

PARAGON MORTGAGES (NO.25) PLC
51 Homer Road, Solihull, West Midlands, B91 3QJ

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THIS NOTICE CONTAINS IMPORTANT INFORMATION OF INTEREST TO THE REGISTERED AND BENEFICIAL OWNERS OF THE NOTES (AS DEFINED BELOW). IF APPLICABLE, ALL DEPOSITARIES, CUSTODIANS AND OTHER INTERMEDIARIES RECEIVING THIS NOTICE ARE REQUESTED TO PASS THIS NOTICE TO SUCH BENEFICIAL OWNERS IN A TIMELY MANNER.

NOTHING IN THE NOTICE OR THE ELECTRONIC TRANSMISSION THEREOF CONSTITUTES OR CONTEMPLATES AN OFFER OF, AN OFFER TO PURCHASE OR THE SOLICITATION OF AN OFFER TO SELL SECURITIES IN THE UNITED STATES OR ANY OTHER JURISDICTION. THE NOTES (AS DEFINED BELOW) HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT, OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES, AND THE NOTES MAY NOT BE OFFERED, SOLD OR DELIVERED, DIRECTLY OR INDIRECTLY, WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE UNITED STATES SECURITIES ACT OF 1933 (THE "SECURITIES ACT") AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

EU MiFID II PRODUCT GOVERNANCE/ PROFESSIONAL INVESTORS AND ECPS ONLY TARGET MARKET: solely for the purposes of the manufacturers' product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended or superseded, "EU MiFID II"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "distributor") should take into consideration the manufacturers' target market assessment in respect of the Notes; however, a distributor subject to EU MiFID is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

UK MiFIR PRODUCT GOVERNANCE/ PROFESSIONAL INVESTORS AND ECPS ONLY TARGET MARKET: solely for the purposes of the manufacturers' product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is only eligible counterparties and professional clients, as each term is defined in the FCA Handbook Conduct of Business Sourcebook ("COBS"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "distributor") should take into consideration the manufacturers' target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "UK MiFIR Product Governance Rules") is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

IMPORTANT - PROHIBITION OF SALES TO EEA INVESTORS: the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("EEA"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of EU MiFID II or (ii) a customer within the meaning of Directive 2016/97 (the "EU Insurance Distribution Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of EU MiFID II. Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended or superseded, the "EU PRIIPs Regulation") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the EU PRIIPs Regulation.

IMPORTANT - PROHIBITION OF SALES TO U.K. INVESTORS: the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom ("U.K."). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018; or (ii) a consumer within the meaning of the provisions of the Financial Services and Markets Act 2000 ("FSMA") and any rules or regulations made under FSMA which were relied on immediately before exit day to implement the EU Insurance Distribution Directive, where that consumer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law of the U.K. by virtue of the European Union (Withdrawal) Act 2018. Consequently, no key information document required by the PRIIPs Regulation as its forms part of domestic law of the U.K. by virtue of the European Union (Withdrawal) Act 2018 (the "UK PRIIPs Regulation") for offering or selling the Notes or otherwise making them available to retail investors in the U.K. has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the U.K. may be unlawful under the UK PRIIPs Regulation.

If you are in any doubt as to the action you should take, you are recommended to seek your own financial and legal advice, including in respect of any tax consequences, immediately from your stockbroker, bank manager, solicitor, accountant or other financial, tax or legal adviser authorised under FSMA (if you are in the U.K.), or from another appropriately authorised independent financial adviser and such other professional advice from your own professional advisers as you deem necessary.

This Notice is addressed only to holders of the Notes (as defined below) and persons to whom it may otherwise be lawful to distribute it ("relevant persons"). It is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this Notice relates is available only to relevant persons and will be engaged in only with relevant persons.

The following notice and its contents may not be forwarded or distributed to any other person and may not be reproduced in any manner whatsoever. Any forwarding, distribution or reproduction of this document in whole or in part is unauthorised. Failure to

comply with this directive may result in a violation of the laws of applicable jurisdictions.

In accordance with normal practice, none of the Issuer, the Solicitation Agent, the Tabulation Agent, the Trustee, the Agents or their affiliates (or their respective directors, employees, officers, consultants or agents) expresses any view or opinion whatsoever as to the Proposed Base Rate Modification, the Supplemental Trust Deed, the Amendment Deed (each as defined below) amending the Relevant Documents or the information set out in this Notice; and none of the Solicitation Agent, the Tabulation Agent, the Trustee nor any of the Agents or their affiliates makes any representation or recommendation whatsoever as to any action to be taken or not taken by Noteholders in relation to the Proposed Base Rate Modification, the Supplemental Trust Deed, the Amendment Deed or this Notice, or any document prepared in connection with any of them.

Accordingly, the Issuer, the Solicitation Agent, the Tabulation Agent and the Trustee urge Noteholders who are in doubt as to the impact of the implementation of the Proposed Base Rate Modification, the Supplemental Trust Deed, the Amendment Deed or this Notice or any document prepared in connection with any of them (including any tax or other consequences), to seek their own independent financial, tax and legal advice. None of the Issuer, the Trustee, the Solicitation Agent, the Tabulation Agent, the Agents or their affiliates (or their respective directors, employees, officers, consultants or agents) has made, nor will they make, any assessment of the merits of the Proposed Base Rate Modification, the Supplemental Trust Deed, the Amendment Deed or this Notice or of the impact of the Proposed Base Rate Modification, the Supplemental Trust Deed, the Amendment Deed or this Notice on the interests of the Noteholders either as a class or as individuals.

