

Paragon Bank PLC

Remuneration Code Pillar III disclosure
Year ended 30 September 2017

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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 comprised the Chairman of the Board and four independent non-executive directors at the year end, and was chaired by one of the independent non-executive directors. 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, as detailed under the Senior Manager Regime and approved as holding a Senior Management Function role
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 shareholders and other stakeholders; and
6. Monitor that the Bank is fully compliant with the requirements of the PRA / FCA's Remuneration Code.

Since the Group restructure in September 2017, the membership of RemCo has been the same as that of the Remuneration Committee of the Bank's parent company, Paragon Banking Group PLC ('PBG'). More information on the work of that committee is given in the directors' remuneration report in that company's annual report and accounts.

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 PBG, details of which are set out in the accounts of that company.

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 2017

20 Code Staff ‡	Total Remuneration = £1,753,042	
	Senior Management*	Totals
Fixed remuneration	£942,785	£942,785
Variable remuneration – cash	£401,563	£401,563
Number of staff	20	20
Cash paid in year	£1,344,348	£1,344,348
Variable remuneration - deferred in shares †	£408,694	£408,694
Total deferred in current year	£408,694	£408,694

Year ended 30 September 2016

14 Code Staff	Total Remuneration = £1,880,077	
	Senior Management*	Totals
Fixed remuneration	£1,043,539	£1,043,539
Variable remuneration – cash	£420,910	£420,910
Number of staff	14	14
Cash paid in year	£1,464,449	£1,464,449
Variable remuneration - deferred in shares †	£415,628	£415,628
Total deferred in current year	£415,628	£415,628

NOTES TO THE REMUNERATION TABLE

No staff, other than senior managers had a material impact on the risk profile of the firm in the year. Code staff include two independent non-executive directors (three from September 2017), the independent Chairman and senior business risk, compliance and control personnel.

* Senior management are those staff who hold an approved SMF role under the Senior Managers Regime, introduced from March 2016. Prior to this date senior management were those staff who were Approved Persons.

Due to the change in legal and regulatory structure for the bank and PBG on 20 September 2017, the remuneration of a number of individuals has been pro-rated to include only the number of working days they held a regulatory authorised role.

‡ The number of Code Staff represents the number of persons who held a regulatory authorised role at any point in the year. There were 11 Code Staff prior to the restructure and 13 following the restructure; 4 individuals remained as Code Staff throughout the reporting period, although their SMF function and Prescribed Responsibilities changed.

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



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