



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

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

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

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# Paragon Banking Group PLC

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

## Notice of Annual General Meeting

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

The Notice of Annual General Meeting of the Company to be held at the offices of UBS AG London Branch at 5 Broadgate, London EC2M 2QS on Wednesday 1 March 2023 at 9.00am is set out on pages 6 to 7 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 Monday 27 February 2023 (or, in the event of any adjournment, not less than 48 hours (excluding non-working days) before the time of the adjourned meeting). 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

12 January 2023

## To all Shareholders: NOTICE OF ANNUAL GENERAL MEETING

### Dear Shareholder

I am pleased to invite you to our Annual General Meeting ('AGM'), which will be held at the offices of UBS AG London Branch at 5 Broadgate, London EC2M 2QS on Wednesday 1 March 2023 at 9.00am.

The resolutions to be proposed at the AGM are set out in the Notice of AGM (the 'Notice') on pages 6 to 7 and explanatory notes on the proposed resolutions appear on pages 3 to 5 of this document. If you would like to vote on the resolutions but are unable to attend the AGM, you are strongly encouraged to 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 Monday 27 February 2023 (or, in the event of any adjournment, not less than 48 hours (excluding non-working days) before the time of the adjourned meeting), to ensure that your vote is counted.

Shareholders unable to attend the AGM are encouraged to submit any questions about the business of the meeting either by email to [company.secretary@paragonbank.co.uk](mailto:company.secretary@paragonbank.co.uk) or in writing to Company Secretary, Paragon Banking Group PLC (AGM), 51 Homer Road, Solihull, West Midlands B91 3QJ to be received by 27 February 2023. A summary of any questions submitted, and the Company's response, will be uploaded to the AGM section of the Company's website ([www.paragonbankinggroup.co.uk](http://www.paragonbankinggroup.co.uk)) following the AGM.

Should it become necessary or appropriate to revise the current arrangements for the AGM, details of any such changes will be made available on our website [www.paragonbanking.group.co.uk](http://www.paragonbanking.group.co.uk) and via a London Stock Exchange announcement as required by our Articles of Association. Please check our website ([www.paragonbankinggroup.co.uk](http://www.paragonbankinggroup.co.uk)) before travelling to the AGM. The investor section on our website 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 AGM are in the best interests of the Company and its shareholders as a whole and unanimously recommend that you give them your support by voting in favour of all the resolutions, as they intend to in respect of their own beneficial holdings.

This will be my first AGM since I was appointed as Chair of the Board in September 2022, and I look forward to being able to welcome those of you able to join us, in person.

Yours sincerely

### Robert East

Chair of the Board

# Explanation of the proposed resolutions

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

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

## **Resolutions 2 and 3 (Directors' Remuneration Report and Directors' Remuneration Policy)**

Shareholders are being asked to consider and approve the Directors' Remuneration Report, excluding the Directors' Remuneration Policy (the 'Policy'), found at section B7 of the 2022 Annual Report and Accounts. The vote on the approval of the Directors' Remuneration Report is advisory only and the directors' entitlement to remuneration is not conditional on it being passed.

The Policy must be put to a vote at least every three years (or sooner if there are changes required to the Policy). The Policy was last approved in 2020 so consequently shareholders are being asked to consider and approve an updated policy (found at section B7 of the 2022 Annual Report and Accounts) at the forthcoming AGM. Subject to obtaining shareholder approval, the Policy is intended to take effect from 1 October 2022 and will supersede the policy approved in 2020. Payments will continue to be made to directors and former directors in line with existing arrangements until shareholder approval for the updated policy is obtained.

## **Resolution 4 (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 of directors of the Company (the 'Board') and the interim dividend of 9.4 pence per ordinary share paid on 29 July 2022 was so approved. The directors are recommending that shareholders declare a final dividend of 19.2 pence per ordinary share in respect of the year ended 30 September 2022. The amount declared as a final dividend may not exceed the amount recommended by directors. If approved, the final dividend will be paid on 3 March 2023 to shareholders on the Register of Members at close of business on 3 February 2023.

## **Resolutions 5 and 6 (appointment of Directors joining since the last AGM) and resolutions 7 to 13 inclusive (annual re-election of Directors)**

The Company's Articles of Association provide that any new director appointed by the Board during the year may hold office only until the next AGM, when that director must stand for appointment by the shareholders. On 1 September 2022, Robert East was appointed as Chair of the Board and non-executive director and Tanvi Davda was appointed as a non-executive director. Each of them is accordingly seeking appointment by shareholders. You can read more about the search process to recruit both Robert and Tanvi in section B5 of the 2022 Annual Report and Accounts circulated with this Notice.

The UK Corporate Governance Code 2018 (the 'Code') recommends that all directors of listed companies should be subject to annual re-election by shareholders. The directors standing for re-election in light of this provision are listed in resolutions 7 to 13.

In July 2022, the Nomination Committee considered the reappointment of the directors and, based on their recommendation, the Chair of the Board confirms on behalf of the Board that each director continues to make an effective and valuable contribution and demonstrates commitment to their role. The Board is also satisfied that each of the non-executive directors seeking appointment or re-election remains independent.

Further biographical information on all of the directors, detailing their business knowledge and experience as well as their specific areas of expertise, which are important to the Company's long-term sustainable success, can be found in section B3 of the 2022 Annual Report and Accounts.

## **Resolutions 14 and 15 (Reappointment and remuneration of the auditor)**

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

Resolution 14 proposes that KPMG LLP be reappointed. Resolution 15 gives authority to the Board, acting through the Audit Committee, to determine the auditor's remuneration. The remuneration will then be disclosed in the next Annual Report and Accounts of the Company.