PARAGON MORTGAGES (NO.25) PLC

51 Homer Road
Solihull
West Midlands B91 3QJ
United Kingdom
(the "**Issuer**")

19 July 2021

NOTICE OF BASE RATE MODIFICATION

to the holders of the following notes of the Issuer:

£600,000,000 Class A Mortgage Backed
Floating Rate Notes due 2050
ISIN: XS1785818649; Common Code: 178581864
(the "**Class A Notes**")

£33,500,000 Class B Mortgage Backed
Floating Rate Notes due 2050
ISIN: XS1785821437; Common Code: 178582143
(the "**Class B Notes**")

£30,000,000 Class C Mortgage Backed
Floating Rate Notes due 2050
ISIN: XS1785821940; Common Code: 178582194
(the "**Class C Notes**")

£24,700,000 Class D Mortgage Backed
Floating Rate Notes due 2050
ISIN: XS1785822088; Common Code: 178582208
(the "**Class D Notes**")

£17,648,000 Class Z Mortgage Backed
Floating Rate Notes due 2050
ISIN: XS1785822245; Common Code: 178582224
(the "**Class Z Notes**")

£10,923,000 Class S Mortgage Backed
Floating Rate Notes due 2050
ISIN: XS1785822328; Common Code: 178582232
(the "**Class S Notes**")

£7,952,955 Class S Mortgage Backed
Variable Funding Note due 2050
(the "**Class S VFN**")
(no amounts being presently outstanding under such note)

(together, the "**Noteholders**" and the "**Notes**", respectively).

This Notice is also provided for information purposes only to the holders of the following certificates:

100 RC1a Residual Certificates
ISIN: XS1786079878; Common Code: 178607987

100 RC1b Residual Certificates
ISIN: XS1786082740; Common Code: 178608274

100 RC2a Residual Certificates
ISIN: XS1786082823; Common Code: 178608282

(together, the "**Residual Certificateholders**" and "**Residual Certificates**", respectively).

THIS NOTICE IS IMPORTANT AND REQUIRES THE IMMEDIATE ATTENTION OF NOTEHOLDERS.

NOTICE IS HEREBY GIVEN by the Issuer to the Noteholders in accordance with Condition 12 (*Notices*) of the Conditions that the Issuer intends to amend the rate of interest applicable to the Notes and make certain other amendments with effect from the Implementation Date by amending the Documents in order to effect the Proposed Base Rate Modification (each such term as defined below). This Notice is given to all classes of Noteholders but only Eligible Class A Noteholders (as defined below) may object to the Proposed Base Rate Modification. This Notice is provided to the Residual Certificateholders for information purposes only.

Background

1. We refer to the trust deed dated 26 April 2018 between the Issuer and Citicorp Trustee Company Limited as the Trustee (the "**Trust Deed**"), including the terms and conditions of the Notes set out at Schedule 4 thereto (the "**Conditions**"). Terms used in this Notice but not defined herein shall have the meanings given to such terms in the Trust Deed, the Conditions and the Relevant Documents (as such term is defined in the Trust Deed).

2. For the purposes of this Notice, the following terms are defined:

"**Amendment Date**" means the date on which each of the Supplemental Trust Deed and the Amendment Deed (each as defined below), as applicable, is executed by the relevant parties, which is expected to be on or around 23 August 2021.

"**Implementation Date**" means the Interest Payment Date falling on 15 February 2022.

3. We also refer to the Initial Basis Hedge Agreement between Lloyds Bank Corporate Markets plc and the Issuer, including the swap confirmations thereof (the "**PM25 Swap Confirmations**") and the Approved Credit Support Document entered into in connection therewith.

4. Pursuant to Condition 15 (*Base Rate Modification*) and Clause 22 (*Base Rate Modification*) of the Trust Deed, the Issuer may make, and the Trustee shall be obliged without any consent or sanction of the Noteholders, the Residual Certificateholders or any of the other Secured Creditors to concur with the Issuer in making, any modification to the Conditions and/or the Relevant Documents to which it is a party or in relation to which it holds security or enter into any new, supplemental or additional documents that the Issuer considers necessary for the purpose of changing the base rate from LIBOR in respect of all Classes of Notes (but not only some Classes of Notes) provided that such modification is undertaken as a result of the circumstances set out in Condition 15(a)(iv), the Alternative Base Rate is a rate that satisfies Condition 15(a)(v) and the other procedural formalities of Condition 15 (*Base Rate Modification*) have been met.

