

THIS NOTICE IS IMPORTANT AND REQUIRES THE IMMEDIATE ATTENTION OF CLASS A NOTEHOLDERS. IF CLASS A NOTEHOLDERS ARE IN ANY DOUBT AS TO THE ACTION THEY SHOULD TAKE, THEY SHOULD CONSULT THEIR OWN INDEPENDENT PROFESSIONAL ADVISERS AUTHORISED UNDER THE FINANCIAL SERVICES AND MARKETS ACT 2000 IMMEDIATELY.

NOTICE OF MEETING OF CLASS A NOTEHOLDERS

\$1,500,000,000 Class A1 mortgage backed floating rate notes due 2038
(Reg S Common Code: 26164494; Reg S ISIN: XS0261644941; Rule 144A Common Code: 26165539; Rule 144A ISIN: US69913BAA44; Rule 144A CUSIP: 69913BAA4)

£145,000,000 Class A2a mortgage backed floating rate notes due 2038
(Common Code: 26164613; ISIN: XS0261646136)

€245,000,000 Class A2b mortgage backed floating rate notes due 2038
(Common Code: 26164656; ISIN: XS0261646565)

\$311,000,000 Class A2c mortgage backed floating rate notes due 2038
(Reg S Common Code: 26164702; Reg S ISIN: XS0261647027; Rule 144A Common Code: 26165580; Rule 144A ISIN: US69913BAB27; Rule 144A CUSIP: 69913BAB2)

£25,000,000 Class B1a mortgage backed floating rate notes due 2038
(Common Code: 26164788; ISIN: XS0261647886)

£126,000,000 Class B1b mortgage backed floating rate notes due 2038
(Common Code: 26164885; ISIN: XS0261648850)

£17,000,000 Class C1a mortgage backed floating rate notes due 2038
(Common Code: 26165016; ISIN: XS0261650161)

€106,000,000 Class C1b mortgage backed floating rate notes due 2038
(Common Code: 26165067; ISIN: XS0261650674)

issued by Paragon Mortgages (No. 12) PLC

Paragon Mortgages (No. 12) PLC (the "**Issuer**") hereby gives notice of a meeting of the holders of the \$1,500,000,000 Class A1 mortgage backed floating rate notes due 2038, the £145,000,000 Class A2a mortgage backed floating rate notes due 2038, the €245,000,000 Class A2b mortgage backed floating rate notes due 2038 and the \$311,000,000 Class A2c mortgage backed floating rate notes due 2038 issued by the Issuer to be held at the offices of Clifford Chance LLP, 10 Upper Bank Street, London E14 5JJ on 27 August 2014 at 10:00 a.m. (London time), 11:00 a.m. (CET) and 5:00 a.m. (New York time) (the "**Meeting**").

The Meeting is to be held pursuant to Condition 13 of the Notes and the provisions of Schedule 3 of the trust deed dated 20 July 2006, as varied or supplemented from time to time, (the "**Trust Deed**") relating to the Notes and made between the Issuer and Citicorp Trustee Company Limited (the "**Trustee**") as trustee for the Noteholders, for the purposes of considering and, if thought fit, passing the resolution set out below, which will be proposed as an Extraordinary Resolution in accordance with the provisions of the Trust Deed.

This Notice is being sent to the Class B Noteholders and the Class C Noteholders for information purposes only. The proposed amendments in relation to which the proposed resolutions are to be passed do not require Extraordinary Resolutions to be passed at separate meetings of the holders of each class of Notes because they do not relate to Basic Terms Modifications. The Trust Deed further provides that where, in the opinion of the Trustee, there is a conflict between the interests of the Class A Noteholders and the interests of the Class B Noteholders and/or the Class C Noteholders the Trustee shall, notwithstanding anything to the contrary contained in the Trust Deed, the Relevant Documents or the Notes (including the Conditions), have regard only to the interests of the Class A Noteholders, and the Class B Noteholders and the Class C Noteholders shall not have any claim against the Trustee for so doing. The decision of the Class A Noteholders regarding the proposed resolutions reproduced below will be binding on the Class B Noteholders and the Class C Noteholders. Therefore, a meeting of the Class B Noteholders and the Class C Noteholders is not necessary.

Capitalised terms not otherwise defined in this Notice shall bear the meaning given to them in the Trust Deed and in the offering circular dated 17 July 2006 relating to the Notes.