## **Resolution 16 (Political donations)**

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

## **Resolutions 17 and 18 (Approval of two new employee share plans)**

In conjunction with, but not contingent upon, the proposed changes to the Directors' Remuneration Policy, which are subject to a shareholder vote under resolution 3, the Company intends to implement two new employee share plans. The Paragon Performance Share Plan 2023 (the "PSP") will replace the Paragon Performance Share Plan 2013 and the Paragon Deferred Share Bonus Plan 2023 (the "DSBP") will replace the Paragon Deferred Share Bonus Plan 2013. The Board confirms that all Company share plans will continue to operate strictly within the Investment Association's dilution limits. Information on the principal features of each of the new employee share plans can be found in Appendices 1 and 2. The rules of each share plan will be available on the Company's website

([www.paragonbankinggroup.co.uk](http://www.paragonbankinggroup.co.uk)) and will also be available to view at the Company's registered office during normal business hours.

### **Resolution 19 (Renewal of authority to allot shares)**

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

The present authority of the directors to allot shares of the Company was granted at the AGM on 2 March 2022 and will expire at the end of the forthcoming AGM. Resolution 19 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 £77,000,000, representing approximately one third of the Company's issued share capital, excluding treasury shares, at 6 January 2023, the latest practicable date prior to publication of this document. At 6 January 2023 the Company held 8,075,413 treasury shares, representing 3.46 percent of the Company's issued ordinary 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 31 May 2024. For information, allotments are made in connection with the Company's employee share schemes, from time to time, for which statute provides an exemption from the requirement to obtain authority under section 551 of the 2006 Act.

### **Resolutions 20 and 21 (Renewal of section 561 authority)**

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

The authority given at the AGM held on 2 March 2022 will expire at the end of the forthcoming AGM and resolutions 20 and 21 seek to renew it. These special resolutions 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 20 would be 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 £11,500,000 (representing 11,500,000 ordinary shares). This nominal amount represents approximately 5 percent of the issued ordinary share capital of the Company (excluding treasury shares) as at 6 January 2023, the latest practicable date prior to publication of this document. The power under resolution 20 also proposes the disapplication of pre-emption rights as described above, in relation to "follow on" offers (within the meaning given in the Pre-Emption Group's Statement of Principles) up to a nominal amount of 20 percent of any allotment of equity securities or sale of treasury shares from time to time pursuant to (b) above.

The power under resolution 21 would be limited to allotments up to a nominal amount of £11,500,000 (representing 11,500,000 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 6 January 2023, the latest practicable date prior to publication of this document). In respect of the authority under resolution 21, 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 power under

resolution 21 also proposes the disapplication of pre-emption rights as described above, in relation to "follow on" offers (within the meaning given in the Pre-Emption Group's Statement of Principles) up to a nominal amount of 20 percent of any allotment of equity securities or sale of treasury shares from time to time pursuant to an acquisition or specified capital investment described in this paragraph.

In respect of the authorities sought under resolutions 20 and 21, the Board acknowledges the provisions of the Pre-Emption Group's most recent Statement of Principles published in November 2022 and confirms that it will follow the general principles set out therein (including as to any "follow on" offers). However, the Board has retained the previous limits of 5 percent of the issued ordinary share capital of the Company (excluding treasury shares) in resolutions 20 and 21 (plus any "follow on" offers), rather than the increased limit of 10 percent set out in the Pre-Emption Group's most recent Statement of Principles, as the Board believes that provides sufficient flexibility to the Company at this time.

The authorities under resolutions 20 and 21 will expire at the conclusion of the following AGM or, if earlier, at the close of business on 31 May 2024.

### **Resolution 22 (Renewal of authority to purchase own ordinary shares)**

On 7 December 2021, the Company announced the extension of its share buy-back programme for the year of £50.0 million, which was subsequently increased to £75.0 million. £66.9 million of shares, including costs, was expended during the year (Note 45 of the 2022 Annual Report and Accounts) and £10.8 million remained outstanding at the year end. An irrevocable instruction for the completion of the share buy-back programme was given to the Group's brokers before the year end and it was completed on 7 November 2022. On 8 September 2022, 9,370,766 treasury shares were cancelled and at year end the Company held 3,640,519 treasury shares.

As part of the review of capital management described above the Board decided that it was appropriate to authorise a further share buy-back programme of £50.0 million for the 2023 financial year (the 'Share Buy-Back Programme') and this commenced on 6 December 2022.

The Company currently has the necessary shareholder approval to undertake share buy-backs (including in relation to the Share Buy-Back Programme) and is proposing the appropriate renewal of this authority at its forthcoming AGM. This resolution, which is being proposed as a special resolution, would enable the Company to purchase, in the market, up to a maximum aggregate number of 23,000,000 of the Company's ordinary shares (approximately 10 percent of the issued share capital (excluding treasury shares) as at 6 January 2023, the latest practicable date prior to publication of this document) for cancellation, or to be held in treasury, at a minimum price (exclusive of expenses) of 10p per share and a maximum price (exclusive of expenses) of the higher of: (i) 5 percent above the average middle market quotation for an ordinary share as derived from the London Stock Exchange Daily Official List for the five business days immediately prior to purchase; and (ii) the higher of the price of the last independent trade and the highest current independent purchase bid on the trading venue where the purchase is carried out. Listed companies, with authorisation from shareholders, may buy and hold their own shares in treasury instead of cancelling them immediately. Shares held as treasury shares can in the future be cancelled, re-sold or used to provide shares for employee share schemes.

The Share Buy-Back Programme will be effected in accordance with the Market Abuse Regulation 596/2014/EU (as in force in the UK and as amended by the Market Abuse (Amendment) (EU Exit) Regulations 2019) (the "Regulation"). However, given the low level of liquidity in the Company's shares, the Company will retain the ability to exceed the average daily volume restrictions established by the Commission Delegated Regulation 2016/1052/EU (as in force in the UK and as amended by the

FCA's Technical Standards (Market Abuse Regulation) (EU Exit) Instrument 2019) and therefore the Share Buy-Back Programme may not benefit from the 25 percent average daily volume safe harbour provisions of the Regulation.

