

Rating Action: Moody's Takes Multiple Rating Actions on 5 UK, 1 Belgian and 1 Dutch RMBS Transactions

Global Credit Research - 25 Mar 2014

London, 25 March 2014 -- Moody's Investors Services has today taken multiple rating actions on the notes in Arran Residential Mortgages Funding 2011-1 Plc, Arran Residential Mortgages Funding 2011-2 Plc, Atomium Mortgage Finance 2003-I B.V., Greenock Funding No. 5 Plc, Paragon Mortgages (No. 7) PLC, Green Apple B.V. (2007-1 NHG Portfolio) and the Class Cb cross currency counterparty instrument rating (CIR) in Paragon Mortgages (No. 9) PLC. Today's rating actions are prompted by exposure to Royal Bank of Scotland plc, Royal Bank of Scotland N.V. or National Westminster Bank PLC (collectively referred to as RBS in this press release). The long-term rating of RBS was downgraded to Baa1 from A3 on 13 March 2014 (https://www.moodys.com/research/Moodys-downgrades-RBSs-supported-long-term-ratings-to-Baa1-with-PR_294433).

In total, ratings on 3 notes are affirmed, 1 note is confirmed, 8 notes are placed on review for downgrade, and 12 notes and CIR are downgraded. For a detailed list of affected ratings, see towards the end of the press release before the regulatory disclosures.

RATINGS RATIONALE

-- Arran Residential Mortgages Funding 2011-1 Plc (Arran 2011-1) and Arran Residential Mortgages Funding 2011-2 Plc (Arran 2011-2).

For both transactions, RBS acts as servicer and cash manager. There is no backup arrangement in place for either of these roles and no counterparty transfer rating triggers or facilitator. Additionally, RBS is acting as the collection account bank. The downgrade of RBS increases payment disruption risk in the transactions. Following Moody's "Global Structured Finance Operational Risk Guidelines" published in June 2013 (https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBS_SF328657), Moody's places the ratings of Class A2a, A2b, A2c in Arran 2011-1 and Class A2a, A2b, A2c, A3a, A3c in Arran 2011-2 on review for possible downgrade.

-- Atomium Mortgage Finance 2003-I B.V.

Moody's placed the rating of Class A on review for possible downgrade on 21 Feb 2014 due to the transaction's exposure to RBS acting as issuer account bank. The transaction has a low pool factor of 6.7% and an overcollateralization of 18.8%. Class A benefits from a further credit enhancement of 36.78% through subordination. The credit enhancement level is sufficient to mitigate the risk arising from the exposure to RBS at the current rating level. However, the rating of Class A is still constrained by payment disruption risk arising from lack of backup servicer arrangement as assessed in the prior rating action on 15 Jul 2011 (https://www.moodys.com/research/Moodys-Investors-Service-has-today-downgraded-Belgium-RMBS-notes-issued-PR_222713). Consequently, Moody's confirms the rating of Class A at Aa3 (sf). Moody's also affirms Class B rating at A2 (sf) in this review.

-- Green Apple B.V. (2007-I NHG Portfolio)

Moody's placed the rating of Class B on review for possible downgrade on 21 Feb 2014 due to the transaction's exposure to RBS acting as swap counterparty. The rating triggers for posting collateral and swap replacement are set at loss of Baa1/P-2 and loss of Baa2/P-3, respectively. As part of its review, Moody's has incorporated the risk of additional losses on the notes in the event of the transaction becoming unhedged following a swap counterparty default. This assessment resulted in a downgrade of the rating of Class B to Baa3 (sf). RBS is also acting as issuer account bank in the transaction, however, this exposure is not a driver of today's action. The ratings of Classes A and C were affirmed during the review.

-- Greenock Funding No. 5 Plc

RBS is the counterparty in all major roles in the transaction: issuer account bank, collection account bank, servicer, cash manager and swap counterparty. The transaction's exposure to potential operational or payment

disruption risk is therefore strongly linked to the credit quality of RBS. Moody's put all rated notes on review for possible downgrade on 21 February 2014. As a result of the downgrade of RBS, and following Moody's "The Temporary Use of Cash in Structured Finance Transactions: Eligible Investment and Bank Guidelines" published in March 2013 (https://www.moody's.com/researchdocumentcontentpage.aspx?docid=PBS_SF316982), Moody's concludes the rating review and downgrades all rated notes from Aa3 (sf) to A1 (sf).