EXTRAORDINARY RESOLUTION

The following is the text of the Extraordinary Resolution to be proposed at the Meeting:

"THAT this Meeting of the holders of the \$1,500,000,000 Class A1 mortgage backed floating rate notes due 2038, the £145,000,000 Class A2a mortgage backed floating rate notes due 2038, the €245,000,000 Class A2b mortgage backed floating rate notes due 2038 and the \$311,000,000 Class A2c mortgage backed floating rate notes due 2038 issued by Paragon Mortgages (No. 12) PLC (the "**Issuer**", and the holders of such notes being the "**Class A Noteholders**") constituted by the trust deed dated 20 July 2006 (the "**Trust Deed**"), as varied or supplemented from time to time, and made between the Issuer and Citicorp Trustee Company Limited as trustee (the "**Trustee**") assent to the modification of:

1. the Currency Swap A1 Agreement;
2. the Currency Swap A2b Agreement;
3. the Currency Swap A2c Agreement;
4. the Currency Swap B1b Agreement; and
5. the Currency Swap C1b Agreement,

in each case between the Issuer, the Trustee and Barclays Bank PLC as Currency Swap Provider and in each case in the manner set out in the amendment and restatement agreement to be entered into between the Issuer, the Trustee and the Currency Swap Provider in or substantially in the form that was available from the Principal Paying Agent for inspection by the Class A Noteholders prior to this Meeting (the "**Amendment and Restatement Agreement**").

That the Class A Noteholders hereby:

- (a) sanction every abrogation, modification, compromise or arrangement in respect of the rights of the Noteholders pertaining to the Notes against the

Issuer or any other person involved in or resulting from the modifications referred to in this Extraordinary Resolution;

- (b) direct and authorise the entry into, execution and delivery of the Amendment and Restatement Agreement;
- (c) direct, authorise and instruct the Trustee to waive the requirement for the Issuer to obtain prior written approval of the Rating Agencies to the modifications to be effected pursuant to the Amendment and Restatement Agreement, and authorise the Issuer to make the modifications if the Rating Agencies have been notified of the proposed modifications to be effected pursuant to the Amendment and Restatement Agreement (for which purpose the Trustee may rely on confirmation in writing by or on behalf of the Issuer that the Rating Agencies have been so notified) notwithstanding that explicit approval of the amendments and/or confirmation that this will not adversely affect the rating of the Notes may not have been received from the Rating Agencies;
- (d) authorise, direct and instruct the Trustee to concur in taking all steps considered by it in its sole discretion to be necessary, desirable or expedient to carry out and give effect to this Extraordinary Resolution (including, without limitation, agreeing to such amendments or modifications to the form of the Amendment and Restatement Agreement as the Trustee may in its sole and absolute discretion approve) and acknowledge that any such steps will not subsequently be called into question by us;
- (e) direct, authorise and instruct the Trustee to concur in the modifications referred to in this Extraordinary Resolution and agree that the Trustee shall not be responsible for any liability in relation thereto including any consequences to any person resulting therefrom;
- (f) direct, authorise and instruct the Trustee not to require any legal opinions in relation to the Amendment and Restatement Agreement to give effect to this Extraordinary Resolution; and
- (g) discharge and exonerate the Trustee from any liability in respect of any act or omission for which the Trustee may be or may become responsible by reason of its acting in accordance with this Extraordinary Resolution or making any determination or exercising (or, as the case may be, not exercising) any other power or right conferred pursuant to, or arising out of, this Extraordinary Resolution.

Capitalised terms not otherwise defined in this Extraordinary Resolution shall have the meaning given to them in the Trust Deed and in the offering circular dated 17 July 2006 relating to the Notes."

Background and Reasons for Meeting

The proposed changes are intended to accommodate the revised "Approach to Assessing Swap Counterparties in Structured Finance Cash Flow Transactions" published by Moody's

Investors Service Ltd ("**Moody's**") on 12 November 2013 (the "**New Moody's Counterparty Criteria**").

The application of the New Moody's Counterparty Criteria is rating-neutral for most structured finance transactions, but may result in rating actions to a limited number of transactions, particularly those with large exposures to lower-rated counterparties. Therefore, the Notes may be directly impacted if the amendments required in order to implement the New Moody's Counterparty Criteria are not so implemented.

Failure to implement the changes described above may potentially result in (1) either immediately or in the future, the ratings ascribed to some or all classes of Notes by Moody's being downgraded or otherwise adversely affected and (2) other adverse consequences for the holders of all classes of Notes (including, without limitation, in relation to the price at which the Notes may trade).

The Issuer and Barclays Bank PLC as Currency Swap Provider propose to take this opportunity to also amend the Currency Swap Agreements to accommodate the latest counterparty criteria published by Standard & Poor's Financial Services LLC ("**S&P**") on 24 June 2013 and 25 June 2013 (the "**New S&P Counterparty Criteria**" and, together with the New Moody's Counterparty Criteria, the "**New Counterparty Criteria**").