Any purchases made by the Company under the Share Buy-Back Programme 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 31 May 2024.

Any further share buy-backs carried out pursuant to this authority would be subject to the approval of the Prudential Regulation Authority and would only be undertaken if to do so would result in an increase in earnings per share and be in the best interests of shareholders generally. The total number of share options to subscribe for shares that are outstanding at the latest practicable date before the AGM notice is published is 3,320,831, representing 1.42 percent of issued share capital (excluding treasury shares) at that date and which would represent 1.66 percent of issued share capital (excluding treasury shares) if the full authority to buy back shares (existing and being sought) is used.

As at 6 January 2023, the latest practicable date prior to publication of this document, there were 8,075,413 shares held in treasury.

#### **Resolution 23 (Authority to allot equity securities in relation to the issue of Additional Tier 1 Securities)**

The power under resolution 23 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 £35,000,000 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 6 January 2023 (being the latest practicable date prior to publication of this document). The authority under this resolution is in addition to the authority proposed under resolution 19. The authority sought under resolution 23 is not contemplated by the guidance issued by the Investment Association.

The authority sought under resolutions 23 and 24 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 23 will expire at the end of the next AGM or, if earlier, at the close of business on 31 May 2024.

#### **Resolution 24 (Authority to disapply pre-emption rights in relation to the issue of Additional Tier 1 Securities)**

The power under resolution 24 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 £35,000,000 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 6 January 2023 (being the latest practicable date prior to publication of this document). Together with resolution 23, 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 24 will expire at the end of the next AGM or, if earlier, at the close of business on 31 May 2024.

#### **Resolution 25 (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 2 March 2022, shareholders approved the reduction of the notice period for general meetings (other than AGMs) to 14 clear days and resolution 25 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 general meeting and the shorter notice period is to the advantage of shareholders as a whole.

#### **Resolution 26 (Cancellation of capital redemption reserve)**

The directors are proposing to cancel the entirety of the Company's capital redemption reserve (the "Capital Reduction") in order to create additional distributable reserves. Under the 2006 Act, the capital redemption reserve is treated as if it were part of the share capital of the Company and is not available for distribution to shareholders. If the Capital Reduction becomes effective, it will increase the amount of distributable reserves on the Company's balance sheet.

The rationale for the Capital Reduction is to provide the Company with greater headroom and flexibility in the future for the paying of dividends. Whilst the directors do not currently intend to use the additional distributable reserves created by the Capital Reduction to deviate from the Company's established dividend policy, the directors believe that the Capital Reduction is in the best interests of the Company. Shareholders should note that the Capital Reduction itself will not involve any return of capital to shareholders, nor will it reduce the Company's net assets.

If the Capital Reduction becomes effective, the entire amount standing to the credit of the Company's capital redemption reserve (expected to be £71,831,480 at the date of the AGM) will be cancelled and credited to the Company's retained earnings. Accordingly, the Company would expect to have created additional distributable reserves of £71,831,480.

The Capital Reduction is conditional upon: (i) the passing of Resolution 26 as a special resolution; (ii) the confirmation of the High Court of England and Wales (the "Court"); and (iii) the registration of the Court order by the Registrar of Companies. Before giving its confirmation, the Court will need to be satisfied that the Capital Reduction does not put any of the Company's creditors at risk of not being paid when due and, in seeking this approval, the Company will be required to give such undertakings or other form of creditor protection as the Court may require for the benefit of the Company's creditors at the date on which the Capital Reduction becomes effective. If Resolution 26 is passed as a special resolution, the Company intends to take the necessary steps to give effect to the Capital Reduction. Shareholders should note that if the Court declines to confirm the Capital Reduction, then the cancellation of the capital redemption reserve will not take place. There are also circumstances in which the directors might decide not to proceed with the Capital Reduction, including the Court imposing conditions on its confirmation which are not satisfactory to the Company.



# Notice of Annual General Meeting

## To all Shareholders

NOTICE IS HEREBY GIVEN that the thirty-fourth Annual General Meeting ('AGM') of Paragon Banking Group PLC (the 'Company') will be held at the offices of UBS AG London Branch at 5 Broadgate, London EC2M 2QS on Wednesday 1 March 2023 at 9.00am to transact the business set out in the resolutions below..

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

**Resolutions 20 to 26 (inclusive)** are proposed as special resolutions. This means that for each of those resolutions to be passed, at least 75 percent of the votes cast must be in favour of the resolution.

1. To receive and consider the Company's Annual Report and Accounts for the year ended 30 September 2022, the Strategic Report and the Reports of the Directors and the Auditor.
2. To consider and approve the Directors' Remuneration Report for the year ended 30 September 2022, excluding the Directors' Remuneration Policy.
3. To consider and approve the Directors' Remuneration Policy, to take effect from 1 October 2022.
4. To declare a final dividend of 19.2 pence per ordinary share payable to holders of ordinary shares registered at the close of business on 3 February 2023.
5. To appoint Robert East as a director of the Company.
6. To appoint Tanvi Davda as a director of the Company.
7. To reappoint Nigel Terrington as a director of the Company.
8. To reappoint Richard Woodman as a director of the Company.
9. To reappoint Peter Hill as a director of the Company.
10. To reappoint Alison Morris as a director of the Company.
11. To reappoint Barbara Ridpath as a director of the Company.
12. To reappoint Hugo Tudor as a director of the Company.
13. To reappoint Graeme Yorston as a director of the Company.
14. To reappoint KPMG LLP as auditor of the Company, to hold office from the conclusion of this meeting until the conclusion of the next general meeting at which Accounts are laid before the members.
15. To authorise the directors to fix the remuneration of the auditor.
16. THAT, in accordance with sections 366 and 367 of the Companies Act 2006 (the '2006 Act'), the Company and any company which, at any time during the period for which this resolution has effect, is a subsidiary of the Company, be and are hereby authorised to:
  - (a) make political donations to political parties and/or independent election candidates not exceeding £50,000 in total; b) make political donations to political organisations other than political parties not exceeding £50,000 in total; and c) incur political expenditure not exceeding £50,000 in total, provided that the aggregate amount of any such donations and expenditure shall not exceed £50,000, during the period beginning with the date of the passing of this resolution and ending at the conclusion of the AGM to be

held in 2024 or on 31 May 2024, whichever is sooner. For the purpose of this resolution, the terms "political donations", "political parties", "independent election candidates", "political organisations" and "political expenditure" have the meanings set out in sections 363 to 365 of the 2006 Act in total.