5. On 5 March 2021, the UK Financial Conduct Authority (the "**FCA**") announced that all London Inter-Bank Offered Rate ("**LIBOR**") settings currently published by ICE Benchmarks Administration, an authorised administrator regulated and supervised by the FCA, will either cease to be provided by any administrator or will no longer be representative of the underlying market and economic reality (and that representativeness will not be restored) immediately after (i) 31 December 2021, in the case of all sterling, euro, Japanese yen and Swiss franc settings, and certain U.S. dollar settings, or (ii) 30 June 2023, in the case of the remaining U.S. dollar settings. As a result regulators, including the FCA, have continued to urge market participants to take active steps to implement the transition to the Sterling Over Night Index Average ("**SONIA**") and other risk-free rates ahead of the applicable LIBOR cessation date. In this regard we refer to:

- (a) the speech of Andrew Bailey, the Chief Executive of the FCA, on 27 July 2017 entitled "*The Future of LIBOR*";
- (b) the statement of the FCA entitled "*FCA Statement on LIBOR panels*" dated 24 November 2017;
- (c) the speech of Andrew Bailey, the Chief Executive of the FCA, on 12 July 2017 entitled "*Interest rate benchmark reform - transition to a world without LIBOR*";
- (d) the "*Dear CEO Letter*" sent by the FCA and the Prudential Regulation Authority to major banks and insurers and published on the FCA website, dated 19 September 2018, relating to the need to transition from LIBOR to alternative benchmarks;
- (e) the speech of Andrew Bailey, the Chief Executive of the FCA, on 15 July 2019 entitled "*The Future of LIBOR*";
- (f) the statement of the FCA entitled "*Transition from LIBOR*" dated 4 September 2019;
- (g) the open letter from The Investment Association to issuers entitled "*INVESTORS CALL ON COMPANIES TO TAKE URGENT ACTION AND TRANSITION THEIR LIBOR-LINKED BONDS*" dated 3 February 2021; and
- (h) the statement of the FCA entitled "*FCA announcement on future cessation and loss of representativeness of the LIBOR benchmarks*" dated 5 March 2021,

of which (a) to (f) and (h) of the above is available from the website of the FCA at www.fca.org.uk and (g) is available at <https://www.theia.org/media/press-releases/investors-call-companies-take-urgent-action-and-transition-their-libor-linked>.

Proposed Base Rate Modification

6. The Issuer intends to amend (by amending or amending and restating or supplementing or replacing such documents):

- (a) the Conditions;
- (b) the Trust Deed;
- (c) the Mortgage Sale Agreement;
- (d) the Agency Agreement;
- (e) the Administration Agreement;

- (f) the Substitute Administrator Agreement;
- (g) the Substitute Administrator Facilitator Agreement;
- (h) the Deed Poll;
- (i) the Issue Services Fee Letter; and
- (j) the PM25 Swap Confirmations,

(together, the "**Documents**") in order:

- (a) to remove references to "LIBOR";
- (b) to change the Reference Screen in relation to the Notes to refer to a "SONIA"-based rate;
- (c) to change the interest rate calculation provisions to refer to a "SONIA"-based rate;
- (d) in relation to the PM25 Swap Confirmations, to (i) change the "Floating Rate Option" from a "LIBOR"-based rate to a "SONIA"-based rate and (ii) reduce the Fixed Rate by 0.102%; and
- (e) to make such other amendments as are necessary or advisable in the reasonable judgment of the Issuer to facilitate such change,

such amendments, together with all amendments made to the Documents by the Supplemental Trust Deed and the Amendment Deed (each as defined below), the "**Proposed Base Rate Modification**".

In order to effect the Proposed Base Rate Modification, the Issuer intends to execute:

- (a) a supplemental trust deed amending the Trust Deed and the Conditions (the "**Supplemental Trust Deed**"); and
- (b) a deed of amendment amending the other Documents (the "**Amendment Deed**").

The draft Supplemental Trust Deed and Amendment Deed are available for viewing on the date of this Notice at the following link: https://investorreporting.paragonbankinggroup.co.uk/bondinvestor_viewer/bondinvestor/investorreporting/paragon_group/bondinvestor_pm25/PM25_Libor. Once executed, the Supplemental Trust Deed and the Amendment Deed will be available for viewing at the above link.

For the avoidance of doubt, no amendments are being made other than those that the Issuer, in its reasonable judgment, considers to be necessary or advisable to implement the Proposed Base Rate Modification.