-- Paragon Mortgages (No. 7) PLC

All notes were downgraded and remained on review for possible further downgrade due to the transaction's exposure to RBS as swap counterparty on 6 March 2014 (https://www.moody's.com/research/Moodys-downgrades-and-leaves-on-review-for-possible-downgrade-the--PR_294283). The counterparty transfer rating trigger is set at loss of Baa2. The downgrade of RBS increases the probability of the transaction becoming unhedged. Consequently, Moody's concludes the review and downgrades the ratings of Classes A1a, A1b, A1c to A1 (sf) and Classes B1a, B1b to Baa3 (sf).

-- Paragon Mortgages (No. 9) PLC Class Cb Cross Currency Swap CIR

CIR measures the risk posed to a counterparty arising from a special purpose vehicle's (SPV) inability to honor its obligations under the referenced financial contract. The ratings do not address potential losses in relation to any market risk associated with the transaction.

Following the updated CIR methodology, "Moody's Approach to Counterparty Instrument Ratings" published in March 2014 (http://www.moody's.com/viewresearchdoc.aspx?docid=PBS_SF359353), the CIR is determined in 2 steps; the first step, expected loss assuming no counterparty default, and the second step, counterparty linkage analysis.

The expected loss for the counterparty will usually match the rating of the pari passu-ranking notes without considering the linkage to the swap counterparty. For this transaction, Class Cb cross currency CIR matches Class Cb rating without swap counterparty linkage, which is currently A2 (sf).

The second step, counterparty linkage analysis, determines whether the rating from the first step should be capped due to linkage to the counterparty itself. The swap termination payment in the event of swap counterparty default will be subordinated in the transaction's priority of payment. And such payment has to be paid through the transaction waterfall increasing the possibility that the counterparty might not receive the payment. Additionally, the swap counterparty is currently in the money. These factors have negative impact on the CIR. Despite giving two notches rating uplift from counterparty's rating in expectation of transfer of swap to a different counterparty, Moody's determines that the CIR should be capped at one notch above the counterparty's rating. That's one notch above Baa1. As a result, Class Cb cross currency CIR is downgraded to A3 (sf) due to linkage to the swap counterparty itself.

FACTORS THAT WOULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATINGS:

Factors or circumstances that could lead to a downgrade of the ratings affected by today's action would be the worse-than-expected performance of the underlying collateral, and deterioration in the credit quality of the counterparties. Additionally, for Paragon Mortgages (No. 9) PLC Class Cb cross currency CIR rating, no transfer of swap counterparty.

Factors or circumstances that could lead to an upgrade of the ratings affected by today's action would be the better-than-expected performance of the underlying assets, and a decline in counterparty risk.

The principal methodology used in these ratings was "Moody's Approach to Rating RMBS Using the MILAN Framework" published in March 2014. Please see the Credit Policy page on www.moody's.com for a copy of this methodology.

List of affected ratings

Issuer: Arran Residential Mortgages Funding 2011-1 Plc

....GBP644.7M Class A2a Notes, Aaa (sf) Placed Under Review for Possible Downgrade; previously on May 17, 2013 Confirmed at Aaa (sf)

....EUR538M Class A2b Notes, Aaa (sf) Placed Under Review for Possible Downgrade; previously on May 17, 2013 Confirmed at Aaa (sf)

....US\$400M Class A2c Notes, Aaa (sf) Placed Under Review for Possible Downgrade; previously on May 17, 2013 Confirmed at Aaa (sf)

Issuer: Arran Residential Mortgages Funding 2011-2 Plc

....GBP70M Class A2a Notes, Aaa (sf) Placed Under Review for Possible Downgrade; previously on May 17, 2013 Confirmed at Aaa (sf)

....EUR220M Class A2b Notes, Aaa (sf) Placed Under Review for Possible Downgrade; previously on May 17, 2013 Confirmed at Aaa (sf)

....US\$670M Class A2c Notes, Aaa (sf) Placed Under Review for Possible Downgrade; previously on May 17, 2013 Confirmed at Aaa (sf)

....GBP150M Class A3a Notes, Aaa (sf) Placed Under Review for Possible Downgrade; previously on May 17, 2013 Confirmed at Aaa (sf)

....US\$500M Class A3c Notes, Aaa (sf) Placed Under Review for Possible Downgrade; previously on May 17, 2013 Confirmed at Aaa (sf)

Issuer: ATOMIUM MORTGAGE FINANCE 2003-I B.V.