17. THAT the rules of the Paragon Performance Share Plan 2023 (the "PSP"), a summary of the key terms of which is set out in Appendix 1 to this Notice, be approved and to authorise the Directors of the Company to do all acts necessary to put this resolution into effect.
18. THAT the rules of the Paragon Deferred Share Bonus Plan 2023 (the "DSBP"), a summary of the key terms of which is set out in Appendix 2 to this Notice, be approved and to authorise the Directors of the Company to do all acts necessary to put this resolution into effect.
19. THAT the board of directors of the Company (the 'Board') be and 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 £77,000,000 PROVIDED THAT this authority shall expire at the end of the next AGM of the Company (or, if earlier, at the close of business on 31 May 2024) 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.
20. THAT, subject to the passing of Resolution 19, the Board be authorised to allot equity securities (as defined in the 2006 Act) 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 2006 Act 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 £11,500,000; and
  - (c) to the allotment of equity securities or sale of treasury shares (otherwise than under paragraph (a) or paragraph (b) above) up to a nominal amount equal to 20 percent of any allotment of equity securities or sale of treasury shares from time to time under paragraph (b) above, such authority

to be used only for the purposes of making a follow-on offer which the Board of the Company determines to be of a kind contemplated by paragraph 3 of Section 2B of 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 AGM of the Company (or, if earlier, at the close of business on 31 May 2024 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.

21. THAT if subject to the passing of Resolution 19, the Board be authorised in addition to any authority granted under Resolution 20 to allot equity securities (as defined in the 2006 Act) 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 2006 Act 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 amount of £11,500,000, such authority to be used only for the purposes of financing (or refinancing, if the authority is to be used within 12 months after the original transaction) a transaction which the Board of the Company determines to be either an acquisition or a specified 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; and

(b) limited to the allotment of equity securities or sale of treasury shares (otherwise than under paragraph (a) above) up to a nominal amount equal to 20 percent of any allotment of equity securities or sale of treasury shares from time to time under paragraph (a) above, such authority to be used only for the purposes of making a follow-on offer which the Board of the Company determines to be of a kind contemplated by paragraph 3 of Section 2B of 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 AGM of the Company (or, if earlier, at the close of business on 31 May 2024) 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.

22. THAT the Company be and is hereby generally and unconditionally authorised for the purposes of section 701 of the 2006 Act to make one or more market purchases (within the meaning of section 693(4) of the 2006 Act) 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 23,000,000;

(b) the minimum price (exclusive of expenses) which may be paid for an Ordinary Share is 10p;

(c) the maximum price (exclusive of expenses) which may be paid for an Ordinary Share is the higher of: (i) an amount equal to 105 percent of the average of the middle market price shown in the quotations for an Ordinary Share as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the Ordinary Share is contracted to be purchased; and (ii) the higher of the price of the last independent trade and the highest current independent purchase bid on the trading venue where the purchase is carried out;

(d) unless previously renewed, varied or revoked, the authority hereby conferred shall expire on the earlier of the conclusion of the next AGM of the Company (or, if earlier, at the close of business on 31 May 2024); 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.

23. THAT, in addition to the authority granted under resolution 19 (if passed), the Board be and 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 £35,000,000 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 AGM of the Company (or, if earlier, at the close of business on 31 May 2024) 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.
24. THAT, subject to the passing of resolution 23 and in addition to the power granted pursuant to resolution 21 (if passed), the Board be authorised to allot equity securities (as defined in section 560 of the 2006 Act) for cash under the authority given in resolution 23 up to an aggregate nominal amount of £35,000,000 in relation to the issue of Additional Tier 1 Securities as if section 561 of the 2006 Act did not apply to any such allotment, such authority to expire at the end of the next AGM of the Company (or, if earlier, at the close of business on 31 May 2024) 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.
25. THAT a general meeting other than an AGM may be called on not less than 14 clear days' notice.
26. THAT, subject to the confirmation of the Court, the capital redemption reserve of the Company be cancelled.

By order of the Board

**Ciara Murphy**

Company Secretary

12 January 2023

51 Homer Road, Solihull, West Midlands B91 3QJ

Registered in England and Wales: Company number 2336032

# Notes

The AGM is a private meeting for shareholders, proxies, duly authorised representatives and the auditor of Paragon Banking Group PLC (the 'Company'). Non-shareholders, including spouses and partners and nominated persons, are not entitled to admission to the AGM. 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 AGM. Proxy forms and any power of attorney or other written authority under which they are executed (or an office or notarially certified copy thereof) should be lodged with the Registrars of the Company at the address shown on the proxy form by 9.00am on Monday 27 February 2023 (or, in the event of any adjournment, not less than 48 hours (excluding non-working days) before the time of the adjourned meeting). The appointment of a proxy or any CREST Proxy Instruction (as described below) will not preclude a shareholder from attending and voting at the AGM.

