

NOVATION AGREEMENT

THIS NOVATION AGREEMENT ("**Agreement**") is dated as of 14 June 2010 and has been entered into between:

- (1) THE ROYAL BANK OF SCOTLAND N.V. (formerly known as ABN AMRO BANK N.V.) (the "**Transferor**");
- (2) THE ROYAL BANK OF SCOTLAND PLC (the "**Transferee**");
- (3) PARAGON MORTGAGES (NO.9) PLC (the "**Remaining Party**"); and
- (4) CITICORP TRUSTEE COMPANY LIMITED (the "**Trustee**").

The Transferor, the Transferee and the Remaining Party are each referred to in this Agreement as a "**Party**" and collectively as the "**Parties**".

The Trustee is a party to this Agreement with the sole purpose of acknowledging the terms thereof and confirming it has no objection to the proposed Novation contemplated by this Agreement.

WHEREAS

- (A) The parent group of the Transferee has agreed, pursuant to a separate agreement, to purchase the wholesale businesses of the Transferor.
- (B) The Remaining Party has previously entered into the RBS N.V. Transactions with the Transferor as set out in Annex 2 to this Agreement, which the Parties agree will be transferred by Novation to the Transferee on the Novation Date pursuant to Part 5(q) (*Transfers*) of each RBS N.V. Agreement.
- (C) The Remaining Party, the Transferor and the Trustee have previously entered into the applicable RBS N.V. Agreement as listed in Annex 3 to this Agreement, which the Parties agree will in each case be duplicated pursuant to this Agreement with the effect that in each case the Remaining Party, the Transferee and the Trustee are deemed to have entered into an identical agreement with effect from the Novation Date (subject to the amendments contained in Annex 1 of this Agreement).

IT IS AGREED

1. Interpretation

Any capitalised term used in this Agreement shall have the meaning given to it in Section 6 of this Agreement.

2. Novation

With effect from and including the Novation Date and in consideration of the mutual representations, warranties and covenants contained in this Agreement and other good and valuable consideration (the receipt and sufficiency of which are hereby acknowledged by each of the Parties), the Parties agree as follows:

- (a) the Remaining Party and the Transferor are each released and discharged from further obligations to each other with respect to each RBS N.V. Transaction and their respective rights against each other thereunder are cancelled, provided that such release and discharge shall not affect any rights, liabilities or obligations of the Remaining Party or the Transferor with respect to payments or other obligations due and payable or due to be performed on or prior to the Novation Date and all such payments and obligations shall be paid or performed by the Remaining Party or the Transferor in accordance with the terms of each RBS N.V. Transaction;

- (b) in respect of each New RBS PLC Transaction relating to an RBS N.V. Transaction referred to in (a) above, the Remaining Party (taking the same position in each New RBS PLC Transaction as it took in the related RBS N.V. Transaction) and the Transferee (taking the same position in each New RBS PLC Transaction taken by the Transferor in the related RBS N.V. Transaction) each undertake liabilities and obligations towards the other and acquire rights against each other identical in their terms to each corresponding RBS N.V. Transaction, subject to the amendments set out in Annex 1 hereto, save for any rights, liabilities or obligations of the Remaining Party or the Transferor with respect to payments or other obligations due and payable or due to be performed on or prior to the Novation Date;
- (c) each New RBS PLC Transaction shall:
 - (i) be governed by and form part of the applicable New RBS PLC Agreement; and
 - (ii) be evidenced by the relevant RBS N.V. Confirmation, subject to the applicable amendments set out in Annex 1 to this Agreement and any additional amendments which are necessary to reflect, or are a natural consequence of, the fact that the Transferee is to be substituted for the Transferor for all purposes (such amended RBS N.V. Confirmation, which shall be deemed to be a "**Confirmation**" under the applicable New RBS PLC Agreement, a "**New RBS PLC Confirmation**") (unless agreed otherwise by the Transferee and the Remaining Party);
- (d) notwithstanding the terms of each RBS N.V. Agreement and the related New RBS PLC Agreement, in respect of any Credit Support Annex entered into in respect of an RBS N.V. Agreement and the applicable New RBS PLC Agreement, (i) if the Novation Date is a Business Day, the Business Day following the Novation Date shall be an additional Valuation Date (as such term is defined in each such Credit Support Annex); and (ii) if the Novation Date is not a Business Day, the second Business Day following the Novation Date shall be an additional Valuation Date; and
- (e) in relation to the Novation of any RBS N.V. Transaction, any mandatory or optional early termination or other break clause (or any clause having an equivalent effect) specified in the corresponding RBS N.V. Confirmation shall continue in full force and effect after the Novation Date, and such mandatory or optional early termination or other break clause shall not be affected or modified by the Novation.