Additionally, the Issuer and Barclays Bank PLC as Currency Swap Provider propose to amend the additional termination events relating to a ratings downgrade of the Currency Swap Provider by Fitch Ratings Limited ("**Fitch**") set out in the existing Currency Swap Agreements (the "**Fitch Amendments**"). The Fitch Amendments are intended to prevent such additional termination events from being triggered until at least one entity has made an offer to replace Barclays Bank PLC as Currency Swap Provider which, when made, is capable of becoming legally binding upon acceptance. The Fitch Amendments closely follow the amendments being proposed to the additional termination events relating to downgrades of the Currency Swap Provider by Moody's and S&P, which are being amended as part of the New Counterparty Criteria amendments.

The Issuer, together with Barclays Bank PLC as Currency Swap Provider, has negotiated amendments to the existing Currency Swap Agreements (to be implemented by an amendment and restatement agreement to the Currency Swap Agreements which relate to the Notes to be entered into by the Issuer, the Trustee and the Currency Swap Provider (the "**Amendment and Restatement Agreement**")) which will implement the amendments described above. It is proposed that such amendments be assented to by the Class A Noteholders by Extraordinary Resolution in accordance with Paragraph 18(C) of Schedule 3 to the Trust Deed.

The direction to the Trustee to waive the requirement for prior written approval from the Rating Agencies and the authorisation to the Issuer of the making of amendments if the modifications have been notified to the Rating Agencies is intended to accommodate current practice and policy of the Rating Agencies relating to requests for written confirmation of approvals in these circumstances. The Issuer intends to notify Fitch, Moody's and S&P regarding the amendments proposed above but may not necessarily receive their explicit approvals to the amendments in writing.

The Issuer has accordingly convened the Meeting by the above Notice to request the Class A Noteholders' agreement by Extraordinary Resolution to the matters contained in the

Extraordinary Resolution. Under the terms of the Conditions of the Notes and the Trust Deed, the proposed amendments do not constitute a Basic Terms Modification and therefore, if the Extraordinary Resolution is passed, it will be binding on the Class B Noteholders and the Class C Noteholders.

Copies of the Trust Deed, the Terms and Conditions of the Notes and the draft Amendment and Restatement Agreement in substantially the same form as it is proposed they shall be executed (if the Extraordinary Resolution set out above is passed) are available during usual London business hours on request to Citibank, N.A., London Branch (the "**Principal Paying Agent**"), at the address set out at the end of this Notice and on provision of a written confirmation and undertaking in the form set out in the attached "Undertaking". Copies of those documents will also be available for inspection at the Meeting. Except to such Noteholders who have provided an executed Undertaking, copies of this Notice, the Extraordinary Resolution, the Trust Deed, the Terms and Conditions of the Notes, and any related documents will not be mailed or otherwise distributed or sent in or into the United States, including to any Noteholder with addresses in the United States. Any U.S. person receiving such documents (including, without limitation, custodians, nominees and trustees) must not distribute or send them in, into or from the United States. Moreover, a recipient of this Notice should not contact the Issuer, the Principal Paying Agent or the Trustee for a copy of the Extraordinary Resolution, the Trust Deed, the Terms and Conditions of the Notes or other information relating to the Notes if by doing so it will contravene any securities or other law or regulation to which it is subject.

The attention of the Class A Noteholders is particularly drawn to the quorum required for the Meeting and for an adjourned Meeting which is set out in paragraph 3 of "Voting and Quorum" below.

In accordance with normal practice the Trustee expresses no opinion as to the merits of the Extraordinary Resolution (which it was not involved in negotiating). It has, however, authorised it to be stated that, on the basis of the information set out in this Notice, it has no objection to the Extraordinary Resolution referred to above being submitted to the Class A Noteholders for their consideration. The Trustee has, however, not been involved in formulating the modifications referred to in the Extraordinary Resolution and makes no representation that all relevant information has been disclosed to the Class A Noteholders in this Notice. Accordingly, the Trustee urges Class A Noteholders who are in any doubt as to the impact of the implementation of the modifications and waivers referred to in the Extraordinary Resolution to seek their own independent legal and financial advice.

VOTING AND QUORUM

1. **Who is entitled to vote on the proposed Extraordinary Resolution?**

The Class A Notes are currently held in the form of both:

- (a) Global Reg S Notes which are held by a custodian for, and registered in the name of, a nominee of the common depositary for the accounts of Euroclear Bank S.A./N.V. as operator of the Euroclear System ("**Euroclear**") and Clearstream Banking, société anonyme ("**Clearstream**", and each of Euroclear and Clearstream, a "**clearing system**"); and

- (b) Global Rule 144A Notes which are held by a custodian for, and registered in the name of Cede & Co., a nominee of the Depository Trust Company ("**DTC**") (each such Note a "**DTC Note**" and together "**DTC Notes**").