7. Further to announcements by the European Money Markets Institute, as administrator of EONIA, that (i) the EONIA benchmark will be discontinued from 3 January 2022 and (ii) EONIA users should accelerate their transition to €STR, the Issuer intends to amend references to "EONIA" in the Approved Credit Support Document and replace them with an "€STR" based rate (the "**EONIA Amendments**"). As a result, the Issuer has additionally requested that the Trustee consent to the EONIA Amendments. Blackline documents illustrating the Proposed Base Rate Modification (save for the amendments to the PM25 Swap Confirmations) and EONIA Amendments will be available for viewing on the date of this Notice at the following link: https://investorreporting.paragonbankinggroup.co.uk/bondinvestor_viewer/bondinvestor/investorreporting/paragon_group/bondinvestor_pm25/PM25_Libor
8. In connection with the Proposed Base Rate Modification, an adjustment to the Rate of Interest payable by the Issuer on the Notes of 0.1193 per cent. per annum will be added to reflect the economic difference between LIBOR and SONIA and to achieve a comparable total interest rate payable on the Notes following the Proposed Base Rate Modification becoming effective (the "**Margin Adjustment**"). The Margin Adjustment will be added to the applicable Note Interest Rate Margin for each of the Notes for both the periods before and after the Step-Up Date as outlined in further detail in Appendix 1 (*Margin Adjustment*). The calculation of the Margin Adjustment accords with the methodology for margin adjustments contained in ISDA IBORs Fallback Supplement found at <http://assets.isda.org/media/3062e7b4/23aa1658-pdf/> and the IBOR Fallbacks Technical Notice - Spread Fixing Event for LIBOR published by Bloomberg at https://assets.bbhub.io/professional/sites/10/IBOR-Fallbacks-LIBOR-Cessation-Announcement_20210305.pdf.
9. The proposed amendments to the Documents include consequential modifications, including but not limited to the calculations and/or determinations in respect of the Mortgage Margin Reserve Fund and the Mortgage Rate which are necessary or advisable in order to facilitate the Proposed Base Rate Modification in a manner which would permit the operation of the Relevant Documents in accordance with their terms following the implementation of the Proposed Base Rate Modification. Further, each Borrower under a LIBOR-Linked Mortgage or a Non-Reversionary LIBOR-Linked Mortgage has been notified that the base rate in respect of each such Mortgage has been changed from LIBOR to term SONIA with effect from 1 July 2021.
10. The Proposed Base Rate Modification will become effective on the Implementation Date. The first Interest Payment Date on which the Rate of Interest will be determined by reference to Compounded Daily SONIA is the Interest Payment Date falling in May 2022. The detailed provisions relating to the calculation of Compounded Daily SONIA are set out in the Supplemental Trust Deed.
11. In addition, the PM25 Swap Confirmations will be amended or replaced pursuant to the terms of the Amendment Deed to calculate the amounts received by the Issuer on the basis of Compounded Daily SONIA. The proposed amendments to or replacement of the PM25 Swap Confirmations will take effect from the Fixed Rate Payer Payment Date falling on the Implementation Date.
12. The Rating Agencies have been informed of the Proposed Base Rate Modification and, as at the date of this Notice, neither of the Rating Agencies has indicated that such modification would result in (a) a downgrade, withdrawal or suspension of the then current ratings assigned to any Class of the Notes by such Rating Agency or (b) such Rating Agency placing any Notes on rating watch negative (or equivalent).

Conditions to Proposed Base Rate Modification

13. It is proposed by the Issuer that the Proposed Base Rate Modification be made to the Conditions and certain Relevant Documents as a result of:
 - (a) a public statement by the supervisor of the administrator of LIBOR, the FCA, that LIBOR has been or will be permanently or indefinitely discontinued with effect from a date no later than 6 months after the proposed effective date of the Proposed Base Rate Modification; and

- (b) a public statement by the supervisor of the administrator of LIBOR, the FCA, that means LIBOR will be prohibited from being used or that its use is subject to restrictions or adverse consequences with effect from a date no later than 6 months after the proposed effective date of the Proposed Base Rate Modification,

each as described in paragraph 5 above.

14. The Proposed Base Rate Modification, therefore, falls within limbs (4) and (5) of Condition 15(a)(iv).
15. The Alternative Base Rate is a function of the Sterling Over Night Index Average, which, therefore, satisfies Condition 15(a)(v)(2).
16. Pursuant to the Conditions, the Trustee is only obliged to concur with the Issuer if the Issuer has certified to the Trustee in writing that the Sellers or PML as Administrator have agreed to pay, or to put the Issuer in funds to pay, all fees, costs and expenses (including legal fees and costs associated with any amendments to hedging agreements) incurred by the Issuer and the Trustee or any other party to any Relevant Documents in connection with the Proposed Base Rate Modification. The Issuer will make such certification in writing under the Base Rate Modification Certificate (as defined below).
17. In this Notice:

"Eligible Class A Noteholders" means Noteholders of the Most Senior Class of Notes outstanding (being the Class A Notes) but excluding any Class A Noteholder which is Paragon (as defined below) or any of its Affiliates; and

"Eligible Principal Amount Outstanding" means the Principal Amount Outstanding less any principal owing to a Class A Noteholder which is not an Eligible Class A Noteholder.

Unless the Proposed Base Rate Modification is objected to by Eligible Class A Noteholders representing at least 10 per cent. of the aggregate Eligible Principal Amount Outstanding in accordance with this Notice, and provided that the other requirements of Condition 15 (*Base Rate Modification*) have otherwise been met, the Issuer (or PML as Administrator on its behalf) will certify to the Trustee in writing that the requirements of Condition 15 have been met (the **"Base Rate Modification Certificate"**). The Trustee will then enter into the Amendment Deed and the Supplemental Trust Deed to effect the Proposed Base Rate Modification (effective from the Implementation Date) in reliance solely on such Base Rate Modification Certificate.

18. Pursuant to Condition 15(a) (*Base Rate Modification*), the Trustee is required to concur with the Issuer in making the Proposed Base Rate Modification if:
- (a) the Issuer has certified in writing to the Trustee that, after providing at least 35 calendar days' notice to the Noteholders of each Class of the Proposed Base Rate Modification in accordance with Condition 12 (*Notices*) and Condition 15(c) (*Base Rate Modification*) and by publication on Bloomberg on the "Company News" screen relating to the Notes, Eligible Class A Noteholders representing at least 10 per cent. of the aggregate Eligible Principal Amount Outstanding of the Most Senior Class of Notes outstanding (being the Class A Notes) have not contacted the Issuer, Tabulation Agent or the Principal Paying Agent in writing (or otherwise in accordance with the then current practice of any applicable clearing system through which such Notes may be held) within such notification period notifying the Issuer that such Eligible Class A Noteholders do not consent to the Proposed Base Rate Modification within not less than 30 calendar days of the date of this Notice; and
- (b) all other conditions set out in Condition 15 (*Base Rate Modification*) have been satisfied,

and the Issuer will make such certifications under the Base Rate Modification Certificate.