3. **Creation of the New RBS PLC Agreement**

With respect to each RBS N.V. Agreement as listed in Annex 3 to this Agreement, a new corresponding contract, instrument or, as applicable, arrangement (each a "**New RBS PLC Agreement**") shall be deemed, with effect from and including the Novation Date, to have been entered into between the Transferee (taking the position in each New RBS PLC Agreement as taken by the Transferor in the related RBS N.V. Agreement) and the Remaining Party (taking the same position in each New RBS PLC Agreement as it took in the related RBS N.V. Agreement) having identical terms to the related RBS N.V. Agreement, subject to the amendments described in Annex 1 to this Agreement.

4. **Representations and Warranties**

- (a) On the date of this Agreement, each Party makes to the other Parties the following representations (which representations will be deemed to be repeated on the Novation Date):
 - (i) it is duly organised and validly existing under the laws of the jurisdiction of its organisation or incorporation and, if relevant under such laws, in good standing;
 - (ii) it has the power to execute and deliver this Agreement and to perform its obligations under this Agreement and has taken all necessary action to authorise such execution, delivery and performance;
 - (iii) such execution, delivery and performance do not violate or conflict with any law

applicable to it, any provision of its constitutional documents, any order or judgment of any court or other agency of government applicable to it or any of its assets or any contractual restriction binding on or affecting it or any of its assets;

- (iv) all governmental and other consents that are required to have been obtained by it with respect to this Agreement been obtained and are in full force and effect and all conditions of any such consents have been complied with; and
 - (v) its obligations under this Agreement constitute its legal, valid and binding obligations, enforceable in accordance with their respective terms (subject to applicable bankruptcy, reorganisation, insolvency, moratorium or similar laws affecting creditors' rights generally and subject, as to enforceability, to equitable principles of general application (regardless of whether enforcement is sought in a proceeding in equity or at law)).
- (b) On the Novation Date, the Remaining Party and the Transferor each represents to the other and to the Transferee that no default or event of default (howsoever described) or Potential Event of Default with respect to it under each RBS N.V. Agreement has occurred and is continuing immediately prior to it entering into this Agreement and no such event or circumstance would occur as a result of its entering into or performing its obligations under this Agreement.
- (c) On the Novation Date, the Remaining Party and the Transferee each represents to the other that no default, event of default (howsoever described) or Potential Event of Default with respect to it under each New RBS PLC Agreement has occurred and is continuing immediately prior to it entering into this Agreement and no such event or circumstance would occur as a result of its entering into or performing its obligations under this Agreement.
- (d) On the Novation Date, the Transferor and the Transferee represent that they have obtained and provided to the Remaining Party and the Trustee all necessary Rating Agency Consents.
- (e) On the Novation Date, each Party represents to the other Parties that:
- (i) it is acting for its own account, and it has made its own independent decisions to enter into this Agreement and as to whether this Agreement is appropriate or proper for it based upon its own judgment and upon advice from such advisers (including tax, legal and/or financial advisers) as it has deemed necessary;
 - (ii) it is not relying on any communication (written or oral) of any of the other Parties as investment advice or as a recommendation to enter into this Agreement, it being understood that information and explanations related to the Agreement will not be considered investment advice or a recommendation to enter into the Agreement;
 - (iii) no communication (written or oral) received from any of the other Parties will be deemed to be an assurance or guarantee as to the expected results of the Novation pursuant to this Agreement; and
 - (iv) it is capable of assessing the merits of and understanding (on its own behalf or through independent professional advice) and understands and accepts, the terms, conditions and risks of the Novation pursuant to this Agreement.
- (f) Each of the Transferor and the Remaining Party represents and warrants to each other and to the Transferee and the Trustee that:
- (i) subject to the provisions of the Deed of Sub-Charge and Assignment, it has made no prior transfer (whether by way of security or otherwise) of the applicable RBS N.V. Agreement or any interest or obligation in or under the applicable RBS N.V. Agreement or in respect of any RBS N.V. Transaction; and

- (ii) as of the Novation Date, all obligations of the Transferor and the Remaining Party under each RBS N.V. Transaction required to be performed on or before the Novation Date have been fulfilled.
- (g) On the Novation Date, the parties agree and represent that the Novation meets the requirements set out in Part 5(q) (*Transfers*) of each RBS N.V. Agreement and any and all other requirements or conditions (to the extent there are any) for such Novation.

