

ISDA®

International Swaps and Derivatives Association, Inc.

CREDIT SUPPORT ANNEX

to the Schedule to the

ISDA MASTER AGREEMENT

dated as of 1 November 2023

NATWEST MARKETS PLC

And

PARAGON MORTGAGES (NO.29) PLC

established as a public company with
limited liability
under the laws of Scotland
with company number SC 090312
and with its registered office at 36 St
Andrew Square Edinburgh, EH2 2YB;

established as a limited liability company
under the laws of England and Wales
with company number 15005950
and with its registered office at 51 Homer Road,
Solihull, West Midlands, B91 3QJ;

with legal entity identifier (LEI):
RR3QWICWWIPCS8A4S074

with legal entity identifier (LEI):
213800TFGNBVXRJ79N05

("Party A")

("Party B")

Paragraph 11.

(a) **Base Currency and Eligible Currency.**

- (i) **"Base Currency"** means Sterling.
- (ii) **"Eligible Currency"** means the Base Currency, US Dollars and Euro.

(b) **Credit Support Obligations.**

(i) **Delivery Amount, Return Amount and Credit Support Amount.**

- (A) **Delivery Amount:** Paragraph 2(a) shall be amended by deleting the words "upon a demand made by the Transferee on or promptly following a Valuation Date" and replacing the word "that" on the second line of Paragraph 2(a) with the word "a".

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

- (1) the Delivery Amount as defined in paragraph 2(a);
- (2) the amount by which (a) the Fitch Credit Support Amount for such Valuation Date exceeds (b) the Value (determined using the applicable Fitch Valuation Percentages in Appendix A) 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);
- (3) 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 Appendix B) 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
- (4) any other amount determined by Party A,

provided that if, in respect of any Valuation Date, the Delivery Amount equals or exceeds the Transferor's Minimum Transfer Amount, the Transferor will transfer to the Transferee sufficient Eligible Credit Support to ensure that, immediately following such transfer, the Delivery Amount calculated above shall not be greater than zero.

- (B) The **"Return Amount"** applicable to the Transferee for any Valuation Date will be the lesser of:

- (1) the Return Amount as defined in paragraph 2(b);
- (2) the amount by which (a) the Value (determined using the applicable Fitch Valuation Percentages in Appendix A) 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

- (3) the amount by which (a) the Value (determined using the Moody's Valuation Percentages in Appendix B) as of such Valuation Date of the Transferor's Credit Support Balance (adjusted to include any prior Delivery Amount and 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; or
- (4) any other amount determined by Party A,

provided that, in respect of any Valuation Date, in no event shall the Transferee be required to transfer any Equivalent Credit Support under Paragraph 2(b) if, immediately following such transfer, the Delivery Amount would be greater than zero.

(C) "**Credit Support Amount**" means

- (I) if either or both of the Rating Agency Thresholds is zero, the Moody's Credit Support Amount or Fitch Credit Support Amount as applicable; or
- (II) if both of the Rating Agency Thresholds are infinity, the amount defined as such in Paragraph 10.

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

- (A) For the purposes of Fitch, cash in any Eligible Currency and the collateral specified in Appendix A will qualify as "Eligible Credit Support" for Party A and Valuation Percentages shall apply as set out in such table provided that in relation to types of Eligible Credit Support not listed in that table, the applicable Valuation Percentage shall be as agreed between Party A and Party B from time to time and as notified to Fitch unless Fitch advise that such Valuation Percentage will adversely affect the then current rating assigned to the Relevant Notes by Fitch.
- (B) For the purpose of Moody's, the items listed in Appendix B will qualify as "Eligible Credit Support" for Party A and Valuation Percentages shall apply as set out therein.
- (C) If both of the Rating Agency Thresholds are infinity, the items listed in Appendix C will qualify as "Eligible Credit Support" for Party A and Valuation Percentages shall apply as set out therein.

