

Information booklet

The Paragon Group of Companies PLC

13 February 2013

6% Retail Bond Offer fixed to December 2020



Lead Manager and Offeror

Canaccord Genuity Limited

Authorised Offerors

Barclays Stockbrokers

Collins Stewart Wealth Management

Interactive Investor

Redmayne-Bentley

Selftrade

Smith & Williamson Securities

Important information

This Information Booklet is an advertisement for the purposes of Prospectus Rule 3.3 and Article 34 of Commission Regulation (EC) No 809/2004 (as amended) and is not a prospectus for the purposes of EU Directive 2003/71/EC (as amended) (the “**Directive**”) and/or Part VI of the Financial Services and Markets Act 2000 (the “**FSMA**”). **The contents of this document are indicative and accurate as at the date of its issue. This document should not be solely relied on for making any investment decision in relation to the purchase of the bonds. Any decision to purchase or sell the bonds should be made solely on the basis of a careful review of the Prospectus and Final Terms (each as defined below). Please therefore read the Prospectus and Final Terms carefully before you invest.** This is a financial promotion approved, for the purposes of section 21 of FSMA, by Canaccord Genuity Limited, which is authorised and regulated by the Financial Services Authority, and made by The Paragon Group of Companies PLC (“**Paragon**”) which is the legal entity that will issue the bonds referred to below. Canaccord Genuity Limited (No. 01774003), whose registered office is 88 Wood Street, London EC2V 7QR, is authorised and regulated by the UK Financial Services Authority (Firm Ref Number 182011).

This Information Booklet relates to the The Paragon Group of Companies PLC 6% bonds due 5 December 2020 (referred to in this Information Booklet as the “**bonds**”). A base prospectus dated 11 February 2013 (the “**Prospectus**”), which comprises a prospectus for the purposes of the Directive and the final terms relating to the bonds dated 13 February 2013 (“**Final Terms**”) has been prepared and made available to the public in accordance with the Directive. Copies of the Prospectus and Final Terms are available from the website of the London Stock Exchange (www.londonstockexchange.com/prices-and-markets/markets/prices.htm) and in hard copy for inspection only during usual business hours at the specified office of the paying agent Citibank, N.A, London Branch, 13th Floor, Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB. This Information Booklet is not an offer for the subscription or sale of the bonds. The bonds have not been and will not be registered under the United States Securities Act of 1933, as amended (the “**Securities Act**”) and the bonds, which are in bearer form, are subject to certain U.S. tax law requirements. The bonds may not be offered, sold or delivered within the United States of America or its possessions or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. The bonds are being offered and sold outside the United States in reliance on Regulation S of the Securities Act. There will be no public offering in the United States. This advertisement is not an offer for the subscription or sale of the bonds. The bonds may only be sold in Jersey in compliance with the provisions of the Control of Borrowing (Jersey) Order 1958. Any offer for subscription, sale or exchange of the bonds within the Isle of Man must be made by (i) an Isle of Man financial services licence holder licensed under section 7 of the Financial Services Act 2008 to do so or (ii) in accordance with any relevant exclusion contained with the Regulated Activities Order 2011 or exemption contained in the Financial Services (Exemptions) Regulations 2011. For additional information on the selling restrictions, see the “**Subscription and Sale**” section in the Prospectus.

Important information (continued)

The bonds offer a fixed interest rate of 6% per year on the face value of £100 per bond. Interest will be paid semi-annually on 5 March and 5 September in each year until 5 September 2020 and with a final short coupon for the period from (and including) 5 September 2020 to (but excluding) 5 December 2020 payable on the Maturity Date. Unless previously redeemed or purchased and cancelled (as further described in "**Key features of the bonds – Early redemption features**" on page 8), the bonds will mature on 5 December 2020 (the "**Maturity Date**") and will be repayable by Paragon at their face value of £100 per bond. The bonds can be purchased through your existing stockbroker, private bank or wealth manager and the minimum initial amount of bonds you may buy is £2,000. Thereafter the bonds can be bought and sold in multiples of £100 face value. A copy of the Prospectus should also have been provided to you by your stockbroker and you are referred to "**Important information**" on page 2.