5. Miscellaneous

- (a) **Counterparts.** This Agreement (and each amendment, modification and waiver in respect of it) may be executed and delivered in counterparts (including by fax or by e-mail), each of which will be deemed an original.
- (b) **Costs and Expenses.**
 - (i) The Transferee and the Transferor will pay their own costs and expenses (including legal fees) incurred in connection with this Agreement and as a result of the negotiation, preparation and execution of this Agreement; and
 - (ii) The Transferee will pay the costs and expenses of the Remaining Party (including legal fees) incurred in connection with this Agreement and as a result of the negotiation, preparation and execution of this Agreement.
- (c) **Governing Law and Jurisdiction.** This Agreement and any non-contractual obligations arising out of or in connection with it will be governed by and construed in accordance with the laws of England and Wales. The Parties submit to the non-exclusive jurisdiction of the courts of England in respect of any matter arising out of this Agreement or any non-contractual obligations arising out of or in connection with this Agreement.
- (d) **Headings.** The headings in this Agreement are provided for convenience only and will not affect its construction or interpretation.

6. Definitions

For the purposes of this Agreement:

"Business Days" means a day on which commercial banks are open for general business (including dealings in foreign exchange and foreign currency deposits) in London, New York and Singapore.

"Confirmation" means, in respect of a transaction, the documents (if any) and other confirming evidence exchanged between the parties thereto or otherwise effective for the purposes of confirming or evidencing such transaction (including, without limitation, any master confirmation agreements).

"Credit Support Annex" means the 1995 ISDA Credit Support Annex (Bilateral Form - Transfer) governed by English law, as amended or supplemented.

"Deed of Sub-Charge and Assignment" means the deed of sub-charge and assignment dated 19 July 2005 between, among others, the Remaining Party and the Trustee.

"New RBS PLC Agreement" has the meaning given to it in Section 3 of this Agreement.

"New RBS PLC Confirmation" has the meaning given to it in Section 2(c)(ii) of this Agreement.

"New RBS PLC Transaction" means, in respect of each RBS N.V. Transaction, a new transaction to be entered into between the Transferee and the Remaining Party on terms identical to those of such RBS N.V. Transaction, subject to the detailed provisions and amendments in this Agreement.

"Novation" means:

- (a) the creation of new rights, liabilities, duties and obligations of the Transferee and the Remaining Party in respect of the corresponding New RBS PLC Transaction; and
- (b) the discharge and release of further obligations and cancellation of rights of the Transferor and the Remaining Party under each RBS N.V. Transaction,

in accordance with Section 2 of this Agreement, whereby (a) and (b) occur simultaneously.

"Novation Date" means 14 June 2010 unless otherwise agreed in writing between the Transferee and the Remaining Party in respect of one or more of the RBS N.V. Transactions.

"Potential Event of Default" means any event which, with the giving of notice or the lapse of time or both, would constitute a default or an event of default (howsoever described).

"Rating Agencies" means both of Standard & Poor's Rating Services, a division of The McGraw-Hill Companies Inc. and Moody's Investors Services.

"Rating Agency Consents" means a confirmation from each of the Rating Agencies that the current rating of the notes will not be adversely affected by the proposed Novation contemplated by this Agreement.

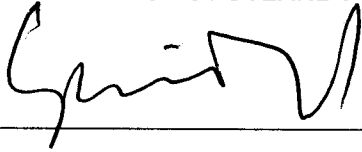
"RBS N.V. Agreement" means each 1992 ISDA Master Agreement (Multicurrency - Cross Border) between the Transferor, the Remaining Party and the Trustee (including any Credit Support Annex, if applicable), as amended or supplemented and listed in Annex 3 to this Agreement.