As used herein, "Valuation Percentage" means the Fitch Valuation Percentage, the Moody's Valuation Percentage or the Valuation Percentage specified in Appendix C, as the context requires.

(iii) **Thresholds.**

(A) "**Independent Amount**" means, with respect to Party A: zero.

"**Independent Amount**" means with respect to Party B: zero.

(B) "**Threshold**" means with respect to Party A: GBP 20,000,000, provided that for so long as either:

- (1) the Fitch Threshold is zero; or
- (2) the Moody's Threshold is zero,

the Threshold with respect to Party A shall be zero.

"**Threshold**" means with respect to Party B: infinity.

"**Fitch Threshold**" means (A) for so long as a Fitch Level 1 Rating Event or a Fitch Level 2 Rating Event has occurred and is continuing, and 14 calendar days have elapsed since the first occurrence of that Fitch Level 1 Rating Event or Fitch Level 2 Rating Event and Party A has not taken alternative action as contemplated by paragraphs (g)(iii)(A)(2)(I), (g)(iii)(A)(2)(II), (g)(iii)(A)(2)(III), (g)(iii)(B)(2)(I), (g)(iii)(B)(2)(II) or (g)(iii)(B)(2)(III) of Part 5 of the Schedule to the Agreement, zero and (B) at any other time, infinity.

"**Moody's Threshold**" means, (A) so long as a Moody's Level 1 Rating Event has occurred and (I) either (i) the Moody's Level 1 Rating Event has applied continuously since this Annex was executed or (ii) at least 30 Local Business Days have elapsed since the first occurrence of that Moody's Level 1 Rating Event, and Party A has not taken alternative action as contemplated by paragraphs (g)(vii)(A)(1), (g)(vii)(A)(2), (g)(vii)(A)(3), (g)(vii)(A)(4) or (g)(vii)(B)(1), (g)(vii)(B)(2), (g)(vii)(B)(3), (g)(vii)(B)(4) of Part 5 of the Schedule to the Agreement, zero and (B) at any other time, infinity.

"**Rating Agency Threshold**" means each of the Fitch Threshold and the Moody's Threshold.

(C) "**Minimum Transfer Amount**" means with respect to a party on any Valuation Date, means GBP 500,000, provided that for so long as either the Moody's Threshold or Fitch Threshold is zero, the Minimum Transfer Amount shall be GBP 100,000.

(D) **Rounding.** The Delivery Amount will be rounded up and the Return Amount will be rounded down respectively to the nearest integer multiple of GBP 10,000.

(E) **Zero Credit Support Amount.** Notwithstanding the provisions of (C) and (D) above, when Party A's Credit Support Amount is zero, then the Minimum Transfer Amount with respect to Party B shall be zero, and Rounding will not apply.

(iv) "**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) (Close-Out 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.

(v) **Hedge Collateral Authorised Investments**

Any portion of the Credit Support Balance comprised of cash (the "**Cash Collateral**") may be invested in Hedge Collateral Authorised Investments in accordance with the terms of the Relevant Documents, *provided that* (i) such Hedge Collateral Authorised Investments shall be made in the same currency in which the Cash Collateral was transferred to Party B by Party A and (ii) Party B must be able to withdraw all or part of

the Cash Collateral from such Hedge Collateral Authorised Investments on the Local Business Day following a request to withdraw such Cash Collateral made by Party B without incurring any penalty, fee or other charge,

where:

"Hedge Collateral Authorised Investment" means overnight money market deposits, call deposits or accounts opened in the name of Party B on behalf of Party A with banks (a) whose (i) short-term issuer default rating is rated at least F1 by Fitch; and (ii)(x) long term issuer default rating is rated at least A by Fitch; and (y) long-term, unsecured and unsubordinated debt or counterparty obligations are rated A3 or above by Moody's or (b) which have any other ratings which would not adversely affect the ratings of the Notes (the **"Hedge Collateral Account Bank Required Rating"**) and operated at all times in accordance with this Paragraph 11(b)(v).

