the business of any subsidiary of the Issuer, creditors of such subsidiary generally will have the right to be paid in full before any distribution is made to the Issuer. • Holders of CREST depository interests will hold or have an interest in a separate legal instrument and will not be the legal owners of the Notes so rights under the Notes cannot be enforced except indirectly through the intermediary depositories and custodians and rights are governed by external provisions. • The Notes are not protected by the Financial Services Compensation Scheme (the "FSCS") or any other government savings or deposit protection scheme. The FSCS will not pay compensation to an investor in the Notes upon the failure of the Issuer. If the Issuer goes out of business or becomes insolvent, Noteholders may lose all or part of their investment in the Notes. • Investors and sellers of the Notes may be required to pay taxes or other documentary charges or duties in accordance with the laws and practices of the country where the Notes are transferred or other jurisdictions. • Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be liquid. Investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. If an investor chooses to sell prior to maturity of the Notes, the investor may receive an amount less than the amount due to be repaid upon maturity.
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Section E - Offer		
E.2b	Reasons for the Offer and Use of Proceeds:	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. <i>Issue specific summary:</i> [Reasons for the offer: [•]] Use of proceeds: [•]]
E.3	Terms and Conditions of the Offer:	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. <i>Issue specific summary:</i> [Not Applicable. The Notes are in denominations of at least €100,000 (or its equivalent in any other currency).] [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.] Offer Price: [•] Conditions to which the offer is subject: [Not Applicable/[•]] Total amount of the offer: [Not Applicable/[•]] Description of arrangements and timing for announcing the offer to the public: [Not Applicable/[•]] 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] Description of the application process: [Not Applicable/[•]] Description of possibility to reduce subscriptions and manner for refunding excess amount paid by applicants: [Not Applicable/[•]] Details of the minimum and/or maximum amount of application: [Not Applicable/[•]] Details of the method and time limits for paying up and delivering the Notes: [Not Applicable/[•]] Manner in and date on which results of the offer are to be made public: [Not Applicable/[•]] Procedure for exercise of any right of pre-emption, negotiability of subscription rights and treatment of subscription rights not exercised: [Not Applicable/[•]] Categories of potential investors to which the Notes are offered and whether tranche(s) have been reserved for certain countries: [Not Applicable/[•]] Process for notification to applicants of the amount allotted and the indication whether dealing may begin before notification is made: [Not Applicable/[•]] Amount of any expenses and taxes specifically charged to the subscriber or purchaser: [Not Applicable/[•]] Name(s) and address(es), to the extent known to the Issuer, of the placers in the various countries where the offer takes place. [None/[•]] Name and address of any paying agents and depositary agents: [None/[•]] Name and address of the entities which have a firm commitment to act as intermediaries in secondary trading, [None/[•]]
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		providing liquidity through bid and offer rates and description of the main terms of their commitment:
E.4	Interests Material to the Issue:	The Issuer has appointed Canaccord Genuity Limited, Goldman Sachs International, Barclays Bank PLC, Morgan Stanley & Co. International plc 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. <i>Issue specific summary:</i> The following additional interest(s) are material to issues of the Notes: [•].
E.7	Estimated Expenses:	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. [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.] [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 [•].]