19. If objections to the Proposed Base Rate Modification are received in accordance with the procedures set out in this Notice from Eligible Class A Noteholders representing at least 10 per cent. of the aggregate Eligible Principal Amount Outstanding of the Class A Notes then outstanding by the Deadline (as defined below), the Issuer will not be entitled to enter into the Proposed Base Rate Modification unless an Extraordinary Resolution of the Class A Noteholders is subsequently passed approving the Proposed Base Rate Modification.
20. Pursuant to Condition 15(e)(i) (*Base Rate Modification*), when implementing any Proposed Base Rate Modification pursuant to Condition 15 (*Base Rate Modification*), the Trustee shall not consider the interests of the Noteholders, any other Secured Creditor or any other person and shall act and rely solely and without further investigation, on any Base Rate Modification Certificate or evidence provided to it by the Issuer (or PML as Administrator on behalf of the Issuer) or the relevant Transaction Party, as the case may be, pursuant to Condition 15 (*Base Rate Modification*) and shall not be liable to the Noteholders, any other Secured Creditor or any other person for so acting or relying, irrespective of whether any such modification is or may be materially prejudicial to the interests of any such person.

Procedure for objecting to Proposed Base Rate Modification

21. Only Eligible Class A Noteholders may object to the Proposed Base Rate Modification. Eligible Class A Noteholders who wish to notify the Issuer (via the Tabulation Agent) that they object to the Proposed Base Rate Modification must do so by submitting an electronic voting instruction in accordance with the procedures set out by this Notice by 4:00 p.m. (London time) on 19 August 2021 (the **"Deadline"**). No physical or virtual meeting of the Eligible Class A Noteholders will be held.
22. NO ACTION IS REQUIRED TO BE TAKEN BY ANY ELIGIBLE CLASS A NOTEHOLDER WHO DOES NOT WISH TO OBJECT TO THE PROPOSED BASE RATE MODIFICATION.
23. Each Eligible Class A Noteholder that wishes to vote to object to the Proposed Base Rate Modification must ensure that:
- (a) it gives electronic voting instructions to the relevant clearing system (in accordance with that clearing system's procedures):
- (i) TO REJECT the Proposed Base Rate Modification; and
- (ii) specifying the full name of the direct participant submitting the voting instruction and the account number(s) for the party making the voting submission(s),
- such that the Tabulation Agent (as defined below) will receive the voting instructions of that Eligible Class A Noteholder on or before the Deadline; and
- (b) the relevant clearing system has received irrevocable instructions (with which they have complied) to block the Class A Notes held by such Noteholder in the securities account to which they are credited with effect from and including the day on which the electronic voting instruction is delivered to the relevant clearing system so that no transfers may be effected in relation to

the Class A Notes held by such Noteholder at any time after such date until the Deadline. Votes will only apply to the Eligible Principal Amount Outstanding of Class A Notes held by Eligible Class A Noteholders then outstanding blocked in the relevant clearing system.

24. Class A Notes should be blocked in accordance with the procedures of the relevant clearing system and the deadlines required by the relevant clearing system. **Eligible Class A Noteholders should note that clearing system deadlines for the submission of voting instructions may be different from the Deadline set out herein, and as such Eligible Class A Noteholders who wish to object should check the relevant clearing system's procedures and deadlines ahead of the Deadline.**
25. Any beneficial owner of Class A Notes who is not a direct participant in the clearing systems must contact its broker, dealer, bank, custodian, trust company or other nominee to arrange for the accountholder in Euroclear or Clearstream, Luxembourg, as the case may be, through which it holds Class A Notes to deliver an electronic voting instruction in accordance with the requirements of the relevant clearing system and procure that the Class A Notes are blocked in accordance with the normal procedures of the relevant clearing system and the deadlines imposed by such clearing system.
26. Each Eligible Class A Noteholder that wishes to object to the Proposed Base Rate Modification should ensure that the relevant blocking instructions to the relevant clearing system can be allocated to the relevant electronic voting instruction. For the avoidance of doubt, each electronic voting instruction must have an individual matching blocking instruction.
27. By providing electronic voting instructions as described above, each beneficial owner of the Class A Notes authorises the clearing systems at which its account is maintained to disclose to the Tabulation Agent, the Principal Paying Agent, the Trustee and the Issuer, confirmation that it is the beneficial owner of such Class A Notes and the Principal Amount Outstanding of such Class A Notes.
28. Following expiry of the Deadline, the Tabulation Agent will calculate the number of objection instructions received and notify the Issuer and the Trustee. If "Reject" votes are received in accordance with the procedures set out in this Notice from Eligible Class A Noteholders representing at least 10 per cent. of the aggregate Eligible Principal Amount Outstanding of the Class A Notes then outstanding by the Deadline, the Issuer will not be entitled to enter into the Proposed Base Rate Modification unless an Extraordinary Resolution of the Class A Notes then outstanding is subsequently passed approving the Proposed Base Rate Modification. If the 10 per cent. threshold is not reached, the Issuer, the Trustee and the other parties to the Amendment Deed and the Supplemental Trust Deed will (subject to the satisfaction of the other requirements of Condition 15 (*Base Rate Modification*)) enter into the Amendment Deed and the Supplemental Trust Deed which will each have effect (except to the extent set out in the Amendment Deed or the Supplemental Trust Deed, as applicable) on and from the Implementation Date and Noteholders will be bound by such Proposed Base Rate Modification. Votes delivered in favour of the Proposed Base Rate Modification will not be counted.
29. Additional notifications will be made to Noteholders in accordance with Condition 12 (*Notices*) as soon as reasonably practicable following:
 - (a) the Deadline, notifying Noteholders of the voting results;
 - (b) the entry into the Amendment Deed and the Supplemental Trust Deed on the Amendment Date.
30. Eligible Class A Noteholders with questions and requests for assistance in connection with (i) this Notice, are requested to contact the Issuer or Lloyds Bank Corporate Markets plc in its capacity as the solicitation agent (the "**Solicitation Agent**") or (ii) the delivery of instructions for the Class A Notes, are requested to contact Citibank, N.A. (the "**Tabulation Agent**") using the details set out below.