Party B agrees to use all reasonable endeavours to obtain the best rate of interest available on any Hedge Collateral Authorised Investment and (unless and to the extent that leaving the cash in the relevant Primary Hedge Collateral Cash Account would breach any large exposure limits which may apply to Paragon Banking Group plc and its subsidiaries or affiliates under applicable laws and regulations) such rate of interest shall be no lower than the rate of interest then applicable to the relevant Primary Hedge Collateral Cash Account.

(c) ***Valuation and Timing.***

- (i) **"Valuation Agent"** means Party A.
- (ii) **"Valuation Date"** means (i) each Local Business Day of each week or (ii) the day on which Party A's Threshold ceases to be zero (or if such day is not a Local Business Day, the immediately following Local Business Day).
- (iii) Local Business Days for the purposes of this Credit Support Annex:
 - (A) Party A specifies the following place(s) for the purposes of the definition of Local Business Day as it applies to it for the purposes of herein: London.
 - (B) Party B specifies the following place(s) for the purposes of the definition of Local Business Day as it applies to it for the purposes of herein: London.
- (iv) **"Valuation Time"** means the close of business on the Local Business Day immediately preceding the Valuation Date or date of calculation, as applicable; provided that the calculations of Value and Credit Support Amount will, as far as practicable, be made as of approximately the same time on the same date.
- (v) **"Notification Time"** means 1.00 p.m., London time on a Local Business Day.
- (vi) **"Calculations"**. Paragraph 3(b) shall be amended by inserting the words, ", Moody's Credit Support Amount and 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 1.00 p.m., London time, on the Local Business Day following the date on which the notice is given that gives rise to a dispute under Paragraph 4.

(ii) **Value.** For the purpose of Paragraphs 4(a)(4)(i)(C) and 4(a)(4)(ii), on any date 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 bid price as at the Valuation Time 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 Valuation Time 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 bid price listed or quoted (as the case may be), as at the Valuation Time as of the day next preceding such date on which such prices were available, multiplied by the applicable Valuation Percentage; and (b) the accrued interest where applicable on such Securities (except to the extent that such interest shall have been paid to the Transferor pursuant to Paragraph 5(c)(ii) or included in the applicable price referred to in subparagraph (a) above) as of such date; and;
- (B) with respect to any cash, the Base Currency Equivalent of the amount thereof multiplied by the applicable Valuation Percentage.

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

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

(i) **Interest Rate.**

This Credit Support Annex is subject to, and incorporates, the ISDA Collateral Agreement Interest Rate Definitions (as published by the International Swaps and Derivatives Association, Inc.) as amended from time to time.

"Interest Rate" means, for any day:

- (A) for US Dollars, SOFR (Collateral Rate);
- (B) for Euro, EONIA (Collateral Rate).
- (C) for Sterling, SONIA (Collateral Rate).

(ii) **Transfer of Hedge Collateral Return Amount.** The Transfer of the Interest Amount together with any additional interest, distribution or other income in excess of the Interest Amount received by Party B or for Party B's account in respect of each Primary Hedge Collateral Cash Account and any Hedge Collateral Authorised Investments (together, the "**Hedge Collateral Return Amount**") will be made monthly in arrears on the second Local Business Day of each calendar month (each such date, a "**Hedge Collateral Interest Amount Payment Date**"), provided that Party B shall not be obliged to so transfer any Hedge Collateral Return Amount (i) unless and until it has earned and received such interest, distribution or other income (net of any deduction or withholding for or on account of Tax) and (ii) unless the Valuation Agent has confirmed that no Delivery Amount will be created or increased by the transfer.

On the date of this Agreement, Party B shall notify Party A in writing of the rate of interest then applicable to the relevant Primary Hedge Collateral Cash Account. Party B shall give Party A prior written notice if such rate of interest is subsequently changed.