"RBS N.V. Confirmation" means each Confirmation between the Remaining Party and the Transferor with respect to the relevant RBS N.V. Transaction.

"RBS N.V. Transactions" means the transactions that the Transferor and the Remaining Party have entered into prior to the date of this Agreement, which supplement, form part of and are subject to the applicable RBS N.V. Agreement and which are set out in Annex 2 to this Agreement.

IN WITNESS WHEREOF the Parties have executed this Agreement on the respective dates specified below.

THE ROYAL BANK OF SCOTLAND PLC (as Transferee)



Date:
Name: **Geraint Rogers**
Title: **Authorised Signatory**
The Royal Bank of Scotland plc

THE ROYAL BANK OF SCOTLAND N.V. (formerly known as ABN AMRO BANK N.V.) (as Transferor)



Date: **ELLEN HASTINGS-JONES**
Name: **Authorised Signatory**
Title:



Date:
Name: **Kevin A. Taylor**
Title: **Authorised Signatory**

PARAGON MORTGAGES (NO. 9) PLC (as Remaining Party)

Date:
Name:
Title:

Date:
Name:
Title:

CITICORP TRUSTEE COMPANY LIMITED (as Trustee)

Date:
Name:
Title:

Date:
Name:
Title:

IN WITNESS WHEREOF the Parties have executed this Agreement on the respective dates specified below.

THE ROYAL BANK OF SCOTLAND PLC (as Transferee)


Date:
Name:
Title:

THE ROYAL BANK OF SCOTLAND N.V. (formerly known as ABN AMRO BANK N.V.) (as Transferor)

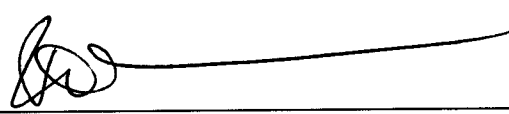
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Date:
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PARAGON MORTGAGES (NO. 9) PLC (as Remaining Party)



Date:
Name: John Harvey
Title: Director



Date:
Name: John Gemmell
Title: Director

CITICORP TRUSTEE COMPANY LIMITED (as Trustee)

Date:
Name:
Title:

Date:
Name:
Title:

IN WITNESS WHEREOF the Parties have executed this Agreement on the respective dates specified below.

THE ROYAL BANK OF SCOTLAND PLC (as Transferee)

Date:
Name:
Title:

THE ROYAL BANK OF SCOTLAND N.V. (formerly known as ABN AMRO BANK N.V.) (as Transferor)

Date:
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Date:
Name:
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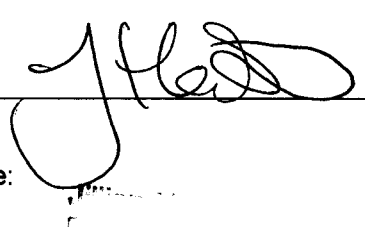
PARAGON MORTGAGES (NO. 9) PLC (as Remaining Party)

Date:
Name:
Title:

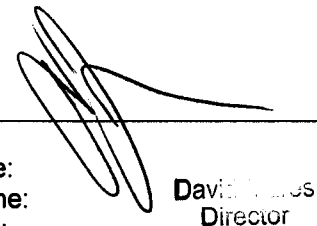
Date:
Name:
Title:

CITICORP TRUSTEE COMPANY LIMITED (as Trustee)

Date:
Name:
Title:



Date:
Name:
Title:



David James
Director

ANNEX 1

AMENDMENTS TO THE NEW RBS PLC AGREEMENT AND THE NEW RBS PLC CONFIRMATIONS

1. MASTER AGREEMENTS

The Parties agree that each New RBS PLC Agreement shall be deemed to be entered into between the Remaining Party and the Transferee, pursuant to Section 3 of this Agreement, on identical terms as the related RBS N.V. Agreement, subject to the following amendments:

(a) Notices

Notices or communications to the Transferee (other than notices with respect to an event of default, termination event or designation of an early termination date (howsoever described)) to be sent to the address listed in the Confirmation provided by the Transferee or if prior to this Confirmation being received, to:-

Address: c/o RBS Global Banking & Markets, 280 Bishopsgate, London, EC2M 4RB
Attention: Swaps Administration
Fax: 020 7085 5050
Telephone: 020 7085 5000

Address for notices or communications to the Transferee for notices with respect to an event of default, termination event or designation of an early termination date (howsoever described):-

Address: c/o RBS Global Banking & Markets, 135 Bishopsgate, London, EC2M 3UR
Attention: Head of Legal, Global Banking & Markets
Fax: 020 7085 8411

(b) Process Agent

Each New RBS PLC Agreement is governed by English law, and therefore no process agent shall be appointed with respect to the Transferee.