....EUR2104.5M Class A Notes, Confirmed at Aa3 (sf); previously on Feb 21, 2014 Aa3 (sf) Placed Under Review for Possible Downgrade

....EUR43M Class B Notes, Affirmed A2 (sf); previously on Dec 18, 2003 Definitive Rating Assigned A2 (sf)

Issuer: Greenock Funding No.5 Plc

....GBP1382.9M Class A1 Notes, Downgraded to A1 (sf); previously on Feb 21, 2014 Aa3 (sf) Placed Under Review for Possible Downgrade

....GBP1382.9M Class A2 Notes, Downgraded to A1 (sf); previously on Feb 21, 2014 Aa3 (sf) Placed Under Review for Possible Downgrade

....GBP1382.9M Class A3 Notes, Downgraded to A1 (sf); previously on Feb 21, 2014 Aa3 (sf) Placed Under Review for Possible Downgrade

....GBP1382.9M Class A4 Notes, Downgraded to A1 (sf); previously on Feb 21, 2014 Aa3 (sf) Placed Under Review for Possible Downgrade

....GBP1382.9M Class A5 Notes, Downgraded to A1 (sf); previously on Feb 21, 2014 Aa3 (sf) Placed Under Review for Possible Downgrade

....GBP1728.944456M Class AVFN Notes, Downgraded to A1 (sf); previously on Feb 21, 2014 Aa3 (sf) Placed Under Review for Possible Downgrade

Issuer: Paragon Mortgages (No. 7) PLC

....US\$450M Class A1a Notes, Downgraded to A1 (sf); previously on Mar 6, 2014 Downgraded to Aa3 (sf) and Remained On Review for Possible Downgrade

....GBP220M Class A1b Notes, Downgraded to A1 (sf); previously on Mar 6, 2014 Downgraded to Aa3 (sf) and Remained On Review for Possible Downgrade

....EUR500M Class A1c Notes, Downgraded to A1 (sf); previously on Mar 6, 2014 Downgraded to Aa3 (sf) and Remained On Review for Possible Downgrade

....US\$82.5M Class B1a Notes, Downgraded to Baa3 (sf); previously on Mar 6, 2014 Downgraded to Baa1 (sf) and Remained On Review for Possible Downgrade

....EUR65M Class B1b Notes, Downgraded to Baa3 (sf); previously on Mar 6, 2014 Downgraded to Baa1 (sf) and Remained On Review for Possible Downgrade

Issuer: Paragon Mortgages (No. 9) PLC

...Cross Currency Swap for Class Cb Notes, Downgraded to A3 (sf); previously on Feb 21, 2014 A2 (sf) Placed Under Review for Possible Downgrade

Issuer: Green Apple B.V. (2007-I NHG Portfolio)

...EUR1486.5M Class A Notes, Affirmed A1 (sf); previously on Dec 20, 2013 Upgraded to A1 (sf)

...EUR10.5M Class B Notes, Downgraded to Baa3 (sf); previously on Feb 21, 2014 Baa1 (sf) Placed Under Review for Possible Downgrade

...EUR3M Class C Notes, Affirmed Baa3 (sf); previously on Dec 20, 2013 Upgraded to Baa3 (sf)

REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions of the disclosure form.

Moody's did not receive or take into account a third party assessment on the due diligence performed regarding the underlying assets or financial instruments related to the monitoring of these transactions in the past six months.

The analysis relies on an assessment of collateral characteristics to determine the collateral loss distribution, that is, the function that correlates to an assumption about the likelihood of occurrence to each level of possible losses in the collateral. As a second step, Moody's evaluates each possible collateral loss scenario using a model that replicates the relevant structural features to derive payments and therefore the ultimate potential losses for each rated instrument. The loss a rated instrument incurs in each collateral loss scenario, weighted by assumptions about the likelihood of events in that scenario occurring, results in the expected loss of the rated instrument.

Moody's did not use any stress scenario simulations in its analysis.