If the Transferee is required to pay any negative interest or any other bank charges in relation to Cash Collateral to the provider of the relevant Hedge Collateral Account or on any Hedge Collateral Authorised Investment, the Transferor shall deliver an amount equal to the absolute value of such negative interest or bank charge, as applicable, to the Transferee on each relevant Hedge Collateral Interest Amount Payment Date *provided that* the Transferee shall give notice to the Transferor of the amount so payable, not later than the second Local Business Day prior to each relevant Hedge Collateral Interest Amount Payment Date.

(iii) **Alternative to Interest Amount.** The provisions of Paragraph 5(c)(ii) will apply. For the purpose of calculating the Interest Amount, the amount of interest calculated for each Interest Period shall, with respect to any Eligible Currency, be compounded daily.

(iv) **Distributions**

The definition of "Distributions" in Paragraph 10 shall be deleted and replaced with the following:

"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 (with the same tax residency as the Transferee) of securities of the same type, nominal value, description and amount as such Eligible Credit Support would have received (net of any deduction or withholding for or on account of any Tax) from time to time.

The definition of "**Distribution Date**" in Paragraph 10 shall be deleted and replaced with the following:

"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 (with the same tax residency as the Transferee) of such Eligible Credit Support would have received Distributions or, if that date is not a Valuation Date, the next following Valuation Date.

Transfer of Distributions. The Transferee shall only be obliged to transfer Equivalent Distributions under Paragraph 5(c)(i) if the Valuation Agent has confirmed in writing that no Delivery Amount would be created or increased by the transfer (and the date of calculation will be deemed a Valuation Date for this purpose).

(g) **Addresses for Transfers.**

Party A Address: 250 Bishopsgate, London, EC2M 4AA, United Kingdom

Attention: Global Collateral Management

Telephone No: +44 (0)20 7678 3343

Email Address: Collateral.emea@natwestmarkets.com

Account Details: To be notified to Party B by Party A in writing from time to time

Party B Address details as set out in Part 4(a).

Account details for collateral transfers to Party B:

Account number: 14845250

IBAN: GB56CIT118500814845250

(h) **Other Provisions.**

(i) **Transfer Timing**

The following words shall be inserted at the end of the final paragraph of Paragraph 3(a):

- (a) "Provided that any transfer of Eligible Credit Support by the Transferor pursuant to Paragraph 2(a) shall be made in accordance with sub-paragraph (i), (ii) or (iii) (as applicable) of this Paragraph 3(a) not later than the close of business on the relevant Valuation Date, regardless of whether any demand for transfer is received."
- (b) Paragraph 3(b) shall be amended by the deletion of the words "the Local Business Day following" in the fourth line thereof and the addition of the words "on the Local Business Day" before the word "following" in the fifth line thereof.

(ii) **Early Termination**

The heading for Paragraph 6 shall be deleted and replaced with "Early Termination" and (1) the following shall be added after the word "party" in the second line of Paragraph 6, "or a Termination Event where all Transactions are Affected Transactions" and (2) the words "or an Affected Party, as relevant" shall be added after the words "Defaulting Party" in the bracketed text in the fourth line of Paragraph 6.

(iii) **Exchange**

The Transferee shall only be obliged to transfer Equivalent Credit Support under Paragraph 3(c)(ii) if the Valuation Agent has confirmed in writing that no Delivery Amount would be created or increased by the transfer (and the date of calculation will be deemed a Valuation Date for this purpose).

(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 or by virtue of any statute or rule of law, all of which rights, powers and remedies shall be cumulative and may be exercised successively or concurrently without impairing the rights of the Transferee in the Credit Support Balance created pursuant to this Annex.