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

To be entitled to attend and vote at the AGM (and for the purpose of the determination by the Company of the votes they may cast), shareholders must be registered in the Register of Members of the Company at the close of business on Monday 27 February 2023 (or, in the event of any adjournment, on the date which is 48 hours (excluding non-working 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 AGM.

## Nominated persons

The proxy appointment rights described above do not apply to any person nominated to enjoy information rights under section 146 of the 2006 Act (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.

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

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications, and must contain the information required for such instruction, as described in the CREST Manual (available via [www.euroclear.com](http://www.euroclear.com)). The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID number 3RA50) by 9.00am on Monday 27 February 2023 (or, in the event of any adjournment, not less than 48 hours (excluding non-working days) before the time of the adjourned meeting). 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 thereof.



## Shareholder questions

Any member attending the AGM has the right to ask questions. The Company must cause to be answered any such questions relating to the business being dealt with at the AGM but no such answer need be given if: (a) to do so would interfere unduly with the preparation for the AGM 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 AGM that the question be answered.

## Audit information on website

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

## Inspection of documents

The Register of Directors' Interests, copies of directors' service contracts, letters of appointment of non-executive directors and the rules of the Paragon Performance Share Plan 2023 and Paragon Deferred Share Bonus Plan 2023 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 for at least 15 minutes before, and during, the AGM. The rules of the Paragon Performance Share Plan 2023 and Paragon Deferred Share Bonus Plan 2023 will also be available for inspection on the national storage mechanism from the date of this Notice until the date of the AGM.

## Total shares and voting rights

As at 6 January 2023 (being the latest practicable date prior to the publication of this Notice) the Company's issued share capital consisted of 241,520,570 ordinary shares, carrying one vote each, of which 8,075,413 were held in treasury. Therefore, the total voting rights in the Company as at 6 January 2023 were 233,445,157.

## Voting interests

The voting interests disclosed to the Company, in accordance with DTR 5 of the FCA's Disclosure Guidance and Transparency Rules, between 1 October 2022 and 6 December 2022 are set out on page 181 of the 2022 Annual Report and Accounts. Between 7 December 2022 and 6 January 2023, no further changes to voting interests had been disclosed to the Company.

## Directors' interests

The share interests of the directors, reported up to 2 December 2022, are set out on page 140 of the 2022 Annual Report and Accounts. Between 3 December 2022 and 6 January 2023, the Company was notified of the following changes to the number of shares beneficially owned by the following directors:

	Date	Nigel Terrington	Richard Woodman
Shares acquired under bonus arrangements (market purchase)	8 December 2022	44,084	27,764
Award under the Paragon Performance Share Plan 2013	16 Dec 2022	290,331	182,847
Award under the Paragon Deferred Share Bonus Plan 2013	16 Dec 2022	23,226	14,627
Role based allowance (shares purchased)	21 Dec 2022	3,336	2,144

## General

Biographical details of current directors are provided in section B3 of the 2022 Annual Report and Accounts circulated with this Notice.

Voting on all resolutions will be conducted by way of a poll rather than on a show of hands. This means that a shareholder has one vote for every share held. This approach ensures that all resolutions are conducted on the same basis and therefore assists with the smooth running of the AGM. 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. Shareholders have the right to request, in accordance with section 360BA of the 2006 Act, information to enable them to determine that their vote on a poll was validly recorded and counted. Shareholders who wish to do so 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, in each case no later than 30 days following the date of this year's AGM.

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

You may not use any electronic address provided either in this Notice or any related documents (including the Chair of the Board's letter and the proxy form) to communicate with the Company for any purposes other than those expressly stated. The Company may process the personal data of attendees at the AGM. This may include photos, recordings and audio and video links, as well as other forms of personal data. The Company shall process any such personal data in accordance with its privacy policy, which can be found at [www.paragonbankinggroup.co.uk/privacy](http://www.paragonbankinggroup.co.uk/privacy), as applicable.

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

## Appendix 1 - Summary of the principal features of the Paragon Performance Share Plan 2023 (the "PSP")

### Introduction

The PSP is a discretionary share plan. Under the PSP, the remuneration committee of the Company (the "**Committee**") may grant awards ("**PSP Awards**") over ordinary shares in the Company ("**Shares**"), which may comprise options over Shares ("**PSP Options**"), conditional awards (namely a conditional right to acquire Shares) ("**PSP Conditional Awards**") and/or (iii) Shares which may be subject to restrictions and the risk of forfeiture ("**PSP Forfeitable Shares**") to eligible employees. No payment is required for the grant of a PSP Award (unless the Committee determines otherwise).

In practice, it is intended that PSP Awards will take the form of PSP Options.

It is intended that the PSP will be operated annually for ten years, with each annual grant of PSP Awards normally vesting at the end of the applicable performance period, subject to the achievement of stretching performance conditions.

### Eligibility

All employees of the Company's group ("**Eligible Employees**") are eligible for selection to participation in the PSP at the discretion of the Committee, provided that (unless the Committee determines otherwise) they have not given or received notice of termination. In practice, it is expected that the Executive Directors, Executive Committee members and other senior individuals will be granted PSP Awards.

### Limits

The PSP may operate over new issue Shares, treasury Shares or Shares purchased in the market. A PSP Award may not be granted if it would cause the aggregate number of Shares issued or issuable under any employee share scheme operated by the Company in the preceding ten years to exceed ten per cent of the Company's issued share capital at that time.

In addition, a PSP Award may not be granted if it would cause the number of Shares issued or issuable under the PSP and any other discretionary employee share scheme operated by the Company in the preceding ten years to exceed five per cent of the Company's issued share capital at that time.

Shares transferred out of treasury under the PSP will count towards these limits for so long as this is required under institutional investor guidelines. In addition, PSP Awards which are renounced or lapse or any Shares which the trustees of an employee benefit trust have purchased in order to satisfy an award shall be disregarded for the purposes of these limits.