Authorised Offerors and offer period: a number of offerors have been approved by Paragon to provide this document and the Prospectus to potential investors in the bonds in the period from 13 February 2013 until 26 February 2013 or such earlier date as agreed between Paragon and Canaccord Genuity Limited and announced via the Regulatory News Service ("**RNS**") of the London Stock Exchange (the "**End of Offer Date**"). Any offer to sell the bonds made or received from any other party, or by any party after the End of Offer Date, may not have been approved by Paragon, therefore investors should check whether or not such party is so approved. The current Authorised Offerors are listed on the front cover of this Information Booklet.

About Paragon

The Paragon Group of Companies PLC is a specialist lender of buy-to-let ("BTL") mortgages to landlords and residential property investors in the UK, as well as a loan servicing provider for third party clients and an active acquirer of loan assets and portfolios.

The Group operates in two principal areas:

1. Lending: BTL specialist lending to landlord customers, through the Paragon Mortgages and Mortgage Trust brands, and the provision of consumer loans; and
2. Portfolio acquisitions: the investment division of the Group, Idem Capital, which undertakes acquisitions of loan portfolios including first and second mortgages as well as unsecured assets

In addition the Group services mortgage and loan portfolios for itself and for a number of clients, such as banks, private equity houses and specialist lenders.

Paragon has taken a cautious approach to new business origination since 2010, initially focusing on professional landlords and constraining lending volumes to be well within the Group's funding capacity. More recently, following increases in funding capacity, the focus has widened to include campaigns targeted towards private investor landlords. New business is widely sourced from a large number of mortgage and commercial finance intermediaries, rather than being concentrated in the hands of a smaller number of mainstream mortgage distribution firms. This has the benefit of maintaining access for the Group to whole of market distribution where there is the capacity to support materially higher volumes of origination.

An important area of the Group's strategic focus is the acquisition of loan portfolios through its subsidiary Idem Capital, in a market where opportunities have arisen from banks and other financial institutions selling loan portfolios in order to reduce leverage and realign their businesses following the 2008 financial crisis. Idem Capital invests in loan portfolios either as a sole investor or as a co-investor alongside others, where typically Paragon is appointed to service the purchased loans post-acquisition.

Experience in loan management and servicing established over many years has enabled the Group to extend this service to third party clients. The Group services 341,035 accounts as at 30 September 2012, half of which are on behalf of third parties.

About Paragon (continued)

The Group's strategy is focused on delivering value to its shareholders through close management of the existing loan book, exploiting its BTL origination franchise and by acquisition of loan portfolios. During 2012, the Group has employed more capital in its portfolio acquisition activity than in BTL mortgage originations.

Paragon is a FTSE250 company listed on the London Stock Exchange. Details of the top ten shareholders are shown in the Prospectus.

What is a bond?

A fixed rate bond is a form of borrowing by a company seeking to raise funds from investors. The bonds have a fixed life. The company promises to pay a fixed rate of interest (the “[coupon](#)”) to the investor (i.e. the bondholder) periodically until the date when the bonds are repaid. You do not have to keep the bonds until the date when they mature. A bond is a tradable instrument. The market price of a bond will vary between the start of the bond’s life and the date when it matures. Please see “[How to trade the bonds](#)” on page 11.

Interest on the bonds

The rate of interest offered on the bonds is fixed when the bonds are issued. For every £100 face value of the bonds held, Paragon will pay an interest amount of £3.00 on each of 5 March and 5 September up until 5 September 2020 and a final short coupon of £1.51 for the period from (and including) 5 September 2020 to (but excluding) 5 December 2020.

Repayment of the face value of the bonds

The bonds will be redeemed at 100% of their face value on 5 December 2020 assuming Paragon does not go out of business or become insolvent or enter into a financial restructuring, and assuming the bonds have not been redeemed or purchased and cancelled early (as described under “[Key features of the bonds – Early redemption features](#)”). You are referred to “[Key risks of investing in the bonds](#)” on page 9.

Key features of the bonds

- Issuer: The Paragon Group of Companies PLC.
 - The bonds are senior, unsecured obligations of the issuer.
 - Interest rate: 6%. Interest will be paid in arrear on 5 March and 5 September each year with a final short coupon for the period from (and including) 5 September 2020 to (but excluding) 5 December 2020 paid on the Maturity Date. The first interest payment is due to be made on 5 September 2013, and the last interest payment is due to be made on the Maturity Date.
 - Date on which the bonds are issued and on which interest begins to accrue: 5 March 2013.
 - Term of the bonds: 7 years 9 months.
 - Maturity Date (i.e. when the bonds mature and are due to be repaid): 5 December 2020.
 - Face value of each bond: £100. Although the face value of each bond is £100, it is not possible to purchase less than £2,000 in face value of the bonds from your offeror in the initial distribution.
 - The terms and conditions of the offer are contained in the Prospectus. The amount of the bonds to be issued will be announced by RNS on or around 26 February 2013.
 - Issue price: 100% of the face value.
 - Redemption: at 100% of the face value on the Maturity Date assuming that Paragon remains in business and is able to pay its debts in full and that the bonds have not been repaid early or purchased or cancelled.
 - Terms and conditions of the bonds will contain certain covenants including a gearing covenant and negative pledge on the provision of security and subsidiary guarantees. Additional information is available in the Prospectus.
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Key features of the bond (continued)