(c) Other General Amendments

All references (if any) to the name of the Transferor throughout each RBS N.V. Agreement shall instead be deemed to be to The Royal Bank of Scotland PLC.

2. COLLATERAL AGREEMENTS

The Parties agree that the Credit Support Annex, if any, shall be deemed to be entered into between the Remaining Party and the Transferee, pursuant to Section 3 of this Agreement, on identical terms as the corresponding Credit Support Annex between the Transferor and the Remaining Party, subject to the following amendments:

(a) Addresses for Transfer under the Credit Support Annex

Any references in the Credit Support Annex to addresses or contact details for the Transferor with respect to the transfer of collateral under the Credit Support Annex shall be deleted and replaced with the following with respect to the Transferee:

Address: 280 Bishopsgate, London EC2M 4RB
Telephone: 020 7085 5209/4761
Facsimile: 020 7085 4793
Attention: Global Collateral Management
Email: collateral@rbs.com

3. AMENDMENTS TO THE NEW RBS PLC CONFIRMATIONS

Following the Novation Date, any references in the RBS N.V. Confirmations to:

- (a) the Transferor's name shall instead be deemed to be to a reference in each New RBS PLC Confirmation to The Royal Bank of Scotland PLC;
- (b) the Transferor acting through any particular branch or office with respect to an RBS N.V. Transaction shall be a reference in the New RBS PLC Confirmation to the Transferee acting through its London branch;
- (c) any details throughout each RBS N.V. Confirmation which are personal to the Transferor (such as company registration numbers, the jurisdiction of its incorporation, notice details and account details for payments) shall be deemed to be deleted and replaced in the New RBS PLC Confirmation with the following (where applicable):
 - (i) The Royal Bank of Scotland PLC, incorporated as a public limited company under the laws of Scotland
 - (ii) Registered Office: 36 St Andrew Square, Edinburgh EH2 2YB, Scotland
 - (iii) Registered number: 90312
 - (iv) Notice Details: With respect to each RBS N.V. Transaction as set out in the New RBS PLC Agreement
 - (v) Account Details: As specified in our Standard Settlement Instructions, which will be notified to you separately; and
- (d) the applicable RBS N.V. Agreement shall be deemed to be a reference in the New RBS PLC Confirmation to the applicable New RBS PLC Agreement.

ANNEX 2

RBS N.V. TRANSACTIONS

1. Confirmation in relation to the currency swap relating to the Class Ab Notes between the Transferor, the Remaining Party and the Trustee dated 19 July 2005.
2. Confirmation in relation to the currency swap relating to the Class Ac Notes between the Transferor, the Remaining Party and the Trustee dated 19 July 2005.
3. Confirmation in relation to the currency swap relating to the Class Bb Notes between the Transferor, the Remaining Party and the Trustee dated 19 July 2005.
4. Confirmation in relation to the currency swap relating to the Class Cb Notes between the Transferor, the Remaining Party and the Trustee dated 19 July 2005.

ANNEX 3

RBS N.V. AGREEMENTS

1. ISDA Master Agreement dated as of 19 July 2005 between the Transferor, the Remaining Party and the Trustee (including the Schedule thereto and the related Credit Support Annex) governing the cross currency swap relating to the Class Ab Notes.
2. ISDA Master Agreement dated as of 19 July 2005 between the Transferor, the Remaining Party and the Trustee (including the Schedule thereto and the related Credit Support Annex) governing the cross currency swap relating to the Class Ac Notes.
3. ISDA Master Agreement dated as of 19 July 2005 between the Transferor, the Remaining Party and the Trustee (including the Schedule thereto and the related Credit Support Annex) governing the cross currency swap relating to the Class Bb Notes.
4. ISDA Master Agreement dated as of 19 July 2005 between the Transferor, the Remaining Party and the Trustee (including the Schedule thereto and the related Credit Support Annex) governing the cross currency swap relating to the Class Cb Notes.