For ratings issued on a program, series or category/class of debt, this announcement provides certain regulatory disclosures in relation to each rating of a subsequently issued bond or note of the same series or category/class of debt or pursuant to a program for which the ratings are derived exclusively from existing ratings in accordance with Moody's rating practices. For ratings issued on a support provider, this announcement provides certain regulatory disclosures in relation to the rating action on the support provider and in relation to each particular rating action for securities that derive their credit ratings from the support provider's credit rating. For provisional ratings, this announcement provides certain regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating. For further information please see the ratings tab on the issuer/entity page for the respective issuer on www.moodys.com.

The person who approved Green Apple B.V. (2007-I NHG Portfolio) credit ratings is Anthony Parry, VP-Sr Credit Officer, SFG, JOURNALISTS: 44 20 7772 5456, SUBSCRIBERS: 44 20 7772 5454.

The person who approved ATOMIUM MORTGAGE FINANCE 2003-I B.V., Paragon Mortgages (No. 7) PLC, Paragon Mortgages (No. 9) PLC, Greenock Funding No.5 Plc, Arran Residential Mortgages Funding 2011-1 Plc, and Arran Residential Mortgages Funding 2011-2 Plc credit ratings is Christophe de Noaillet, MD-Structured Finance, SFG, JOURNALISTS: 44 20 7772 5456, SUBSCRIBERS: 44 20 7772 5454.

For any affected securities or rated entities receiving direct credit support from the primary entity(ies) of this rating action, and whose ratings may change as a result of this rating action, the associated regulatory disclosures will be those of the guarantor entity. Exceptions to this approach exist for the following disclosures, if applicable to jurisdiction: Ancillary Services, Disclosure to rated entity, Disclosure from rated entity.

The below contact information is provided for information purposes only. Please see the ratings tab of the issuer page at www.moodys.com, for each of the ratings covered, Moody's disclosures on the lead analyst and the Moody's legal entity that has issued the ratings.

Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

Please see www.moodys.com for any updates on changes to the lead rating analyst and to the Moody's legal entity that has issued the rating.

Please see the ratings tab on the issuer/entity page on www.moodys.com for additional regulatory disclosures for each credit rating.

Kevin Ma
Analyst
Structured Finance Group
Moody's Investors Service Ltd.
One Canada Square
Canary Wharf
London E14 5FA
United Kingdom
JOURNALISTS: 44 20 7772 5456
SUBSCRIBERS: 44 20 7772 5454

Christophe de Noaillet
MD - Structured Finance
Structured Finance Group
JOURNALISTS: 44 20 7772 5456
SUBSCRIBERS: 44 20 7772 5454

Maria Divid
Analyst
Structured Finance Group
JOURNALISTS: 44 20 7772 5456
SUBSCRIBERS: 44 20 7772 5454

Releasing Office:
Moody's Investors Service Ltd.
One Canada Square
Canary Wharf
London E14 5FA
United Kingdom
JOURNALISTS: 44 20 7772 5456
SUBSCRIBERS: 44 20 7772 5454

MOODY'S
INVESTORS SERVICE

© 2014 Moody's Corporation, Moody's Investors Service, Inc., Moody's Analytics, Inc. and/or their licensors and affiliates (collectively, "MOODY'S"). All rights reserved.

CREDIT RATINGS ISSUED BY MOODY'S INVESTORS SERVICE, INC. ("MIS") AND ITS AFFILIATES ARE MOODY'S CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES, AND CREDIT RATINGS AND RESEARCH PUBLICATIONS PUBLISHED BY MOODY'S ("MOODY'S PUBLICATION") MAY INCLUDE MOODY'S CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES. MOODY'S DEFINES CREDIT RISK AS THE RISK THAT AN ENTITY MAY NOT MEET ITS CONTRACTUAL, FINANCIAL OBLIGATIONS AS THEY COME DUE AND ANY ESTIMATED FINANCIAL LOSS IN THE EVENT OF DEFAULT. CREDIT RATINGS DO NOT ADDRESS ANY OTHER RISK, INCLUDING BUT NOT LIMITED TO: LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. CREDIT RATINGS AND MOODY'S OPINIONS INCLUDED IN MOODY'S PUBLICATIONS ARE NOT STATEMENTS OF CURRENT OR HISTORICAL FACT. MOODY'S PUBLICATIONS MAY ALSO