- Early redemption features: The bonds are due to be redeemed on the Maturity Date unless they are redeemed early due to (a) taxation reasons or (b) at Paragon's option, all as described below:
 - a) Early redemption due to changes in relevant tax laws:

The bonds may be redeemed early at the option of Paragon at 100% of their face value, together with any accrued and unpaid interest, in the event that Paragon is obliged to pay additional amounts in respect of the bonds pursuant to their terms following a change in United Kingdom tax law and such obligation cannot be avoided by Paragon using reasonable measures available to it.
 - b) Early redemption at the option of Paragon:

Paragon has the option to redeem the bonds in whole at any time, at 100% of their face value or, if higher, an amount calculated by reference to the prevailing yield of the relevant United Kingdom Government stock plus a margin of 1.00%, in either case together with any accrued but unpaid interest.
- Trading: bondholders will, subject to market conditions and liquidity, be able to buy bonds or sell their bonds during the term of the bonds. See "**How to trade the bonds**" below for more details.
- Bond ISIN: XS0891023086
- Amount of the bonds to be issued: The final amount of the bond will be published by RNS announcement on or around 26 February 2013.
- More information:

www.paragon-group.co.uk/group/Retail-Bond

Key risks of investing in the bonds

A number of particularly important risks relating to an investment in the bonds are set out below. The risks set out below are not intended to be a comprehensive list of all the risks that may apply to an investment in the bonds. As with most investments you could get back less than you invest or lose all of your initial investment.

- Inflation may also reduce the real value of the bonds over time, which may affect what you could buy with the return on your investment in the future. This may, therefore, make the fixed rate payable on the bonds less attractive in the future.
- The bonds are senior, unsecured obligations of Paragon. If Paragon goes out of business or becomes insolvent or enters into a financial restructuring, you may lose some or all of the money that you have invested in the bonds.
- The Issuer is a holding company and as such its operations are principally conducted through its subsidiaries. Therefore any debt borrowed, guaranteed or secured by a subsidiary of the Issuer (including subsidiaries specifically formed to acquire pools of loans originated by members of the Group) may have a prior ranking claim to bondholders on assets of that subsidiary in the event of an insolvency.

The Group's business relies on regularly refinancing buy-to-let loans originated by the Group by selling pools of those loans to specifically formed subsidiary companies of the Group and selling bonds secured on each pool of loans. The bonds issued by these subsidiaries are commonly referred to as asset or mortgage backed securities ("Asset Backed Securities"). The bonds will be structurally subordinated to the claims of all holders of Asset Backed Securities and other creditors having prior ranking claims to bondholders on assets of these subsidiaries in the event of insolvency.

- If you choose to sell your bonds in the open market at any time prior to the Maturity Date, the price you receive from a purchaser may mean that you get back less than your original investment. Factors that will influence the price you may receive include, but are not limited to, market appetite, inflation, period remaining to the Maturity Date, interest rates and the financial position of Paragon. In particular, you should note that if interest rates rise then the interest amounts due on the bonds might become less attractive and the price you would get if you were to sell could fall. However, the market price of the bonds has no effect on the interest amounts due or what you will be due to be repaid on the Maturity Date if you hold on to the bonds until then.
- There is no certainty as to what the market price for selling or buying the bonds will be at any time. If prevailing market conditions reduce market demand for the bonds, the market price may be adversely affected. Moreover, notwithstanding that Canaccord Genuity Limited will act as market maker (as explained below) for the bonds, if trading activity levels are low, this may severely and adversely impact the price that an investor would receive if he/she wishes to sell his/her bonds.
- The bonds are not covered by the Financial Services Compensation Scheme (FSCS).

Further risk factors relating to Paragon and the bonds are set out in the Prospectus on pages 22 to 31. Please read them carefully.

