

ISDA[®]
International Swaps and Derivatives Association, Inc.

CREDIT SUPPORT ANNEX

to the

Schedule to the ISDA Master Agreement

dated as of 3 November 2011

between

- (1) **MACQUARIE BANK LIMITED, LONDON BRANCH ("Party A");**
- (2) **PARAGON MORTGAGES (NO.16) PLC ("Party B");** and
- (3) **CITICORP TRUSTEE COMPANY LIMITED** (the "**Trustee**", which expression shall include its successors and assigns).

Paragraph 11. Elections and Variables

- (a) ***Base Currency and Eligible Currency.***
 - (i) "**Base Currency**" means Pounds Sterling.
 - (ii) "**Eligible Currency**" means the Base Currency and each other currency specified here: Euros and US Dollars.
- (b) ***Credit Support Obligations.***
 - (i) ***Delivery Amount, Return Amount and Credit Support Amount.***
 - (A) "**Delivery Amount**": Paragraph 2(a) shall apply, as amended (I) by deleting the words "upon a demand made by the Transferee on or promptly following a Valuation Date" and inserting in lieu thereof the words "not later than the close of business on the Local Business Day after each Valuation Date" (II) by deleting in its entirety the sentence beginning "Unless otherwise specified in Paragraph 11(b)" and inserting in lieu thereof the following:

"The "Delivery Amount" applicable to the Transferor for any Valuation Date will equal the greater of:

 - (1) the amount by which (a) the Fitch Credit Support Amount for such Valuation Date exceeds (b) the Value (determined using the Fitch Valuation Percentages in Paragraph 11(b)(ii)) as of such Valuation Date of the Transferor's Credit Support Balance (adjusted to include any prior Delivery Amount and to exclude any prior Return Amount, the transfer of which, in each case, has not yet

been completed and for which the relevant Settlement Day falls on or after such Valuation Date); and

- (2) the greater of (i) zero and (ii) the amount by which (a) the Moody's Credit Support Amount for such Valuation Date exceeds (b) the Value (determined using the applicable Moody's Valuation Percentages in Paragraph 11(b)(ii)) as of such Valuation Date of the Transferor's Credit Support Balance (adjusted to include any prior Delivery Amount and to exclude any prior Return Amount, the transfer of which, in each case, has not yet been completed and for which the relevant Settlement Day falls on or after such Valuation Date).

Provided that if, in respect of any Valuation Date, the Delivery Amount is greater than the Minimum Transfer Amount, the Transferor will transfer to the Transferee sufficient Eligible Credit Support to ensure that, immediately following such transfer, none of the amounts calculated under (1) and (2) of this Paragraph 11(b)(i)(i) shall be greater than zero.

- (B) "**Return Amount**" has the meaning as specified in Paragraph 2(b) as amended by deleting in its entirety the sentence beginning "Unless otherwise specified in Paragraph 11(b)" and inserting in lieu thereof the following:

"The "Return Amount" applicable to the Transferee for any Valuation Date will equal the lesser of:

- (1) the greater of (i) zero and (ii) the amount by which (a) the Value (determined using the Fitch Valuation Percentages in Paragraph 11(b)(ii)) as of such Valuation Date of the Transferor's Credit Support Balance (adjusted to include any prior Delivery Amount and to exclude any prior Return Amount, the transfer of which, in each case, has not yet been completed and for which the relevant Settlement Day falls on or after such Valuation Date) exceeds (b) the Fitch Credit Support Amount for such Valuation Date; and
- (2) the greater of (i) zero and (ii) the amount by which (a) the Value (determined using the Moody's Valuation Percentages in Paragraph 11(b)(ii)) as of such Valuation Date of the Transferor's Credit Support Balance (adjusted to include any prior Delivery Amount and to exclude any prior Return Amount, the transfer of which, in each case, has not yet been completed and for which the relevant Settlement Day falls on or after such Valuation Date) exceeds (b) the Moody's Credit Support Amount for such Valuation Date.