(v) **"Fitch Credit Support Amount"** shall mean 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) an Fitch Level 1 Rating Event has occurred and is continuing but a Relevant Entity has at least one Fitch Formula 1 Rating and (ii) either such Fitch Level 1 Rating Event has continued since this Credit Support Annex was executed or 14 or more calendar days have elapsed since such Fitch Level 1 Rating Event first occurred, an amount calculated in accordance with the following formula:

Max MV plus (LA multiplied by VC multiplied by 60% multiplied by N); 0

- (C) If the Fitch Threshold for Party A is zero and (i) no Relevant Entity has at least one Fitch Formula 1 Rating and (ii) either this has been the case since this Credit Support Annex was executed or 14 or more calendar days have elapsed since any Relevant Entity had at least one Fitch Formula 1 Rating, an amount calculated in accordance with the following formula:

Max MV plus (LA multiplied by VC multiplied by N); 0

where:

"Fitch Formula 1 Rating" shall mean the long-term IDR, the short-term IDR or, if assigned, DCR, from Fitch corresponding to the then current rating of the Relevant Notes as set out in the following table:

Current rating of Relevant Notes	Fitch Formula 1 Ratings
AAAsf	A- or F2
AAsf	BBB+ or F2
Asf	BBB- or F3
BBBsf	n.a.
BBsf	n.a.
Bsf	n.a.

"Max" means maximum;

"MV" means the Transferee's Exposure;

"BLA" means 0%

"LA" means $(1 + BLA) * (1 + \text{Max}(0\%; 5\% * (WAL - 20)))$;

"VC" means the percentage specified in the relevant table below for a weighted average life that is equal to (or closest to) the remaining term of the Transaction;

VCs for Cross Currency Swaps

Fixed/floating, fixed-fixed or floating-floating FX swaps at weighted average life (years) (%)

Notes rating	<1	1-3	3-5	5-7	7-10	10-20	20-50
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'AA-sf' or higher								
Floating/floating	11.75	11.75	11.75	11.75	11.75	11.75	11.75	11.75
Fixed/floating	11.75	12.5	13.0	13.5	14.0	15.0	16.0	
Fixed/fixed	12.0	13.5	14.75	15.75	16.75	18.75	20.75	
'Below AA-sf'								
Floating/floating	7.75	7.75	7.75	7.75	7.75	7.75	7.75	7.75
Fixed/floating	7.75	8.25	8.75	9.00	9.25	9.75	10.25	
Fixed/fixed	8.00	9.00	10.00	10.50	11.00	12.00	13.00	

Note: the VCs for FX Options are reduced by 30%

VCs for Interest Rate Swaps, Caps, Floors and Collars

Fixed-floating, interest rate swaps, caps, floors and collars depending on the WAL (years) (%)

Notes' Rating	or	Basis Swaps (%)	Basis Swaps						
			<1	1-3	3-5	5-7	7-10	10-20	20-50
'AA-sf' or better		0.75	0.75	2.25	3.50	4.50	5.50	7.50	9.50
Below 'AA-sf'		0.50	0.50	1.50	2.50	3.00	3.50	4.50	5.50

Note: the VCs for Caps and Floors are reduced by 30%

"WAL" means the weighted average life of the Transaction as at the Valuation Date; and

"N" means the Notional Amount at that time.

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

(A) if the Moody's Threshold is infinity, zero;

(B) if the Moody's Threshold is zero, the greater of:

(1) zero; and

(2) the sum of (x) the Transferee's Exposure and (y) the aggregate of the Moody's Additional Amounts in respect of such Valuation Date for all Transactions (other than the Transaction constituted by this Annex).

"Moody's Additional Amount" means, for any Valuation Date in respect of a particular Transaction, the lesser of:

(A) the product of the Moody's Single Currency DV01 Multiplier and the Transaction Single Currency DV01 for such Transaction; and

- (B) the product of the Moody's Single Currency Notional Amount Multiplier and the Transaction Notional Amount for such Transaction for the Calculation Period which includes such Valuation Date.

"Moody's Single Currency DV01 Multiplier" means 50.

"Moody's Single Currency Notional Amount Multiplier" means 0.08.

"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.