Further information

Holding the bonds

The bonds will be held in custody for you by your offeror, or as may be arranged by your offeror.

ISA and SIPP eligibility of the bonds

At the time of issue the bonds can be invested in a stocks and shares ISA or a SIPP, subject to limits and conditions and, in the case of a stocks and shares ISA, subject to the bonds being and remaining listed on the Official List of the UK Listing Authority and admitted to trading on the regulated market of the London Stock Exchange. However, you should seek advice as to whether the specific terms of your arrangement permits investments of this type. See also “[Taxation of the bonds](#)”, below.

Taxation of the bonds

Please refer to the section of the Prospectus entitled “[United Kingdom Taxation](#)” for information regarding certain UK taxation aspects in relation to the bonds. **Prospective bondholders should consult their own tax advisors to obtain advice about their particular tax treatment in relation to the bonds.** If you make an investment in the bonds, the precise UK tax treatment which will apply to you will depend on your individual circumstances and taxation law and practice at the relevant time (and so may be subject to change in the future). **In particular, the comments in the taxation section in the Prospectus relate only to individuals who are the absolute beneficial owners of the bonds and the interest paid on them, and may not apply where the relevant income is treated for UK tax purposes as the income of any other person, or to certain special classes of taxpayer such as dealers and persons connected with Paragon, to whom special rules may apply.** The tax treatment of bonds may be complex and the level and basis of taxation may change during the life of the bonds. All amounts, yields and returns described herein or in the Prospectus and Final Terms are shown before any tax impact. It is the responsibility of every investor to comply with the tax obligations operative in their country of residence.

Further information (continued)

How to trade the bonds

The bonds are expected to be listed on the Official List of the UK Listing Authority and admitted to trading on the regulated market of the London Stock Exchange. The bonds are also expected to be eligible for the London Stock Exchange's electronic Order Book for Retail Bonds ("**ORB**"). The ORB was launched in response to private investor demand for easier access to trading bonds with the aim of providing a transparent and efficient mechanism for UK retail investors to access the bond markets. The bonds are tradable instruments and prices will be quoted in the market during trading hours. The bonds are expected to be supported in a market-making capacity by Canaccord Genuity Limited. Market-making means that a person will maintain prices for buying and selling the bonds. Canaccord Genuity Limited will be appointed as a registered market maker through the ORB (www.londonstockexchange.com/exchange/prices-and-markets/retail-bonds/retail-bonds-search.html) when the bonds are issued. Bondholders should, in most normal circumstances, be able to sell their bonds at any time, subject to market conditions (see the "**Key risks of investing in the bonds**" section above). As with most investments, there is a risk that a bondholder could get back less than their initial investment or lose their initial investment. Pricing information for sales and purchases of the bonds in the market will be available throughout trading hours on the ORB.

Fees

Paragon will pay the fees set out in the Prospectus and Final Terms. Canaccord Genuity Limited will receive total fees and commissions of 0.80% of the amount of the bonds issued, out of which the Authorised Offerors will receive a distribution fee of 0.50% of the amount of the bonds allotted to them.

Offerors may charge fees and/or commissions in respect of any bonds purchased and/or held.

Disclaimer

Before buying or selling a bond you should ensure that you fully understand and accept the risks relating to an investment in the bonds before making such an investment, otherwise you should seek independent advice. Canaccord Genuity Limited is acting for itself and will not act and has not acted as your legal, tax, accounting or investment adviser and will not owe you or your clients any fiduciary duties in connection with a purchase or sale of the bonds, or any related, transaction. No reliance may be placed on Canaccord Genuity Limited and Paragon for advice or recommendations of any sort. Canaccord Genuity Limited makes no representation or warranty to you with regard to the information contained in the Prospectus. This Information Booklet contains information derived from the Prospectus and is believed to be reliable but, in so far as it may do so under applicable law, Canaccord Genuity Limited does not warrant its completeness or accuracy. Canaccord Genuity Limited and Paragon are not responsible for any advice or service you may receive from a third party in relation to the bonds. Canaccord Genuity Limited and its affiliates, connected companies, employees and/or clients may have an interest in securities of the type described in this Information Booklet and/or in related securities. Such interest may include acting as market-makers in such securities. This document does not constitute or form part of any offer or invitation to sell, or any solicitation of any offer to purchase, any bonds. Any purchase or sale of bonds should only be made on the basis of the information contained in the Prospectus, available as described above.