Provided that, in no event shall the Transferee be required to transfer Equivalent Credit Support under Paragraph 2(b) to the extent that, immediately following such transfer, the amounts Delivery Amount would be greater than zero.

- (ii) **Eligible Credit Support.** The following items will qualify as "Eligible Credit Support" for Party A:

	Collateral Type	Valuation Percentages in respect of Moody's	Valuation Percentages in respect of Fitch
	cash in an Eligible Currency	As set out in Appendix B	As set out in Appendix A

- (iii) **Thresholds.**

- (A) "**Independent Amount**" means, for Party A and Party B, with respect to each Transaction, zero.
- (B) "**Threshold**" means with respect to Party A: infinity, provided that for so long as either:
- (1) the Moody's Threshold is zero; or
 - (2) the Fitch Threshold is zero,
- the Threshold with respect to Party A shall be zero.
- "**Threshold**" means, for Party B: infinity
- (C) "**Minimum Transfer Amount**" means, with respect to Party A and Party B, GBP100,000; provided, that if (1) an Event of Default has occurred and is continuing with respect to a party, or (2) an Additional Termination Event has occurred in respect of which a party is the sole Affected Party, the Minimum Transfer Amount with respect to such party shall be zero.
- (D) "**Rounding**" The Delivery Amount will be rounded up to the nearest integral multiple of GBP10,000 and the Return Amount will be rounded down to the nearest integral multiple of GBP10,000.
- (E) "**Zero Credit Support Amount**" Notwithstanding the provisions of (C) and (D) above, when the Credit Support Amount with respect to the Transferor on a Valuation Date is zero, then for the purposes of any Return Amount due to such Transferor the Minimum Transfer Amount with respect to the Transferee shall be zero, and rounding will not apply.

- (F) "**Exposure**" has the meaning specified in Paragraph 10, except that (1) after the word "Agreement" the words "(assuming, for this purpose only, that Part 5(p) (Calculations) of the Schedule is deleted)" shall be inserted and (2) at the end of the definition of "Exposure", the words "without assuming that the terms of such Replacement Transactions are materially less beneficial for the Transferee than the terms of this Agreement" shall be added.
- (c) **Valuation and Timing.**
- (i) "**Valuation Agent**" means Party A, provided that if Party A is the Defaulting Party, Party B may, by giving written notice to Party A, appoint a substitute Valuation Agent.
 - (ii) "**Valuation Date**" means each Local Business Day.
 - (iii) "**Valuation Time**" means the close of business in New York, as determined by the Valuation Agent, on the weekday immediately preceding the Valuation Date or date of calculation, as applicable, provided that the calculations of Value and Exposure will, as far as practicable, be made as of approximately the same time on the same date.
 - (iv) "**Notification Time**" means by 2:00 p.m., London time, on a Local Business Day.
 - (v) "**Calculations**" Paragraph 3(b) shall be amended by inserting the words "Moody's Credit Support Amount, Fitch Credit Support Amount" after the word "Value".
- (d) **Exchange Date.** "Exchange Date" has the meaning specified in paragraph 3(c)(ii).
- (e) **Dispute Resolution.**
- (i) "**Resolution Time**" means 2:00 p.m., London time, on the Local Business Day following the date on which notice is given that gives rise to a dispute under Paragraph 4.
 - (ii) "**Value**" For the purpose of Paragraph 4(a)(4)(i)(C) and 4(a)(4)(ii), the Value of the outstanding Credit Support Balance or of any transfer of Eligible Credit Support or Equivalent Credit Support, as the case may be, will be calculated as follows:
 - (A) with respect to any Eligible Credit Support or Equivalent Credit Support comprising securities ("**Securities**") the Base Currency Equivalent of the sum of (a)(x) the last bid price on such date for such Securities on the principal national securities exchange on which such Securities are listed, multiplied by the applicable Valuation Percentage; or (y) where any Securities are not listed on a national securities exchange, the bid price for such Securities quoted as at the close of business on such date

by any principal market maker (which shall not be and shall be independent from the Valuation Agent) for such Securities chosen by the Valuation Agent, multiplied by the applicable Valuation Percentage; or (z) if no such bid price is listed or quoted for such date, the last bid price listed or quoted (as the case may be), as of the day next preceding such date on which such prices were available, multiplied by the applicable Valuation Percentage; plus (b) the accrued interest where applicable on such Securities multiplied by the Valuation Percentage applicable to such Securities, if any;