"Transaction Notional Amount" means in respect of a particular Transaction, the Base Currency Equivalent of the Notional Amount (as defined in the relevant Confirmation).

- (vii) Paragraph 10 is amended by adding the following Definitions:

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

"Fitch Criteria" means the criteria used by Fitch (as set out in Fitch's publication "Structured Finance and Covered Bonds Counterparty Rating Criteria" including the "Derivative Addendum" thereto, published by Fitch on 14 March 2023); and

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

- (viii) **Agreement as to Single Transferee Party and Transferor.** Party A and Party B agree that, notwithstanding anything to the contrary in this Annex:

(A) the term "Transferee" as used in this Annex shall mean Party B only;

(B) the term "Transferor" as used in this Annex shall mean Party A only; and

(C) Party A only will be required to make transfers of Delivery Amounts and Party B only will be required to make transfers of Return Amounts hereunder.

- (ix) ***Demands and Notices.***

(A) in the case of Party A:

Address: 250 Bishopsgate, London, EC2M 4AA, United Kingdom

Attention: Global Collateral Management

Telephone No: +44 (0)20 7678 3343

Email Address: Collateral.emea@natwestmarkets.com with a copy to spds@natwestmarkets.com

Account Details: To be notified to Party B by Party A in writing from time to time

(B) in the case of Party B:

Address: Paragon Mortgages (No.29) plc
51 Homer Road
Solihull
West Midlands B91 3QJ

Attention: Swaps Administration, Finance Department

Telephone No: +44(0) 121 712 2323

Email Address: Company.Secretary@paragonbank.co.uk
securitisations@paragonbank.co.uk
treasurybackoffice@paragonbank.co.uk

(x) **Paragraph 6**

For the purposes of determining the Credit Support Balance pursuant to Paragraph 6, the definition of Value in Paragraph 10 shall be amended by deleting the words "multiplied by the applicable Valuation Percentage, if any" from sub-paragraphs (i)(A) and (i)(B).

(xi) **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 reasonable request" after the word "calculations" in the third line thereof.

(xii) **Expenses**

(A) Notwithstanding paragraph 8, the Transferor will be responsible for, and will reimburse the Transferee for, all costs and expenses (including any stamp duty reserve tax, transfer or similar transaction tax or duty (other than United Kingdom stamp duty) payable on any transfer that is required to be made under this Annex) in connection with the performance of both its and the Transferee's obligations under this Annex, including but not limited to the transfer of Eligible Credit Support or Equivalent Credit Support either from the Transferor to the Transferee or from the Transferee to the Transferor hereto.

(B) Party A shall pay any United Kingdom stamp duty which is payable on any agreement to transfer, or any instrument transferring, Eligible Credit Support or Equivalent Credit Support either from the Transferor to the Transferee or from the Transferee to the Transferor hereto together with any interest and/or penalties which may be required to be paid in consequence of the time at which any such duty is paid.

(xiii) **Hedge Collateral Accounts**

With effect from the date of this Agreement, Party B shall:

(A) open and maintain a Primary Hedge Collateral Cash Account with a bank with at least the Hedge Collateral Account Bank Required Rating and arrange for the Hedge Collateral Ledger to be established in accordance with the Administration Agreement; and

(B) open and maintain a Hedge Collateral Securities Account with a Hedge Collateral Custodian,

in each case, to enable Party A to transfer Eligible Credit Support in the form of cash or securities, as applicable, to Party B under the terms of this Annex and for the Hedge Collateral to be credited to the Hedge Collateral Ledger provided, **however, that** Party B shall ensure that each Hedge Collateral Cash Account at all times be maintained with a bank with at least the Hedge Collateral Account Bank Required Rating. If the bank with which the Primary Hedge Collateral Cash Account is held does not have at least the Hedge Collateral Account Bank Required Rating, Party B will, within 30 days or any such longer period as agreed with Party A, transfer the Primary Hedge Collateral Cash Account to another bank which has at least the Hedge Collateral Account Bank Required Rating.

