

Paragon Bank PLC

Remuneration Code Pillar III disclosure

30 September 2015



REMUNERATION CODE PILLAR III DISCLOSURE

For the year ended 30 September 2015

Paragon Bank PLC falls within proportionality level 3 and the Pillar III disclosure set out below has been prepared on this basis

GOVERNANCE

The Board of Directors of Paragon Bank PLC ('the Bank') has delegated the responsibility for oversight of its remuneration policy and the remuneration decision making process to its Remuneration Committee ('Remco').

The Remco comprises three non-executive directors and is chaired by a non-executive director. The terms of reference for the Remco have been approved by the Bank's Board of Directors. The Remco's mandate is to:

1. Determine Remuneration Policy in relation to fixed and variable pay for employees;
2. Ensure that Executive Directors and senior employees of the Bank are fairly rewarded for their individual contributions to overall performance, having regard to the importance of retention, motivation, risk appetite and ensuring good customer outcomes are achieved;
3. Determine which employees are Remuneration Code Staff ('Code Staff') for the purposes of the Remuneration Code. The Bank consider the following to be Code Staff:
 - i. Paragon Bank executive directors;
 - ii. Paragon Bank independent non-executive directors; and
 - iii. Employees performing selected roles which have significant influence on the firm's risk profile including selected control functions
4. Determine levels of fixed and variable pay for individual Code Staff and, as appropriate, for certain schemes, apply claw back;
5. Ensure that its decisions are consistent with an assessment of the Bank's financial condition and future prospects and in the interests of its shareholder (The Paragon Group of Companies PLC) and other stakeholders; and
6. Monitor that the Bank is fully compliant with the requirements of the PRA / FCA's Remuneration Code.

LINK BETWEEN PAY AND PERFORMANCE

Fixed pay (salary and benefits) is primarily set taking into account market rates and benchmarks as appropriate. Variable pay is determined via a combination of long-term performance measures and individual performance ratings;

Long term business performance measures

The long term business performance measures are documented in long term incentive schemes which are operated and provided by the Bank's parent company, The Paragon Group of Companies PLC, details of which are set out in the accounts of that Company and the Bank.

Individual performance ratings

Individual performance ratings are part of the annual review process and reflect individual contribution against personal objectives. Appropriate risk conduct is reflected in the annual performance objectives, and subsequent rating of the employee.

AGGREGATE QUANTITATIVE INFORMATION ON REMUNERATION

Year ended 30 September 2015

14 Code Staff	Total Remuneration = £2,601,464
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	Senior Management	Other members of staff*	Totals
Fixed remuneration	£1,263,064	-	£1,263,064
Variable remuneration - cash	£914,048	-	£914,048
Number of staff	14	-	14
Cash paid in year	£2,177,112	-	£2,177,112
Variable remuneration - deferred in shares‡	£424,352	-	£424,352
Total deferred in current year	£424,352	-	£424,352

Year ended 30 September 2014

11 Code Staff	Total Remuneration = £1,658,638
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	Senior Management	Other members of staff*	Totals
Fixed remuneration	£1,184,142	-	£1,184,142
Variable remuneration - cash	£474,496	-	£474,496
Number of staff	11	-	11
Cash paid in year	-	-	-
Variable remuneration - deferred in shares‡	-	-	-
Total deferred in current year	-	-	-

*Other members of staff whose actions had a material impact on the risk profile of the firm. Code staff include two independent non-executive directors, the independent Chairman and senior business risk, compliance and control personnel.

‡Share based remuneration is valued on the basis of the market value of shares granted at the date of grant.



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