- (B) with respect to any Cash, the Base Currency Equivalent of the amount thereof times the applicable Valuation Percentage; and
- (C) with respect to any Eligible Credit Support or Equivalent Credit Support other than Securities and Cash, the Base Currency Equivalent of the fair market value thereof on such date, as determined in any reasonable manner chosen by the Valuation Agent, multiplied by the applicable Valuation Percentage.

(iii) "**Alternative**" The provisions of Paragraph 4 will apply.

(f) **Distribution and Interest Amount.**

- (i) "**Interest Rate**" The "*Interest Rate*" in relation to each Eligible Currency specified below will be:

Eligible Currency	Interest Rate
USD	The effective federal funds rate in H.15(519) opposite the caption "Federal Funds (Effective)" on Reuters Page FEDFUNDS1 in respect of such day (or if Page FEDFUNDS1 ceases to exist or is not yet published H.15(519), the rate for that day will be the rate set forth in H.15 Daily Update or such other recognised electronic source used for the purpose of displaying such rate for that day opposite the caption "Federal Funds (Effective)").
EUR	The overnight rate fixed for such day, as calculated by the European Central Bank for such day and fixed between 6.45 and 7 p.m. (CET) as appearing on Reuters Page EONIA or as published by Bloomberg in respect of such day (or if such page ceases to exist, another equivalent page or reference, or if no

such rate is published for such day, the rate for the next preceding day for which such a rate is published).

GBP

"SONIA" for any day means the reference rate equal to the overnight rate which appears under the heading "Sterling Overnight Index" on Reuters Screen Page SONIA in respect of such day (or if such page ceases to exist, another equivalent page or reference, or if no such rate is published for such day, the rate for the next preceding day for which such a rate is published).

- (ii) **"Transfer of Interest Amount"** The transfer of the Interest Amount will be made on the first Local Business Day following the end of each calendar month in which it is received or, if that date is not a Valuation Date, the next Local Business Day which is immediately following the Valuation Date which immediately follows the end of the calendar month in which it is received. The last sentence of "Credit Support Balance" is deleted.
 - (iii) **"Alternative to Interest Amount"** The provisions of Paragraph 5(c)(ii) will apply. For the purposes of calculating the Interest Amount the amount of interest calculated for each day of the Interest Period shall, with respect to any Eligible Currency, be compounded daily.
 - (iv) **"Distributions"** means, with respect to any Eligible Credit Support comprised in the Credit Support Balance consisting of securities, all principal, interest and other payments and distributions of cash or other property to which a holder of securities of the same type, nominal value, description and amount as such Eligible Credit Support would have received from time to time.
 - (v) **"Distribution Date"** means, with respect to any Eligible Credit Support comprised in the Credit Support Balance other than cash, each date on which a holder of such Eligible Credit Support would have received Distributions or, if that date is not a Local Business Day, the next following Local Business Day.
- (g) **Addresses for Transfers.**
- Party A:** As set out in Party A's SSIs.
- Party B:** To be advised
- (h) **Other Provisions.**
- (i) ***Interest and Transfer Timing.***
 - (A) The final paragraph of Paragraph 3(a) shall be deleted and replaced with the following:

"Subject to Paragraph 4, and unless otherwise specified, any transfer of Eligible Credit Support or Equivalent Credit Support (whether by the Transferor pursuant to Paragraph 2(a) or by the Transferee pursuant to Paragraph 2(b)) shall be made not later than the close of business on the Settlement Day."

- (B) The definition of Settlement Day shall be deleted and replaced with the following:

"**Settlement Day**" means the next Local Business Day after the Demand Date".