For the avoidance of doubt, no Event of Default (or Potential Event of Default) shall occur with respect to Party A under Section 5(a)(i)(Failure to Pay or Deliver) and no Additional Termination Event shall occur with respect to Party A under Part 5(g)(v)(Rating Event Implications), sub-paragraphs (B), (C) and (D) of this Schedule, as a consequence of Party A failing to transfer Eligible Credit Support in accordance with the terms of this Annex on a day on which neither a Hedge Collateral Securities Account nor a Hedge Collateral Cash Account is in place.

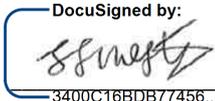
IN WITNESS WHEREOF the parties have executed this document on the respective dates specified below with effect from the date specified on the first page of this document.

NATWEST MARKETS PLC

PARAGON MORTGAGES (NO.29) PLC

"Party A"

"Party B"

By:  _____
3400C16BDB77456...

By: _____

Name: _____

Name: _____

Title: _____

Title: Authorised attorney

IN WITNESS WHEREOF the parties have executed this document on the respective dates specified below with effect from the date specified on the first page of this document.

NATWEST MARKETS PLC

PARAGON MORTGAGES (NO.29) PLC

"Party A"

"Party B"

By: _____

By:  _____

Name: _____

Name: _____

Title: _____

Title: Authorised signatory

APPENDIX A

Fitch Eligible Credit Support and Valuation Percentages

"Fitch Valuation Percentage" means, with respect to a Valuation Date (i) in respect of Cash in an Eligible Currency 100%, and (ii) in respect of each instrument in the following tables the corresponding percentage in the column reflecting the then current rating of the relevant note, in each case, if the Eligible Credit Support is not denominated in the Base Currency, multiplied by the relevant advance rate as set out below in respect of FX risk.

Table 1: Advance Rates for Sovereign Bonds Rated at least AA- and F1+

Sovereign Bond Issuer	Sovereign Bond Maturity	Highest rated note 'AA-sf' or higher (%)	Highest rated note 'A+sf' or lower (%)
Australia and New Zealand	< 1 year	98.5	99.0
Australia and New Zealand	1-3 years	97.0	98.0
Australia and New Zealand	3-5 years	94.5	96.0
Australia and New Zealand	5-7 years	92.0	94.5
Australia and New Zealand	7-10 years	89.0	93.0
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	93.5	95.5
Denmark and Sweden	5-7 years	91.5	94.5
Denmark and Sweden	7-10 years	88.5	92.5
Eurozone	< 1 year	98.5	99.0
Eurozone	1-3 years	96.5	97.5
Eurozone	3-5 years	93.5	96.0
Eurozone	5-7 years	91.5	94.5
Eurozone	7-10 years	89.5	93.0
Eurozone	10-30 years	75.0	82.5
Singapore	< 1 year	97.5	98.0
Singapore	1-3 years	94.5	95.5

Singapore	3-5 years	91.5	93.0
Singapore	5-7 years	87.0	89.0
Singapore	7-10 years	81.5	84.5
Switzerland	< 1 year	98.5	99.0
Switzerland	1-3 years	97.5	98.0
Switzerland	3-5 years	95.5	97.0
Switzerland	5-7 years	94.5	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	92.0	94.5
UK	5-7 years	91.0	94.0
UK	7-10 years	89.5	93.0
UK	10-30 years	80.0	87.0
US and Canada	< 1 year	97.5	98.0
US and Canada	1-3 years	96.0	97.0
US and Canada	3-5 years	93.5	94.5
US and Canada	5-7 years	93.0	94.0
US and Canada	7-10 years	91.0	92.5
US and Canada	10-30 years	80.0	87.0