### Individual Limits

No individual award limits are specified under the PSP rules. However, no PSP Award shall be granted to an Eligible Employee if the quantum of such PSP Award would exceed any individual award limit prescribed by law, code or regulations with which the Company is bound to comply in respect of that Eligible Employee.

### Grant of PSP Awards

PSP Awards may be granted during the 42 days beginning on: (i) the date of shareholder approval of the PSP; (ii) the day after the announcement of the Company's full year results for any period; (iii) any day on which the Committee determines that circumstances are sufficiently exceptional to justify the making of a PSP Award at that time; or (iv) if any dealing restrictions applied during any such period, the day after the lifting of such dealing restrictions. However, no PSP Awards may be granted after the 10th anniversary of shareholder approval of the PSP or when prevented by any dealing restrictions.

PSP Awards are not transferable (except on death) and they are not pensionable.

### Performance and other conditions

The Committee will impose performance conditions on the vesting of PSP Awards.

The performance conditions applicable to a PSP Award may be adjusted, varied or substituted if the Committee considers it appropriate, provided the Committee considers that the new performance condition is reasonable in the circumstances and is not materially less difficult to satisfy than the original condition (except in the case of waiver). The Committee may also impose other conditions on the vesting of PSP Awards.

### Vesting of PSP Awards

PSP Awards will normally vest subject to a vesting schedule, to the extent that the applicable performance conditions have been satisfied and subject to the application of malus. PSP Options will normally remain exercisable for a period determined by the Committee at grant, which shall not exceed ten years from grant.

The Committee retains discretion to adjust the level of vesting upwards or downwards if in its opinion the level of vesting resulting from the application of the relevant performance conditions is not a fair and accurate reflection of business performance, the participant's personal performance and such other factors as the Committee may consider appropriate.

### Deferral period

PSP Awards may be subject to a deferral period (or periods) during which the relevant award holder ("**Award Holder**") has no entitlement to the Shares, notwithstanding that the performance conditions have been met.

### Holding period

A holding period (or periods) may apply to any Shares acquired pursuant to the vesting or exercise of a PSP Award.

During any holding period, the relevant Award Holder or trustees or nominees designated by the Company to hold the Shares for the benefit of the Award Holder will be required to retain the Shares and shall not be permitted to transfer, assign or otherwise dispose of such Shares for the duration of the holding period, subject to being permitted to sell such number of Shares as may be necessary to meet any tax liability arising on vesting or exercise and subject to certain other limited exceptions or if the Committee in its discretion determines otherwise.

### Malus

The Committee may decide, at any time prior to the vesting of a PSP Award (or the exercise of a PSP Option), that the value or number of Shares subject to the PSP Award shall be reduced (including to nil), subject to the Company's malus and clawback policy as amended from time to time.

### Clawback

Where a PSP Award has vested (or, in the case of a PSP Option, been exercised), the Committee may apply clawback to all or a proportion of Shares received on vesting or exercise, subject to the Company's malus and clawback policy as amended from time to time.

### Cessation of employment

Except in certain circumstances set out below, a PSP Award will lapse immediately upon an Award Holder ceasing to be employed by or holding office with the Group.

However, if an Award Holder ceases to be so employed because of ill-health, injury, disability, redundancy, retirement (provided

that they have not accepted an executive role elsewhere by the normal vesting date), their employing company being transferred out of the Group, or in any other circumstances determined at the discretion of the Committee (each a "Good Leaver Reason"), their PSP Award will ordinarily vest on the date when it would have vested if they had not so ceased to be a Group employee or director, subject to the satisfaction of any applicable performance conditions measured over the original performance period and the operation of malus or clawback. In addition, unless the Committee decides otherwise, vesting will be pro-rated to reflect the reduced period of time between the grant of the PSP Award and the participant's cessation of employment as a proportion of the normal vesting period.

If a participant ceases to be a Group employee or director for a Good Leaver Reason (except retirement), subject to regulatory requirements, the Committee can alternatively decide that their PSP Award will vest early when they leave. The terms on which it shall vest will be determined by the Committee in its absolute discretion subject to regulatory requirements.

If an Award Holder dies, a proportion of their PSP Award will vest on the date of their death. The extent to which the PSP Award will vest will be determined by the Committee at its absolute discretion taking into account, among other factors, the period of time the PSP Award has been held and the extent to which any applicable performance conditions have been satisfied at the date of cessation of employment and the operation of malus or clawback. In addition, unless the Committee decides otherwise, vesting will be pro-rated to reflect the reduced period of time between the grant of the PSP Award and the Award Holder's date of death as a proportion of the normal vesting period.

To the extent that PSP Options vest for a Good Leaver Reason, they may be exercised for a period of 12 months following vesting (or such longer period as the Committee determines). To the extent that PSP Options vest following the death of a participant, they may normally be exercised for a period of 12 months following death (or such longer period as the Committee determines).

### **Corporate events**

In the event of a takeover, compulsory acquisition of Shares, scheme of arrangement, or winding-up of the Company, PSP Awards will vest early. The proportion of the PSP Awards which vest shall be determined by the Committee taking into account, among other factors, the period of time the PSP Award has been held by the participant and the extent to which the applicable performance conditions have been satisfied at that time.

To the extent that PSP Options vest in the event of a takeover, winding-up or scheme of arrangement of the Company they may be exercised for a period of six months measured from the relevant event (or in the case of takeover such longer period as the Committee determines) and will otherwise lapse at the end of that period (or, in the case of a winding-up, upon the completion of the winding up if earlier). To the extent that PSP Options vest in the event of a compulsory acquisition of Shares, they may be exercised during the period beginning with the date on which a notice is served under section 979 of the Companies Act 2006 and ending seven clear days before entitlement to serve such notice ceases.