Beneficial Holders through the Global Reg S Notes

Each person who is the owner of a particular nominal amount of the Class A Notes, as shown in the records of Euroclear, Clearstream or their respective accountholders ("**Accountholders**"), (a "**European Global Beneficial Owner**") should note that they will only be entitled to attend and vote at the Meeting in accordance with the procedures set out below in "*Procedures for Voting*". The only person currently able to vote at the Meeting with respect to the Class A Notes represented by the relevant Global Reg S Notes will be the registered holder of such Global Reg S Notes, which is Citivic Nominees Limited, as nominee for the common depository of Euroclear and Clearstream. However, Citibank, N.A., London Branch, on behalf of Citivic Nominees Limited, may grant proxies to the European Global Beneficial Owners to attend and vote at the Meeting. Alternatively, European Global Beneficial Owners who hold their interests through a clearing system and who do not wish to attend and vote in person may convey their voting instructions by contacting the relevant clearing system (or through the relevant Accountholder, if applicable) and arrange for votes to be cast on their behalf. See "*Procedures for Voting*" below.

Beneficial Holders through the Global Rule 144A Notes

For the purposes of the DTC Notes and the Meeting, Cede & Co. is the only holder of the Class A Notes represented by those DTC Notes. Each person who is the owner of a particular nominal amount of the Notes, as shown in the records of the participants of DTC ("**DTC Participants**"), (a "**DTC Beneficial Owner**"), should note that they will only be entitled to vote at the Meeting in accordance with the "blocking" procedures set out below. Accordingly, DTC Beneficial Owners should convey their voting instructions, directly or through their respective accountholders, to DTC in accordance with the procedures of DTC described below.

The DTC Participants will, if DTC's usual procedures are applied, be appointed by DTC as its proxies and will be entitled to attend and vote at the Meeting. In the alternative, the DTC Participants may arrange for a sub-proxy being any third person or an employee of the Principal Paying Agent to attend and vote at the Meeting on their behalf. **DTC Participants should direct any questions regarding appointing proxies or the voting procedures to the Principal Paying Agent at its address indicated below.**

Holders of record of the Class A Notes at the close of business New York City time on 31 July 2014 (the "**Record Date**") will be entitled to vote on the Extraordinary Resolution and shall remain so entitled notwithstanding any transfer of such holders' Class A Notes after the Record Date. Transferees of the Class A Notes after the Record Date will not be entitled to vote on the Extraordinary Resolution.

2. **Procedures for Voting**

Those persons entitled to do so may vote on the proposed Extraordinary Resolution by either attending and voting at the Meeting as a proxy or delivering voting

instructions through the clearing systems (where their interest is through a Global Reg S Note) or DTC (where their interest is through a Global Rule 144A Note) with respect to the relevant Class A Notes.

Attending and Voting at the Meeting:

Beneficial Holders through the Global Reg S Notes

Those European Global Beneficial Owners who hold their interests in the Class A Notes through the clearing systems and who wish to attend and vote at the Meeting should contact the relevant clearing system (through the relevant Accountholder, if applicable) to make arrangements to be appointed as proxy in respect of those Class A Notes in which they have an interest for the purpose of attending and voting at the Meeting in person. Such European Global Beneficial Owners must have made arrangements to vote with the relevant clearing system (through the relevant Accountholder, if applicable), in accordance with the regulations of the relevant clearing system, in time for the relevant clearing system to arrange for them to be appointed as a proxy no later than 48 hours before the time fixed for the Meeting.

Beneficial Holders through the Global Rule 144A Notes

A DTC Participant or a DTC beneficial Owner wishing to attend and vote at the Meeting in person must produce a form of proxy or sub-proxy issued by DTC or a DTC Participant. Forms of sub-proxy are available during usual London business hours on request to the Principal Paying Agent, at the address set out at the end of this Notice and on provision of an email confirmation and undertaking in the form set out in the attached "Undertaking" no later than 48 hours before the time fixed for the Meeting.

