

FITCH DOWNGRADES 3 GRANITE AND 2 PARAGON REMARKETABLE NOTES' SHORT-TERM RATINGS

Fitch Ratings-London-21 December 2011: Fitch Ratings has downgraded three Granite Master Issuer and two Paragon remarketable notes' Short-term ratings to 'F1sf' from 'F1+sf'. A full list of rating actions is at the end of this comment.

Remarketable notes are intended to constitute eligible securities for purchase by money market funds, and are remarketed by the remarketing agent annually. If the remarketing agent is unable to identify sufficient third-party purchasers for all the outstanding remarketable notes, the conditional note purchaser is obliged to acquire the outstanding remarketable notes. For this reason, the remarketable notes' Short-term rating is linked to the conditional note purchaser's Short-term Issuer Default Rating (IDR).

Barclays Bank plc ('A'/Stable/'F1') through its subsidiary, Barclays Capital, acts as the conditional note purchaser in Granite 2007-2, Granite 2006-1, Granite 2006-3. In Paragon 10 and Paragon 12 this role is performed by Sheffield Receivables Corporation, an asset backed commercial paper conduit, which is expected to raise funds either through the issuance of commercial paper or a revolving asset purchase agreement, initially entered into with Barclays Bank. The downgrade of the Short-term ratings of the bank has therefore meant a downgrade of the remarketable notes to 'F1sf'. The Long-term ratings of the notes are unaffected.

The rating actions are as follows:

Granite Master Issuer plc - Granite 2007-2:

Class 4A1 (ISIN US38741YDT38): downgraded to 'F1sf' from 'F1+sf'

Granite Master Issuer plc - Series 2006-1:

Class A1 (ISIN US38741YBG35): downgraded to 'F1sf' from 'F1+sf'

Granite Master Issuer plc -Series 2006-3:

Class A4 (ISIN US38741YCA55): downgraded to 'F1sf' from 'F1+sf'

Paragon Mortgages (No.10) Plc:

Class A1 (ISIN US69912UAA34): downgraded to 'F1sf' from 'F1+sf'

Paragon Mortgages (No.12) Plc:

Class A1 (ISIN XS0261644941): downgraded to 'F1sf' from 'F1+sf'

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Additional information is available at www.fitchratings.com.

The ratings above were solicited by, or on behalf of, the issuer, and therefore, Fitch has been compensated for the provision of the ratings.

Sources of information - in addition to those mentioned in the applicable criteria, the sources of information used to assess these ratings were Investor and Servicer Reports.

Applicable criteria, 'EMEA Residential Mortgage Loss Criteria', dated 16 August 2011 and 'EMEA Criteria Addendum - United Kingdom - Mortgage Loss and Cash Flow Assumptions', dated 12 August 2011 are available at www.fitchratings.com.

Applicable Criteria and Related Research:

EMEA Residential Mortgage Loss Criteria

http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=649450

EMEA Criteria Addendum - United Kingdom - Mortgage Loss and Cash Flow Assumptions

http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=648050

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