- (C) For the purposes of this Paragraph 11(h)(i):

"**Demand Date**" means, with respect to a transfer by a party:

- (i) in the case of a transfer pursuant to Paragraph 2, Paragraph 3, Paragraph 4(a)(2) or 5(c)(i), the relevant Valuation Date. For the avoidance of doubt, for the purposes of Paragraph 2 and Paragraph 4(a)(2), the Transferor will be deemed to receive notice of the demand by the Transferee to make a transfer of Eligible Credit Support; and
 - (ii) in the case of a transfer pursuant to Paragraph 3(c)(ii)(A), the date on which the Transferee has given its consent to the proposed exchange.
- (D) "**Interest Amount**" means, with respect to an Interest Period, any amount of interest earned and received from the institution with which the Collateral posted by Party A is held (net of any deduction or withholding for or on account of any tax) by the Transferee during such Interest Period on the principal amount of the portion of the Credit Support Balance comprised of cash.

- (ii) **Early Termination.**

The heading for Paragraph 6 shall be deleted and replaced with "Early Termination" and the following shall be added after the word "Default" in the first line of Paragraph 6, "or a Termination Event in relation to all (but not less than all) Transactions" and adding the words "or an Affected Party, as relevant" after the words "Defaulting Party" in the bracketed text in the fourth line of Paragraph 6.

- (iii) **Costs of Transfer on Exchange.**

Notwithstanding Paragraph 8, the Transferor will be responsible for, and will reimburse the Transferee for, all transfer and other taxes and other costs involved in the transfer of Eligible Credit Support either from the Transferor

to the Transferee or from the Transferee to the Transferor pursuant to this Annex.

(iv) ***Cumulative Rights.***

The rights, powers and remedies of the Transferee under this Annex shall be in addition to all rights, powers and remedies given to the Transferee by the Agreement.

(v) ***Single Transferor and Single Transferee.***

Party A and Party B agree that, notwithstanding anything to the contrary in this Annex, (including, without limitation, the recital hereto, Paragraph 2 or the definitions in Paragraph 10), (a) the term "Transferee" as used in this Annex means only Party B; and (b) the term "Transferor" as used in this Annex means only Party A.

(vi) ***Ratings Agency Requirement.***

"**Rating Agency Requirement**" means the Moody's Requirements and the Fitch Requirements, as defined below.

Moody's Requirements

"**Moody's Credit Support Amount**" shall mean with respect to a Transferor on a Valuation Date:

- (A) if the Moody's Threshold for Party A is infinity, zero;
- (B) for so long as (1) the Moody's Threshold for Party A is zero and (2) (A) the Second Rating Trigger Requirements do not apply or (B) less than 30 Local Business Days have elapsed since the last time the Second Rating Trigger Requirements did not apply, the greater of:
 - (I) zero; and
 - (II) the sum of (x) the Transferee's Exposure and (y) the aggregate of the Moody's First Trigger Additional Amounts in respect of such Valuation Date for all Transactions (other than the Transaction constituted by this Annex),

where "**Moody's First Trigger Additional Amount**" means, for any Valuation Date

- (i) in respect of any Transaction that is not a cross-currency hedge, the lesser of:
 - (a) the Transaction Notional Amount for such Transaction for the Calculation Period which includes such Valuation Date multiplied by 0.02; and