INCLUDE QUANTITATIVE MODEL-BASED ESTIMATES OF CREDIT RISK AND RELATED OPINIONS OR COMMENTARY PUBLISHED BY MOODY'S ANALYTICS, INC. CREDIT RATINGS AND MOODY'S PUBLICATIONS DO NOT CONSTITUTE OR PROVIDE INVESTMENT OR FINANCIAL ADVICE, AND CREDIT RATINGS AND MOODY'S PUBLICATIONS ARE NOT AND DO NOT PROVIDE RECOMMENDATIONS TO PURCHASE, SELL, OR HOLD PARTICULAR SECURITIES. NEITHER CREDIT RATINGS NOR MOODY'S PUBLICATIONS COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. MOODY'S ISSUES ITS CREDIT RATINGS AND PUBLISHES MOODY'S PUBLICATIONS WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL, WITH DUE CARE, MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING, OR SALE.

MOODY'S CREDIT RATINGS AND MOODY'S PUBLICATIONS ARE NOT INTENDED FOR USE BY RETAIL INVESTORS AND IT WOULD BE RECKLESS FOR RETAIL INVESTORS TO CONSIDER MOODY'S CREDIT RATINGS OR MOODY'S PUBLICATIONS IN MAKING ANY INVESTMENT DECISION. IF IN DOUBT YOU SHOULD CONTACT YOUR FINANCIAL OR OTHER PROFESSIONAL ADVISER.

ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY LAW, INCLUDING BUT NOT LIMITED TO, COPYRIGHT LAW, AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT MOODY'S PRIOR WRITTEN CONSENT.

All information contained herein is obtained by MOODY'S from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, all information contained herein is provided "AS IS" without warranty of any kind. MOODY'S adopts all necessary measures so that the information it uses in assigning a credit rating is of sufficient quality and from sources MOODY'S considers to be reliable including, when appropriate, independent third-party sources. However, MOODY'S is not an auditor and cannot in every instance independently verify or validate information received in the rating process or in preparing the Moody's Publications.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability to any person or entity for any indirect, special, consequential, or incidental losses or damages whatsoever arising from or in connection with the information contained herein or the use of or inability to use any such information, even if MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers is advised in advance of the possibility of such losses or damages, including but not limited to: (a) any loss of present or prospective profits or (b) any loss or damage arising where the relevant financial instrument is not the subject of a particular credit rating assigned by MOODY'S.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability for any direct or compensatory losses or damages caused to any person or entity, including but not limited to by any negligence (but excluding fraud, willful misconduct or any other type of liability that, for the avoidance of doubt, by law cannot be excluded) on the part of, or any contingency within or beyond the

control of, MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers, arising from or in connection with the information contained herein or the use of or inability to use any such information.

NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY SUCH RATING OR OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR MANNER WHATSOEVER.

MIS, a wholly-owned credit rating agency subsidiary of Moody's Corporation ("MCO"), hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by MIS have, prior to assignment of any rating, agreed to pay to MIS for appraisal and rating services rendered by it fees ranging from \$1,500 to approximately \$2,500,000. MCO and MIS also maintain policies and procedures to address the independence of MIS's ratings and rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold ratings from MIS and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually at www.moodys.com under the heading "Shareholder Relations — Corporate Governance — Director and Shareholder Affiliation Policy."

For Australia only: Any publication into Australia of this document is pursuant to the Australian Financial Services License of MOODY'S affiliate, Moody's Investors Service Pty Limited ABN 61 003 399 657AFSL 336969 and/or Moody's Analytics Australia Pty Ltd ABN 94 105 136 972 AFSL 383569 (as applicable). This document is intended to be provided only to "wholesale clients" within the meaning of section 761G of the Corporations Act 2001. By continuing to access this document from within Australia, you represent to MOODY'S that you are, or are accessing the document as a representative of, a "wholesale client" and that neither you nor the entity you represent will directly or indirectly disseminate this document or its contents to "retail clients" within the meaning of section 761G of the Corporations Act 2001. MOODY'S credit rating is an opinion as to the creditworthiness of a debt obligation of the issuer, not on the equity securities of the issuer or any form of security that is available to retail clients. It would be dangerous for "retail clients" to make any investment decision based on MOODY'S credit rating. If in doubt you should contact your financial or other professional adviser.