Delivering instructions to vote:

Beneficial Holders through the Global Reg S Notes

Those European Global Beneficial Owners who hold their interests in the Class A Notes through a clearing system and who wish to vote at but who do not wish to attend the Meeting should contact the relevant clearing system (through the relevant Accountholder, if applicable) to arrange for another person nominated by them to be appointed as a proxy in respect of such Class A Notes in which they have an interest to attend and vote at the Meeting on their behalf or to make arrangements for the votes relating to such Class A Notes in which they have an interest to be cast on their behalf by or on behalf of the Principal Paying Agent acting as a proxy. A European Global Beneficial Owner must have made arrangements to vote with the relevant clearing system (through the relevant Accountholder, if applicable), in accordance with the regulations of the relevant clearing system, in time for the relevant clearing system to arrange for the European Global Beneficial Owner's nominee, or a representative of the Principal Paying Agent to be appointed as a proxy not later than 48 hours before the time fixed for the Meeting.

Beneficial Holders through the Global Rule 144A Notes

- (a) A DTC Participant or a DTC Beneficial Owner not wishing to attend and vote at the Meeting in person may appoint a proxy or, in the case of a DTC Beneficial Owner who is not a DTC Participant, arrange through the DTC Participant through whom he holds his Class A Notes, for the appointment of some other person as a sub-proxy, to attend and vote at the Meeting in accordance with his instructions.
- (b) A DTC Participant or a DTC Beneficial Owner not wishing to attend and vote at the Meeting in person may give a voting instruction or, in the case of a DTC Beneficial Owner, may arrange for the DTC Participant through whom he holds his Class A Notes to give a voting instruction instructing the Principal Paying Agent to appoint a proxy to attend and vote at the Meeting in accordance with his instructions.
- (c) Voting instructions from DTC participants must be given to the Principal Paying Agent not later than 48 hours before the time fixed for the Meeting and may not be revoked during that period.
- (d) DTC Beneficial Owners should contact the DTC Participant through whom they hold their Notes.

3. **Quorum**

The quorum required at the Meeting is two or more persons present in person holding Class A Notes or being proxies and holding or representing in the aggregate greater than 50 per cent. of the aggregate GBP Equivalent Initial Principal Amount of the Class A Notes for the time being outstanding.

4. **Adjourned Meeting**

If within 15 minutes from the time fixed for the Meeting a quorum is not present the Meeting shall stand adjourned for such period, being not less than 14 days nor more than 42 days, and to such time and place, as may be appointed by the Chairman of the Meeting. The quorum required at such adjourned Meeting is two or more persons present in person holding Class A Notes or being proxies (whatever the GBP Equivalent Initial Principal Amount of the Class A Notes for the time being outstanding held by such persons).

5. **Procedures at the Meeting**

- (a) Every question submitted to the Meeting will be decided on a show of hands unless a poll is duly demanded by the Chairman of the Meeting, the Issuer or by two or more persons present being holders of Class A Notes or being proxies and holding or representing in the aggregate not less than 2. per cent. of the aggregate GBP Equivalent Initial Principal Amount of the Class A Notes for the time being outstanding. On a show of hands every person who is present in person and produces a Class A Note or is a proxy shall have one vote and on a poll every person so present shall have one vote in respect of each £1 in principal amount of the GBP Equivalent Initial Principal Amount of

the Class A Notes. If a poll is duly demanded, it shall be taken in such manner as the Chairman of the Meeting directs.

- (b) In case of equality of votes, the Chairman of the Meeting shall, both on a show of hands and on a poll, have a casting vote in addition to the vote or votes (if any) which he may have as a Class A Noteholder or as a proxy.
- (c) To be passed, the Extraordinary Resolution requires not less than 75 per cent. of the votes cast.
- (d) **If passed, the Extraordinary Resolution will be binding on all the Class A Noteholders, whether or not present at such Meeting and whether or not voting, and upon all the holders of the coupons relating to the Class A Notes and will also be binding on the holders of the Class B Notes and the Class C Notes and the coupons relating to the Class B Notes and the Class C Notes.**

This Notice is given by Paragon Mortgages (No. 12) PLC

31 July 2014

Any questions in connection with the Amendment and Restatement Agreement and reasons for the amendments and restatements should be addressed to the following:

Paragon Mortgages (No.12) PLC
51 Homer Road
Solihull
West Midlands
B91 3QJ

Telephone Numbers: Stephen Bowcott: +44 (0) 20 7786 8470
John Harvey: +44 (0) 121 712 3894
Jimmy Giles: +44 (0) 121 712 2315

Emails: Stephen.Bowcott@paragon-group.co.uk
Jimmy.Giles@paragon-group.co.uk
John.Harvey@paragon-group.co.uk

Any questions in connection with the mechanics of the Meeting and voting should be addressed to the following:

The Principal Paying Agent

Citibank, N.A., London Branch

Citigroup Centre
Canada Square
Canary Wharf
London E14 5LB

Telephone Number: +44 (0) 20 7508 3876

Email: Exchange.gats@citi.com