- (b) the Transaction Single Currency DV01 for such Transaction multiplied by 15; and
 - (ii) in respect of any Transaction that is a cross-currency hedge, the lesser of (a) the sum of (x) the product of the Transaction Notional Amount for such Transaction for the Calculation Period which includes such Valuation Date and the Moody's First Trigger Cross Currency Notional Amount Lower Multiplier and (y) the product of the Moody's First Trigger Cross Currency DV01 Multiplier and the Transaction Cross Currency DV01 for such Transaction and (b) the product of the Moody's First Trigger Cross Currency Notional Amount Higher Multiplier and the Transaction Notional Amount for such Transaction for the Calculation Period which includes such Valuation Date.
- (C) if the Second Rating Trigger Requirements apply and 30 or more Local Business Days have elapsed since the last time the Second Rating Trigger Requirements did not apply, the greater of:
 - (I) zero;
 - (II) the aggregate amount of the Next Payments for all Next Payment Dates, provided that, for this purpose, to the extent that any Next Payment (or portion thereof) cannot be determined with certainty on such Valuation Date due to variables that are to be determined on a future date, it shall be calculated by reference to the Valuation Agent's prediction of what such variables will be and such prediction shall be made by the Valuation Agent in a commercially reasonable manner using the information then available to it; and
 - (III) the sum of (x) the Transferee's Exposure and (y) the aggregate of the Moody's Second Trigger Additional Amounts in respect of such Valuation Date for all Transactions (other than the Transaction constituted by this Annex),

where, "**Moody's Second Trigger Additional Amount**" means, for any Valuation Date:

- (i) in respect of any Transaction that is not a cross-currency hedge and not a Transaction Specific Hedge, the lesser of:
 - (x) the Transaction Notional Amount for such Transaction for the Calculation Period which includes such Valuation Date multiplied by 0.08; and
 - (y) the Transaction Single Currency DV01 for such Transaction multiplied by 50; and

- (ii) in respect of any Transaction that is a cross-currency hedge and not a Transaction Specific Hedge, the lesser of:
 - (x) the sum of (1) the product of the Transaction Notional Amount for such Transaction for the Calculation Period which includes such Valuation Date and 0.06 and (2) the product of 15 and the Transaction Cross Currency DV01 for such Transactions; and
 - (y) the product of the 0.09 and the Transaction Notional Amount for such Transaction for the Calculation Period which includes such Valuation Date.
- (iii) in respect of any Transaction that is a cross-currency hedge and a Transaction Specific Hedge, the lesser of:
 - (x) the sum of (1) the product of the Transaction Notional Amount for such Transaction for the Calculation Period which includes such Valuation Date and 0.06 and (2) the product of 30 and the Transaction Cross Currency DV01 for such Transaction and
 - (y) the product of 0.11 and the Transaction Notional Amount for such Transaction for the Calculation Period which includes such Valuation Date.
- (iv) in respect of any Transaction that is not a cross-currency hedge and is a Transaction Specific Hedge, the lesser of (x) the product of 65 and the Transaction Single Currency DV01 for such Transaction and the product of 0.10 and the Transaction Notional Amount for such Transaction for the Calculation Period which includes such Valuation Date.

Fitch Requirements.

"**Fitch Credit Support Amount**" shall mean at any time for the purposes of the Fitch Criteria with respect to a Transferor on a Valuation Date:

- (A) if the Fitch Threshold for Party A is infinity (irrespective of whether the Threshold is infinity or zero), zero;
- (B) if the Fitch Threshold for Party A is zero and if (i) a Fitch Ratings Level 1 Event has occurred and is continuing but neither a Fitch Ratings Level 2 Event nor a Fitch Ratings Level 3 Event has occurred and is continuing and (ii) either such Fitch Ratings Level 1 Event has continued since this Credit Support Annex was executed or 14 or more calendar days have elapsed since such Fitch Ratings Level 1 Event

commenced, an amount calculated in accordance with the following formula:

$$\max [0, \text{MtM} + (\text{LA} * \text{VC} * \text{N})]$$

- (C) if the Fitch Threshold for Party A is zero and if (i) a Fitch Ratings Level 2 Event has occurred and is continuing and (ii) either such event has continued since this Credit Support Annex was executed or 14 or more calendar days have elapsed since such Fitch Ratings Level 2 Event commenced, an amount calculated in accordance with the following formula:

$$\max [0, \text{MtM} + (\text{LA} * \text{VC} * \text{N})] * 1.25$$

- (D) if the Fitch Threshold for Party A is zero and if (i) a Fitch Ratings Level 3 Event has occurred and is continuing and (ii) 10 or more calendar days have elapsed since such Fitch Ratings Level 3 Event commenced, an amount calculated in accordance with the following formula:

$$\max [0, \text{MtM} + (\text{LA} * \text{VC} * \text{N})] * 1.25$$

where:

