

NOTES REDEMPTION NOTICE AND CERTIFICATE BY ISSUER TO TRUSTEE

PARAGON MORTGAGES (NO.16) PLC
51 Homer Road, Solihull, West Midlands B91 3QJ
Registered in England and Wales as company number 6352605

To: Citicorp Trustee Company Limited
Citigroup Centre
Canada Square
Canary Wharf
London E14 5LB

17 July 2014

Dear Sirs

Defined terms which are used herein shall have the same meaning as ascribed to them in the Trust Deed dated 10 November 2011 (the "**Trust Deed**") between Paragon Mortgages (No.16) PLC (the "**Issuer**") and Citicorp Trustee Company Limited as Trustee or in the Prospectus dated 7 November 2011.

In accordance with Condition 5(d) and Clause 8.7 of the Agency Agreement, by this document the Issuer notifies the Trustee that all of the outstanding Notes will be redeemed by the Issuer on 15 October 2014 (the "**Optional Redemption Date**") pursuant to Condition 5(d). The amount outstanding under the Note (the "**Principal Liability Outstanding**") is as follows:

- £ 79,685,045.99 in relation to the Class A Notes; and
- £ 32,100,000 in relation to the Class Z Notes.

The Notes will be redeemed at their Principal Liability Outstanding together with accrued interest to the Optional Redemption Date.

Set out in the Schedule to this document is a copy of a notice (the "**Notes Redemption Notice**") which is proposed to be given to the Noteholders on or about 17 July 2014 in accordance with Conditions 5(d) and 12 of the Notes.

For the purposes of and in accordance with Conditions 5(d) and 5(h) the Issuer certifies to the Trustee that it will be in a position on the Optional Redemption Date to discharge all its liabilities in respect of the Notes (including, in each case, all accrued Normal Interest, Deferred Interest, Additional Interest and Default Interest Outstanding) and any amounts required under the Deed of Charge to be paid in priority or *pari passu* with those liabilities.

The Issuer further certifies that there has been no Event of Default or Potential Event of Default in relation to the Notes up to the date of this Notice.

The Issuer requests the Trustee to sign and return the enclosed duplicate of this document by way of acknowledgement of receipt, by way of confirmation of the Trustee's prior written

approval of the Notes Redemption Notice pursuant to and for the purposes of Clause 11(N) of the Trust Deed.

This document may be executed in any number of counterparts, each of which shall be an original, but all of which together shall constitute one and the same document.

Signed for and behalf of:

PARAGON MORTGAGES (NO.16) PLC

**John A. Harvey
Director**

By: 
Director

Name:

By: 
Director

Name: **RICHARD SHELTON**

The Trustee acknowledges receipt of this document and confirms its approval as requested in this document:

Signed for and behalf of:

Citicorp Trustee Company Limited

By: 
Director

Name:

**David H. [unclear]
Director**

Schedule: Form of Proposed Notice to Noteholders

NOTICE OF EARLY REDEMPTION

Paragon Mortgages (No.16) PLC
(Registered in England and Wales under number 6352605)
(the "**Issuer**")

Class A Mortgage Backed Floating Rate Notes due 2039
ISIN: XS0693779802
Common Code: 069377980
(the "**Class A Notes**")

Class Z Mortgage Backed Floating Rate Notes due 2039
ISIN: XS0693780487
Common Code: 069378048
(the "**Class Z Notes**" and together with the Class A Notes, the "**Notes**")

NOTICE IS HEREBY GIVEN that all of the outstanding Notes will be redeemed by the Issuer on 15 October 2014 (the "**Optional Redemption Date**"), pursuant to Condition 5(d) of the Terms and Conditions of the Notes. The Notes will be redeemed at their Principal Liability Outstanding together with accrued interest to the Optional Redemption Date.

Payment of principal and interest will be made through Euroclear Bank S.A./N.V and Clearstream Banking S.A.

Paragon Mortgages (No.16) PLC
51 Homer Road
Solihull
West Midlands
B91 3QJ
Dated 17 July 2014