In the event of a demerger or any other corporate event not within those above, the Committee may determine that PSP Awards shall vest to the extent determined by the Committee, taking into account the same factors as set out above. PSP Options that vest in these circumstances may be exercised during such period as the Committee determines.

The Committee may, in its discretion, allow PSP Awards to vest prior to and conditional upon the occurrence of any of the events set out above and a PSP Option will then lapse on the occurrence of the event if not exercised prior to the event.

If there is a corporate event resulting in a new person or company acquiring control of the Company, the Committee may (with the consent of the acquiring company and the participant) alternatively decide that PSP Awards will not vest but will be replaced by equivalent new awards over shares in the new acquiring company.

### **Variation of capital**

If there is a variation of share capital of the Company or in the event of a demerger or other distribution, special dividend or distribution, the Committee may make such adjustments to PSP Awards, including the number of Shares subject to PSP Awards and the exercise price (if any), as it considers to be fair and reasonable.

### **Dividend equivalents**

The Committee may determine that a PSP Award (except an award comprising PSP Forfeitable Shares where the right to dividends has not been waived) may include the right to receive an amount in Shares or cash on or following vesting (subject to any holding periods) equal in value to the dividends which were payable on the number of Shares in respect of which the PSP Award has vested during such period as specified by the Company. The Company may decide at any time not to apply dividend equivalents to all or any part of a special dividend or dividend in specie.

### **Alternative settlement**

At its discretion, the Committee may decide to satisfy the vesting or exercise of a PSP Award with a payment in cash or Shares equal to any net gain that an Award Holder would have made had the relevant PSP Award been satisfied with Shares.

### **Rights attaching to Shares**

Subject to any restrictions applicable to Forfeitable Shares, Shares issued and/or transferred under the PSP shall, as to voting, dividend, transfer, and other rights, including those arising on a liquidation of the Company, rank equally in all respects and as one class with the Shares of the same class in issue at the date of issue or transfer save as regards any rights attaching to such Shares by reference to a record date prior to the date of such issue or transfer.

### **Amendments**

The Committee may, from time to time, amend the provisions of the PSP in any respect. Amendments are subject to any legal or regulatory requirement to obtain shareholder approval and amendments may not be made to the material disadvantage of Award Holders except with the approval of the majority of the Award Holders affected by the amendment. The prior approval of shareholders at a general meeting of the Company must be obtained in the case of any amendment to the advantage of Award Holders which is made to the provisions relating to eligibility, individual or overall limits, the persons to whom a PSP Award can be granted, the adjustments that may be made in the event of any variation to the share capital of the Company and/or the rule relating to such prior approval, save that there are exceptions for any minor amendment to benefit the administration of the PSP, to take account of the provisions of any proposed or existing legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for Award Holders, the Company and/or its other group companies.

Amendments may not adversely affect the rights of Award Holders except where the Award Holder is notified of and has approved such amendment, where the amendment is made to take account of any matter or circumstance which the Committee reasonably considers is a relevant legal or regulatory requirement, or any other matter or circumstance which the Committee reasonably considers is relevant and requires an amendment to be made.

## Appendix 2 - Summary of the Paragon Deferred Share Bonus Plan 2023 (the “DSBP”)

### Introduction

The DSBP is a discretionary incentive plan which allows for the delivery of a proportion of a participant's annual bonus into awards over Shares.

A proportion of a participant's annual bonus will be delivered in the form of a share award which may be subject to a vesting and/or holding period. Share awards which are granted under the DSBP may take the form of (i) options over Shares (“**DSBP Options**”), (ii) conditional awards (namely a conditional right to acquire Shares) (“**DSBP Conditional Awards**”) and/or (iii) Shares which may be subject to restrictions and the risk of forfeiture (“**DSBP Forfeitable Shares**” and, together with DSBP Options and DSBP Conditional Awards, “**DSBP Awards**”). No payment is required for the grant of a DSBP Award (unless the Committee determines otherwise).

### Eligibility

All employees of the Company's group are eligible for selection to participate in the DSBP at the absolute discretion of the Committee, provided that (unless the Committee determines otherwise) they have not given or received notice of termination. Eligibility to participate shall not be a contractual right. In practice, it is expected that the Executive Directors, Executive Committee members, and other senior individuals will be selected to participate in the DSBP.

### Limits

The DSBP may operate over new issue Shares, treasury Shares or Shares purchased in the market. A DSBP Award may not be granted if it would cause the aggregate number of Shares issued or issuable under any employee share scheme operated by the Company in the preceding ten years to exceed ten per cent of the Company's issued share capital at that time.

In addition, a DSBP Award may not be granted if it would cause the number of Shares issued or issuable under the DSBP and any other discretionary employee share scheme operated by the Company in the preceding ten years to exceed five per cent of the Company's issued share capital at that time.

Shares transferred out of treasury under the DSBP will count towards these limits for so long as this is required under institutional investor guidelines. In addition, DSBP Awards which are renounced or lapse or any Shares which the trustees of an employee benefit trust have purchased in order to satisfy an award shall be disregarded for the purposes of these limits.

### Grant of DSBP Awards

The Committee may determine that a proportion of a participant's annual bonus is delivered in the form of a DSBP Award. DSBP Awards may be granted during the 42 days beginning on: (i) the date of adoption of the Plan; (ii) the day after the announcement of the Company's results for any period; (iii) any day on which the Committee determines that circumstances are sufficiently exceptional to justify the making of the DSBP Award at that time; or (iv) the day after the lifting of any dealing restrictions which prevent the grant of a DSBP Award under (i), (ii) or (iii) above.

No DSBP Awards may be granted more than 10 years from the date when the DSBP was adopted or when prevented by any dealing restrictions.

### Vesting of DSBP Awards

DSBP Awards will vest on a date or dates set by the Committee, which may be the same date as the date the DSBP Award is granted. DSBP Options which have vested will normally remain exercisable following vesting for a period set by the Committee, not exceeding 10 years from grant.