"**max**" means maximum;

"**MtM**" means the Transferee's Exposure;

"**LA**" means the liquidity adjustment (expressed as a percentage) derived from the type of Transaction and the weighted average life of the Transaction in accordance with the Fitch Criteria;

"**VC**" means the percentage specified in the Fitch Criteria as the "Volatility Cushion" in respect of cross currency swaps or interest rate swaps, as applicable, for a weighted average life that is equal to (or closest to) the remaining term of the Transaction; and

"**N**" means the Transaction Notional Amount for such Transaction for the Calculation Period which includes such Valuation Date.

(vii) ***Calculations.***

Paragraph 3(b) of this Annex shall be amended by inserting the words "and shall provide each party (or the other party, if the Valuation Agent is a party) with a description in reasonable detail of how such calculations were made, upon request" after the word "calculations" in the third line thereof.

(viii) ***Demands and Notices.***

All demands, specifications and notices under this Annex will be made pursuant to Section 12 of this Agreement.

(ix) ***Definitions.***

As used in this Annex, the following terms shall mean:

"Fitch" means Fitch Ratings Ltd and includes any successors thereto;

"Fitch Threshold" means (A) for so long as a Fitch Ratings Level 1 Event, a Fitch Ratings Level 2 Event or a Fitch Ratings Level 3 Event has occurred and is continuing and Party A has not taken alternative action as contemplated and to the extent required by paragraphs (g)(ii)(A)(1), (g)(ii)(B)(1), (g)(ii)(C)(1) or (g)(ii)(C)(2) of Part 5 of the Schedule to the Agreement, zero and (b) at any other time, infinity;

"Moody's" means Moody's Investors Service Limited and includes any successors thereto;

"Moody's Threshold" means (A) for so long as no Relevant Entity has the Moody's First Trigger Required Ratings and either (i) no Relevant Entity has had the Moody's First Trigger Required Ratings since this Annex first became part of the Agreement or (ii) at least 30 Local Business Days have elapsed since the last time a Relevant Entity had the Moody's First Trigger Required Ratings, zero and (B) at any other time, infinity;

"Next Payment" means, in respect of each Next Payment Date, the greater of (i) the Base Currency Equivalent of any payments (excluding exchanges of notional) due to be made by Party A under Section 2(a) on such Next Payment Date less the Base Currency Equivalent of any payments due to be made by Party B under Section 2(a) on such Next Payment Date, in each case in respect of any Transaction (other than the Transaction constituted by this Annex) and (ii) zero;

"Next Payment Date" means each date on which the next scheduled payment by Party A under any Transaction (other than the Transaction constituted by this Annex) is due to be paid or would be due to be paid but for the application of netting;

"Rating Agencies" means Moody's and Fitch;

"Relevant Entity" means Party A and any Credit Support Provider of Party A;

"Transaction Cross Currency DV01" means, with respect to a Transaction and any date of determination, the greater of (i) the estimated absolute change in the Base Currency Equivalent of the mid-market value with respect to such Transaction that would result from a one basis point change in the relevant swap curve (denominated in the currency of Party A's payment obligations under such Transaction) on such date and (ii) the estimated absolute change in the Base Currency Equivalent of the mid-market value with respect to such Transaction that would result from a one basis point change in the relevant swap curve (denominated in the currency of Party B's payment obligations

under such Transaction) on such date, in each case as determined by the Valuation Agent in good faith and in a commercially reasonable manner in accordance with the relevant methodology customarily used by the Valuation Agent;

"Transaction Single Currency DV01" means, with respect to a Transaction and any date of determination, the estimated absolute change in the Base Currency Equivalent of the mid-market value with respect to such Transaction that would result from a one basis point change in the relevant swap curve on such date, as determined by the Valuation Agent in good faith and in a commercially reasonable manner in accordance with the relevant methodology customarily used by the Valuation Agent; and

"Transaction Notional Amount" means (A) in respect of any Transaction that is a cross-currency hedge, the Base Currency Equivalent of the Currency Amount (as defined in the relevant Confirmation) applicable to Party A's payment obligations and (B) in respect of any other Transaction, the Base Currency Equivalent of the Notional Amount (as defined in the relevant Confirmation).