Contact Details:

Issuer:

PARAGON MORTGAGES (NO.25) PLC
51 Homer Road
Solihull
West Midlands B91 3QJ

Email: securitisations@paragonbank.co.uk

Attention: The Directors

With a copy to:

PARAGON BANK PLC ("**Paragon**")
51 Homer Road
Solihull
West Midlands, B91 3QJ

Email: securitisations@paragonbank.co.uk

Attention: The Directors

Solicitation Agent:

LLOYDS BANK CORPORATE MARKETS PLC
25 Gresham Street
London EC2V 7HN

Tel: + 44 (0) 20 7158 1719/2720

Email: liability.management@lloydsbanking.com

Attention: Liability Management Team

Tabulation Agent:

CITIBANK, N.A.
Citigroup Centre

Canada Square
London E14 5LB

Tel: +44 (0)20 7508 3867

Attention: Exchange Team

Email: citixchanges@citi.com

31. Further details regarding the timetable for implementing the Proposed Base Rate Modification are available at Annex 3 (*Proposed Timetable*).

Additional information and disclaimers

32. The delivery of this Notice shall not, under any circumstances, create any implication that the information contained in this Notice is correct as of any time subsequent to the date hereof or that there has been no change in the information set forth in this Notice or in the affairs of the Issuer or that the information in this Notice has remained accurate and complete. None of the Solicitation Agent, the Tabulation Agent, the Trustee or the Agents (or their respective affiliates, directors, employees, officers, consultants or agents) accepts any responsibility for the information contained in this Notice.
33. None of the Trustee, the Solicitation Agent, the Tabulation Agent or the Agents (or their respective affiliates, directors, employees, officers, consultants or agents) makes any representation that all relevant information has been disclosed to Noteholders in or pursuant to this Notice or otherwise. Noteholders should take their own independent legal, financial, tax or other advice on the merits and the consequences of voting to object to the Proposed Base Rate Modification, including any tax consequences, and on the impact of the implementation of the Proposed Base Rate Modification. None of the Trustee, the Solicitation Agent, the Tabulation Agent or the Agents (or their respective affiliates, directors, employees, officers, consultants or agents) is responsible for the accuracy, completeness, validity or correctness of the statements made in this Notice or omissions therefrom.
34. None of the Trustee, the Solicitation Agent, the Tabulation Agent or the Agents (or their respective affiliates, directors, employees, officers, consultants or agents) or any other party to the Amendment Deed or any other person, except the Issuer, has independently verified, or assumes any responsibility for, the accuracy, completeness, validity or correctness of the information and statements contained in this Notice.
35. No person has been authorised to make any recommendation on behalf of the Issuer, the Trustee, the Solicitation Agent, the Tabulation Agent or the Agents (or their respective affiliates, directors, employees, officers, consultants or agents) as to whether or how a Noteholder should object in connection with the Proposed Base Rate Modification. No person has been authorised to give any information, or to make any representation in connection therewith, other than those contained herein. If made or given, such recommendation or any such information or representation must not be relied upon as having been authorised by the Issuer, the Trustee, the Solicitation Agent, the Tabulation Agent or the Agents (or their respective affiliates, directors, employees, officers, consultants or agents).
36. This Notice is issued and directed only to the Noteholders and no other person shall, or is entitled to, rely or act on, or be able to rely or act on, its contents, and it should not be relied upon by any Noteholder for any purpose other than the Proposed Base Rate Modification. This Notice is not issued to nor directed at the Residual Certificateholders. The Residual Certificateholders are not entitled to act on this Notice and this Notice is given to them for their information purposes only.
37. The Solicitation Agent is entitled to have or hold positions in the Notes either for its own account or for the account, directly or indirectly, of third parties and may make or continue to make a market in, or subject to the provisions of the Trust Deed, vote in respect of, or act as principal in any transactions in, or relating to, or otherwise act in relation to, the Notes and may or may not, subject to the provisions of the Trust Deed, submit or deliver valid instructions in respect of the Notes. The Solicitation Agent is entitled to continue to hold or dispose of, in any manner it may elect, the Notes that it may hold as at the date of this Notice or, from such date, to acquire further Notes, subject to applicable law and may or may not, subject to the provisions of the Trust Deed, submit or deliver valid instructions in respect of such Notes. No such submission or nonsubmission by the Solicitation Agent, the Issuer, the Administrators or their affiliates should be taken by any Noteholder or any other person as any recommendation or otherwise by any of the Issuer, the Solicitation Agent, the Administrators or their affiliates, as the case may be, or any other person as to the merits of objecting or not objecting to the Proposed Base Rate Modification.
38. Each person receiving this Notice is deemed to acknowledge that such person has not relied on the Issuer, the Trustee, the Solicitation Agent, the Tabulation Agent, the Agents or any other party to the Relevant Documents in connection with its decision on how to vote in relation to the Proposed Base Rate Modification. Each such person must make its own analysis and investigation regarding the Proposed Base Rate Modification, the Supplemental Trust Deed and the Amendment Deed and make its own voting decision, with particular reference to its own investment objectives and experience, and any other factors which may be relevant to it in connection with such voting decision. If such person is in any doubt about any aspect of the Proposed Base Rate Modification, the Supplemental Trust Deed and the Amendment Deed and/or the action it should take, it should consult its professional advisers. Each such person should also carefully consider the risk factors set out in Appendix 2 (*Risk Factors*) to this Notice prior to making a voting decision.