### Holding period

A holding period (or periods) may apply to any Shares acquired pursuant to a DSBP Award.

During any holding period, the relevant Award Holder or trustees or nominees designated by the Company to hold the Shares for the benefit of the Award Holder will be required to retain the Shares and shall not be permitted to transfer, assign or otherwise dispose of such Shares for the duration of the holding period, subject to being permitted to sell such number of Shares as may be necessary to meet any tax liability in respect of the DSBP Award and subject to certain other limited exceptions or if the Committee in its discretion determines otherwise.

### Malus

The Committee may decide at the vesting of a DSBP Award (or exercise in the case of a DSBP Option) or any time before to reduce the number of Shares subject to a DSBP Award (including to nil), subject to the Company's malus and clawback policy as amended from time to time.

### Clawback

The Committee may apply clawback to all or part of a participant's DSBP Award after it has vested (or, in the case of a DSBP Option, been exercised), subject to the Company's malus and clawback policy as amended from time to time.

### Cessation of employment

Except in certain circumstances set out below, a DSBP Award will lapse immediately upon an Award Holder ceasing to be employed by or holding office with the Group.

However, if an Award Holder so ceases to be employed for a Good Leaver Reason, or by reason of their death, their DSBP Award will ordinarily vest on the date when it would have vested if they had not so ceased to be a Group employee or director, subject to the operation of malus or clawback.

If a participant ceases to be a Group employee or director for a Good Leaver Reason (except retirement), the Committee can alternatively decide that their DSBP Award will vest early when they leave.

If an employee dies, any DSBP Award held by them which has not vested will vest immediately.

To the extent that DSBP Options vest for a Good Leaver Reason, they may be exercised for a period of 12 months following vesting (or such longer period as the Committee determines). To the extent that DSBP Options vest following the death of a participant, they may normally be exercised for a period of 12 months following death (or such longer period as the Committee determines). The DSBP Option shall lapse at the end of such period.

### Corporate events

In the event of a takeover, compulsory acquisition of Shares, scheme of arrangement, or winding-up of the Company, DSBP Awards will vest early. The extent to which DSBP Awards vest will be determined by the Committee.

DSBP Options which vest in the event of a takeover, scheme of arrangement, or winding-up of the Company may be exercised for a period of six months measured from the relevant event (or in the case of takeover such longer period as the Committee determines) and will otherwise lapse at the end of that period (or, in the case of a winding-up, upon the completion of the winding up if earlier). To the extent the DSBP Options vest in the event of a compulsory acquisition of Shares, they may be exercised during the period beginning with the date on which a notice is served under section 979 of the Companies Act 2006 and ending seven clear days before entitlement to serve such notice ceases.



In the event of a demerger or any other corporate event not within those above, the Committee may determine that DSBP Awards shall vest to the extent determined by the Committee. DSBP Options that vest in these circumstances may be exercised during such period as the Committee determines.

The Committee may, in its discretion, allow the DSBP Awards to vest prior to and conditional upon the occurrence of any of the events set out above and a DSBP Option will then lapse on the occurrence of the event if not exercised prior to the event.

If there is a corporate event resulting in a new person or company acquiring control of the Company, the Committee may (with the consent of the acquiring company) alternatively decide that DSBP Awards will not vest but that the unvested portion of the DSBP Awards will be replaced by equivalent new awards over shares in the new acquiring company.

### **Variation of capital**

If there is a variation of share capital of the Company or in the event of a demerger or other distribution, special dividend or distribution, the Committee may make such adjustments to DSBP Awards, including the number of Shares subject to DSBP Awards and the exercise price (if any), as it considers to be fair and reasonable.

### **Dividend equivalents**

The Committee may determine that a DSBP Award (except an award comprising DSBP Forfeitable Shares where the right to dividends has not been waived) may include the right to receive an amount in Shares or cash on or following vesting (subject to any holding periods) equal in value to the dividends which were payable on the number of Shares in respect of which the DSBP Award has vested during such period as specified by the Company. The Company may decide at any time not to apply dividend equivalents to all or any part of a special dividend or dividend in specie.

### **Alternative settlement**

At its discretion, the Committee may decide to satisfy the vesting or exercise of a DSBP Award with a payment in cash or Shares equal to any net gain that an Award Holder would have made had the relevant DSBP Award been satisfied with Shares.

### **Rights attaching to Shares**

Subject to any restrictions applicable to DSBP Forfeitable Shares, Shares issued and/or transferred under the DSBP shall, as to voting, dividend, transfer, and other rights, including those arising on a liquidation of the Company, rank equally in all respects and as one class with the Shares of the same class in issue at the date of issue or transfer save as regards any rights attaching to such Shares by reference to a record date prior to the date of such issue or transfer.

### **Amendments**

The Committee may, from time to time, amend the provisions of the DSBP in any respect. Amendments are subject to any legal or regulatory requirement to obtain shareholder approval and amendments may not be made to the material disadvantage of participants except with the approval of the majority of the participants affected by the amendment. The prior approval of shareholders at a general meeting of the Company must be obtained in the case of any amendment to the advantage of award holders which is made to the provisions relating to eligibility, individual or overall limits, the persons to whom a DSBP Award can be granted, the adjustments that may be made in the event of any variation to the share capital of the Company and/or the rule relating to such prior approval, save that there are exceptions for any minor amendment to benefit the administration of the DSBP, to take account of the provisions of any proposed or existing legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for

award holders, the Company and/or its other group companies. Amendments may not adversely affect the rights of award holders except where the award holder is notified of and has approved such amendment, where the amendment is made to take account of any matter or circumstance which the Committee reasonably considers is a relevant legal or regulatory requirement, or any other matter or circumstance which the Committee reasonably considers is relevant and requires an amendment to be made.







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