"Transaction Specific Hedge" means any Transaction in respect of which the Transaction Notional Amount for each Calculation Period is "balance guaranteed" or otherwise not an amount that is fixed at the inception of the Transaction.

Appendix A – Fitch Eligible Credit Support and Valuation Percentages

Cash in an Eligible Currency: **100%** subject to adjustment for FX risk below when appropriate
Fitch's Advance Rates (ARs) for Government Bonds and Currency Risk

Region *	Maturity	Highest note rated 'AA-' or higher	Highest note rated 'A+' or below
Australia and New Zealand	< 1 year	99.0%	99.0%
Australia and New Zealand	1-3 years	96.5%	98.0%
Australia and New Zealand	3-5 years	94.0%	96.0%
Australia and New Zealand	5-7 years	91.5%	94.5%
Australia and New Zealand	7-10 years	89.0%	92.5%
Denmark and Sweden	< 1 year	98.5%	99.0%
Denmark and Sweden	1-3 years	96.5%	97.5%
Denmark and Sweden	3-5 years	93.0%	95.5%
Denmark and Sweden	5-7 years	91.5%	94.5%
Denmark and Sweden	7-10 years	89.0%	93.0%
Eurozone	< 1 year	99.0%	99.5%
Eurozone	1-3 years	97.0%	98.0%
Eurozone	3-5 years	94.0%	96.0%
Eurozone	5-7 years	93.0%	95.5%
Eurozone	7-10 years	90.0%	93.5%
Eurozone	10-30 years	83.5%	89.0%
Japan	< 1 year	98.5%	99.0%
Japan	1-3 years	97.0%	98.0%
Japan	3-5 years	94.0%	96.0%
Japan	5-7 years	91.5%	94.5%
Japan	7-10 years	87.0%	91.5%
Japan	10-30 years	69.0%	79.5%
Switzerland	< 1 year	98.5%	99.0%
Switzerland	1-3 years	97.0%	98.0%

Region *	Maturity	Highest note rated 'AA-' or higher	Highest note rated 'A+' or below
Switzerland	3-5 years	95.5%	97.0%
Switzerland	5-7 years	94.0%	96.0%
Switzerland	7-10 years	93.5%	95.5%
UK	< 1 year	98.5%	99.0%
UK	1-3 years	96.5%	97.5%
UK	3-5 years	91.5%	94.5%
UK	5-7 years	90.5%	93.5%
UK	7-10 years	89.0%	93.0%
UK	10-30 years	83.0%	88.5%
US and Canada	< 1 year	97.5%	98.0%
US and Canada	1-3 years	96.0%	96.5%
US and Canada	3-5 years	93.5%	94.5%
US and Canada	5-7 years	92.5%	94.0%
US and Canada	7-10 years	91.0%	92.5%
US and Canada	10-30 years	87.0%	89.0%

** The FX advance rate will apply whenever a currency mismatch is present. In case foreign currency government bonds are provided, both the AR for FX risk and the security AR will be multiplied. The FX ARs for currency pairs other than AUD, CAD, CHF, DKK, EUR, GBP, NOK, NZD, JPY, SEK, SGD and USD are not provided, but Fitch may publish these in the future.