This Notice is given by

PARAGON MORTGAGES (NO.25) LIMITED

as **Issuer**

Dated 19 July 2021

**APPENDIX 1
MARGIN ADJUSTMENT**

If the Proposed Base Rate Modification takes effect on the Implementation Date, the Issuer shall, beginning on the Interest Payment Date falling in May 2022, pay the following Rates of Interest on each class of Notes:

Note class	Original rating	Initial amount (£)	Note Interest Rate Margin (prior to the	Note Interest Rate Margin (on and after	Margin Adjustment (% p/a)	Margin (prior to the Step-	Margin (on and after the Step-Up
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	(Fitch / Moody's)		Step-Up Date) (% p/a)	the Step-Up Date) (% p/a)		Up Date) (% p/a)	Date) (% p/a)
A	AAA / aaa	600,000,000	0.650	0.975	0.1193	0.7693	1.0943
B	AA / Aa1	33,500,000	0.950	1.425	0.1193	1.0693	1.5443
C	A- / A1	30,000,000	1.300	1.950	0.1193	1.4193	2.0693
D	BBB- / Baa1	24,700,000	1.600	2.400	0.1193	1.7193	2.5193
Z	Not rated	17,648,000	2.600	2.600	0.1193	2.7193	2.7193
S	Not rated	10,923,000	4.000	4.000	0.1193	4.1193	4.1193
SVFN	Not rated	7,952,955	4.000	4.000	0.1193	4.1193	4.1193

APPENDIX 2 RISK FACTORS

Responsibility for complying with the procedures for submitting instructions in connection with the Proposed Base Rate Modification

Noteholders are solely responsible for complying with all of the procedures for submitting instructions. None of the Issuer, Paragon, the Solicitation Agent, the Agents, the Trustee or the Tabulation Agent assumes any responsibility for informing Noteholders of irregularities with respect to instructions.

Responsibility to Consult Advisers.

Noteholders should consult their own tax, accounting, financial and legal advisers regarding the consequences (tax, accounting or otherwise) of submitting instruction and regarding the impact on them of the implementation of the Proposed Base Rate Modification.

None of the Issuer, Paragon, the Solicitation Agent, the Agents, the Trustee or the Tabulation Agent, nor any director, officer, employee, agent or affiliate of any such person, is acting for any Noteholder, or will be responsible to any Noteholder for providing any protections which would be afforded to its clients or for providing advice in relation to submitting instructions or the Proposed Base Rate Modification, and accordingly none of the Issuer, Paragon, the Solicitation Agent, the Agents, the Trustee or the Tabulation Agent, nor any director, officer, employee, agent or affiliate of, any such person makes any recommendation whether Noteholders should submit instructions in respect of the Proposed Base Rate Modification.

The market continues to develop in relation to SONIA as a reference rate for floating rate notes.

Compounded daily SONIA differs from LIBOR in a number of material respects, including (without limitation) that compounded daily SONIA is a backwards-looking, compounded, risk-free overnight rate, whereas LIBOR is expressed on the basis of a forward-looking term and includes a risk-element based on inter-bank lending. As such, investors should be aware that LIBOR and SONIA may behave materially differently as interest reference rates for the Notes.

Investors should be aware that the market continues to develop in relation to SONIA as reference rate in the capital markets and its adoption as an alternative to Sterling LIBOR. The market or a significant part thereof may adopt an application of SONIA that differs significantly from that proposed under the Proposed Base Rate Modification. Equally it may be difficult for the Issuer, if required, to find any future replacement interest rate swap provider or for the Issuer, if required, to find any future replacement issuer swap provider to appropriately hedge either the exposure to variance in interest rate in the Mortgage Portfolio or interest rate exposure on any Notes (as applicable) determined by reference to compounded daily SONIA should a relevant swap provider need to be replaced and where available swap providers at such time are not prepared to hedge products determined by reference to a compounded daily SONIA. Interest on Notes which reference a SONIA rate is only capable of being determined at the end of the relevant observation period and immediately prior to the relevant Interest Payment Date. It may be difficult for investors in Notes which reference a SONIA rate to reliably estimate the amount of interest which will be payable on such Notes and some investors may be unwilling or unable to trade such Notes without making changes to their IT systems, both of which factors could adversely affect the liquidity of such Notes.