Source: Fitch Ratings

Table 2: Advance Rates for Sovereign Bonds Rated at Least A and F1

Sovereign Bond Issuer	Sovereign Bond Maturity	Highest rated note 'AA-sf' or higher (%)	Highest rated note 'A+sf' or lower (%)
Eurozone	< 1 year	95.0	96.5
Eurozone	1-3 years	88.0	92.0
Eurozone	3-5 years	83.0	88.5
Eurozone	5-7 years	78.0	85.5
Eurozone	7-10 years	78.0	85.5
Eurozone	10-30 years	77.5	85.0
Japan	< 1 year	99.0	99.0
Japan	1-3 years	97.0	98.0
Japan	3-5 years	94.5	96.5
Japan	5-7 years	92.0	94.5
Japan	7-10 years	87.5	92.0
Japan	10-30 years	71.0	81.0

Source: Fitch Ratings

Table 3: Advance Rates for FX Mismatches

	Highest rated note AA- or higher (%)	Highest rated note A+ or lower (%)
Advance rate*	86.0	90.5

Source: Fitch Ratings

The FX advance rates (ARs) shown in Table 3 apply (in addition to those shown in Tables 1 and 2) whenever a currency mismatch is present between the currency of the collateral and the obligations of the counterparty. If foreign currency government bonds are provided, both the AR for FX risk and the security AR will be multiplied. The FX ARs are applicable for currency pairs within Australian dollars, Canadian dollars, Swiss francs, Czech koruna, Danish kroner, euros, UK pounds, Norwegian kroner, New Zealand dollars, Japanese yen, Korean won, Swedish kroner, Singapore dollars and US dollars.

APPENDIX B

Moody's Eligible Credit Support and Moody's Valuation Percentages

"Moody's Valuation Percentage" means, in respect of each instrument in the table below, the corresponding percentage in the column headed "Valuation Percentage".

Moody's Eligible Credit Support Matrix

Instrument	Valuation Percentage
Sterling Cash	100%
EURO Cash	97%
US Dollar Cash	95%
US Dollar Denominated Fixed Rate Negotiable Debt issued by the US Treasury with Remaining Maturity	
≤1 year	95%
>1 and ≤2	94%
>2 and ≤3	93%
>3 and ≤5	92%
>5 and ≤7	91%
>7 and ≤10	89%
>10 and ≤20	86%
>20	84%
US Dollar Floating Rate Negotiable Debt issued by the US Treasury	
All Maturities	94%
US Dollar Denominated Fixed Rate US Agency Debentures with Remaining Maturity	
≤1 year	94%
>1 and ≤2	94%
>2 and ≤3	93%
>3 and ≤5	91%
>5 and ≤7	90%
>7 and ≤10	88%
>10 and ≤20	85%
>20	83%
US Dollar Floating Rate US Agency Debentures	
All Maturities	93%
EURO Denominated Fixed Rate Eurozone Government Bonds Rated Aa3 or Above by Moody's with Remaining Maturity	
≤1 year	97%
>1 and ≤2	96%
>2 and ≤3	95%
>3 and ≤5	93%
>5 and ≤7	92%
>7 and ≤10	91%
>10 and ≤20	86%
>20	84%
EURO Denominated Floating Rate Eurozone Government Bonds Rated Aa3 or Above by Moody's	
All Maturities	96%
Sterling Denominated Fixed Rate United Kingdom Gilts with Remaining Maturity with Remaining Maturity	
≤1 year	99%
>1 and ≤2	98%
>2 and ≤3	97%
>3 and ≤5	96%
>5 and ≤7	95%
>7 and ≤10	94%
>10 and ≤20	90%
>20	88%
Sterling Denominated Floating Rate United Kingdom Gilts	
All Maturities	99%

APPENDIX C

Eligible Credit Support

The following items will qualify as Eligible Credit Support for Party A.

	Valuation Percentage
Cash in the Base Currency	100%
Securities in the Base Currency that are eligible for either Fitch or Moody's	The stricter of the two as prescribed by either Fitch or Moody's