Appendix B – Moody's Valuation Percentages

Valuation Percentage

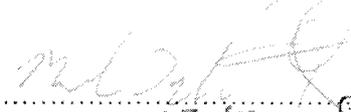
Where Rated Liabilities are Pounds Sterling Denominated

INSTRUMENT	FIRST TRIGGER		SECOND TRIGGER	
	Daily*	Weekly**	Daily*	Weekly**
Sterling Cash	100%	100%	100%	100%
EURO Cash	99%	98%	97%	96%
U.S. Dollar Cash	98%	97%	95%	94%
U.S. Dollar Denominated Fixed-Rate Negotiable Treasury Debt issued by the U.S. Treasury Department with Remaining Maturity				
< 1 Year	98%	97%	95%	94%
1 to 2 years	98%	97%	94%	93%
2 to 3 years	98%	97%	93%	92%
3 to 5 years	98%	97%	92%	91%
5 to 7 years	98%	97%	91%	89%
7 to 10 years	98%	97%	89%	88%
10 to 20 years	98%	97%	86%	84%
> 20 years	98%	97%	84%	82%
U.S. Dollar Denominated Floating-Rate Negotiable Treasury Debt Issued by The U.S. Treasury Department				
All Maturities	98%	97%	94%	93%
U.S. Dollar Denominated Fixed-Rate U.S. Agency Debentures with Remaining Maturity				
< 1 Year	98%	97%	94%	93%
1 to 2 years	98%	97%	94%	92%
2 to 3 years	98%	97%	93%	91%
3 to 5 years	98%	97%	91%	90%
5 to 7 years	98%	97%	90%	88%
7 to 10 years	98%	97%	88%	87%
10 to 20 years	98%	97%	85%	83%
> 20 years	98%	97%	83%	81%
U.S. Dollar Denominated Floating-Rate U.S. Agency Debentures				
All Maturities	98%	97%	93%	92%
EURO Denominated Fixed-Rate Euro-Zone Government Bonds Rated Aa3 or Above with remaining Maturity				
< 1 Year	99%	98%	97%	96%
1 to 2 years	99%	98%	96%	95%
2 to 3 years	99%	98%	95%	94%
3 to 5 years	99%	98%	93%	92%
5 to 7 years	99%	98%	92%	90%
7 to 10 years	99%	98%	91%	89%
10 to 20 years	99%	98%	86%	84%
> 20 years	99%	98%	84%	83%
EURO Denominated Floating-Rate Euro-Zone Government Bonds Rated Aa3 or Above				
All Maturities	99%	98%	96%	95%
Sterling Denominated Fixed-Rate United Kingdom Gilts with Remaining Maturity				
< 1 Year	100%	100%	99%	99%
1 to 2 years	100%	100%	98%	98%
2 to 3 years	100%	100%	97%	97%
3 to 5 years	100%	100%	96%	96%
5 to 7 years	100%	100%	95%	95%
7 to 10 years	100%	100%	94%	94%
10 to 20 years	100%	100%	90%	89%
> 20 years	100%	100%	88%	87%
Sterling Denominated Floating-Rate United Kingdom Gilts				
All Maturities	100%	100%	99%	99%

IN WITNESS WHEREOF, the parties have executed and delivered this document as of the date specified on the first page of this document.

Signed for and behalf of:
on:
by:

Macquarie Bank Limited, London Branch

By 
Name: Mark Topfer
Title: Head of Legal


Name: Gianfranco Simionato
Title: Division Director

Signed for and behalf of:
on:
by:

Paragon Mortgages (No.16) PLC

By
Name:
Title:

Signed for and behalf of:
on:
by:

Citicorp Trustee Company Limited

By
Name:
Title:

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Macquarie Bank Limited, London Branch

By
Name:
Title:

Signed for and behalf of:
on:
by:

Paragon Mortgages (No.16) PLC

By 
Name: *STEPHEN BOESCOTT*
Title: *ATTORNEY*

Signed for and behalf of:
on:
by:

Citicorp Trustee Company Limited

By
Name:
Title:

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Title:

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by:

Paragon Mortgages (No.16) PLC

By
Name:
Title:

Signed for and behalf of:
on:
by:

Citicorp Trustee Company Limited

By 
Name:
Title: Justin Ng
Vice President

Witnessed by: 
Name: Andrea Micucci
Vice President

Citi
Agency & Trust
Citigroup Centre
Canada Square
Canary Wharf
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