In addition, it should be noted that broadly divergent interest rate calculation methodologies may develop and apply as between the Loan, the Notes and/or any interest rate swap transactions conducted by the Issuer from time to time due to different market conventions, variations in applicable fall-back provisions or other matters and the effects of this are uncertain but could include a reduction in the amounts available to the Issuer to meet its payment obligations in respect of the notes. Furthermore, changes to SONIA may adversely affect the operation of the Initial Basis Hedge Agreement.

Changes or uncertainty in respect of SONIA may affect the value, liquidity and payment of interest under the Notes

Interest rates and other indices which are deemed to be "benchmarks", including SONIA, are the subject of recent national, international and other regulatory reforms and proposals for reform. Some of these reforms are already effective whilst others are still to be implemented. These reforms may cause such benchmarks to perform differently than in the past, to disappear entirely, or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on any Notes referencing such a benchmark, including possible adverse tax consequences for certain Noteholders.

Regulation (EU) No. 2016/1011 (as amended or superseded) (the "**EU Benchmarks Regulations**") applies from 1 January 2018 in general, subject to certain transitional provisions. Certain requirements of the EU Benchmarks Regulation apply with respect to the provision of a wide range of benchmarks (including SONIA), the contribution of input data to a benchmark and the use of a benchmark within the EU. In particular, the EU Benchmarks Regulation, among other things, (i) requires benchmark administrators to be authorised or registered (or, if non-EU based, to be subject to an equivalent regime or otherwise recognised or endorsed) and to comply with extensive requirements in relation to the administration of benchmarks and (ii) prevents certain uses by EU-supervised entities of benchmarks of administrators that are not authorised or registered (or, if non-EU-based, deemed equivalent or recognised or endorsed). The UK Benchmarks Regulation (as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018) (the "**UK Benchmark Regulation**") among other things, applies to the provision of benchmarks and the use of a benchmark in the U.K. Similarly, it prohibits the use in the U.K. by U.K. supervised entities of benchmarks of administrators that are not authorised by the FCA or registered on the FCA register (or, if non-U.K. based, not deemed equivalent or recognised or endorsed). The administrators of SONIA are not currently required to obtain authorisation/registration and SONIA does not fall within the scope of the EU Benchmarks Regulation or the UK Benchmarks Regulation by virtue of Article 2 of each of these regulations.

The EU Benchmarks Regulation and/or the UK Benchmarks Regulation, as applicable, could have a material impact on any Notes linked to or referencing a benchmark in particular, if the methodology or other terms of the benchmark are changed in order to comply with the requirements of the EU Benchmarks Regulation and/or the UK Benchmarks Regulation, as applicable. Such changes could, among other things, have the effect of reducing, increasing or otherwise affecting the volatility of the published rate or level of the relevant benchmark. More broadly, any of the international or national reforms, or the general increased regulatory scrutiny of benchmarks, could increase the costs and risks of administering or otherwise participating in the setting of a benchmark and complying with any such regulations or requirements.

These reforms and other pressures may cause SONIA to disappear entirely, to perform differently than in the past (as a result of a change in methodology or otherwise), create disincentives for market participants to continue to administer or participate in certain benchmarks or have other consequences which cannot be predicted. Such factors may have (without limitation) the following effects on certain benchmarks: (i) discouraging market participants from continuing to administer or contribute to a benchmark; (ii) triggering changes in the rules or methodologies used in the benchmark and/or (iii) leading to the disappearance of the benchmark. Any of the above changes or any other consequential changes as a result of international or national reforms or other initiatives or investigations could have a material adverse effect on the value of and return on the Notes.

More generally, any of the above matters or any other significant change to the setting or existence of SONIA could affect the ability of the Issuer to meet its obligations under the Notes and/or could have a material adverse effect on the value or liquidity of, and the amount payable under, the Notes. No assurance may be provided that relevant changes will not be made to SONIA or any other relevant benchmark rate and/or that such benchmarks will continue to exist.

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by the EU Benchmarks Regulation and/or the UK Benchmarks Regulation, as applicable, or any of the international or national reforms and the possible application of the benchmark replacement provisions of the Notes in making any investment decision with respect to the Notes.

No assurance that the Proposed Base Rate Modification will be implemented

Until the Amendment Deed is executed and the requirements of Condition 15 (*Base Rate Modification*) are met, no assurance can be given that the Proposed Base Rate Modification will be implemented in respect of the Notes.

All Noteholders are bound by the Proposed Base Rate Modification

Noteholders should note that if the Proposed Base Rate Modification takes effect it will be binding on all Noteholders, whether or not they chose to, or are able to, submit instructions.

ANNEX 3 PROPOSED TIMETABLE

Date	Step
9 July 2021	Draft Base Rate Modification Certificate delivered to the Trustee.
19 July 2021	This Notice given to Noteholders.
19 August 2021	At 4:00 p.m. London time, deadline for Eligible Class A Noteholders to object to the Proposed Base Rate Modification in accordance with this Notice.
20 August 2021	Results notice to be delivered to Noteholders advising on the outcome of the negative consent process pursuant to this Notice.
23 August 2021	Signed Base Rate Modification Certificate delivered to the Trustee. Amendment Deed and Supplemental Trust Deed signed by the parties thereto.
15 February 2022	The Proposed Base Rate Modification takes effect.
16 May 2022	The first Interest Payment Date on which the Rate of Interest will be determined by reference to SONIA rather than LIBOR.

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