

**EXECUTION VERSION**

**PARAGON MORTGAGES (NO.12) PLC  
AS ISSUER**

**AND**

**CITICORP TRUSTEE COMPANY LIMITED  
AS TRUSTEE**

---

**SUPPLEMENTAL TRUST DEED  
MODIFYING THE TRUST DEED DATED 20 JULY  
2006, AS AMENDED BY THE FIRST  
SUPPLEMENTAL TRUST DEED DATED 30  
JANUARY 2013 AND THE DEED OF AMENDMENT  
DEED DATED 15 MAY 2019,  
IN RESPECT OF THE  
CLASS A1 NOTES DUE 2038  
CLASS A2A NOTES DUE 2038  
CLASS A2B NOTES DUE 2038  
CLASS A2C NOTES DUE 2038  
CLASS B1A NOTES DUE 2038  
CLASS B1B NOTES DUE 2038  
CLASS C1A NOTES DUE 2038  
CLASS C1B NOTES DUE 2038**

---

**CONTENTS**

Clause	Page
1. Definitions and Interpretation .....	2
2. Amendments.....	2
3. Miscellaneous.....	34
4. Governing Law.....	35

**THIS DEED** is dated 14 February 2022 and made between:

**BETWEEN:**

- (1) **PARAGON MORTGAGES (NO.12) PLC** (registered number: 5386924) whose registered office is at 51 Homer Road, Solihull, West Midlands B91 3QJ, United Kingdom (the "**Issuer**"); and
- (2) **CITICORP TRUSTEE COMPANY LIMITED** (the "**Trustee**", which expression shall, wherever the context so admits, include such company and all other persons or companies for the time being the trustee or trustees of this Trust Deed) whose principal London office is at Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB.

**BACKGROUND:**

- (A) This Supplemental Trust Deed is supplemental to the Trust Deed dated 20 July 2006 made between the Issuer and the Trustee, as amended by the first supplemental trust deed dated 30 January 2013 made between the Issuer and the Trustee and the deed of amendment dated 15 May 2019 made between, *inter alios*, the Issuer and the Trustee, and constituting the \$1,500,000,000 Class A1 Notes due 2038 (the "**Class A1 Notes**"), £145,000,000 Class A2a Notes due 2038, €245,000,000 Class A2b Notes due 2038, \$311,000,000 Class A2c Notes due 2038, £25,000,000 Class B1a Notes due 2038, €126,000,000 Class B1b Notes due 2038, £17,000,000 Class C1a Notes due 2038, €106,000,000 Class C1b Notes due 2038 (the "**Original Trust Deed**");
- (B) On 7 January 2022, the Issuer gave notice to the Noteholders that meetings in respect of each class of the Notes had been convened, pursuant to Schedule 3 (*Provisions for Meetings of Noteholders*) of the Trust Deed for the purpose of considering and, if thought fit, approving a resolution which was, in respect of each class of such Notes, proposed as an Extraordinary Resolution in accordance with the provisions of the Original Trust Deed (each an "**Extraordinary Resolution**" and together the "**Extraordinary Resolutions**").
- (C) On 31 January 2022, the meetings referred to in recital (B) above were held and the Extraordinary Resolutions were passed in accordance with the provisions of the Original Trust Deed and the conditions to implementation were satisfied for each class of the Notes except the Class A1 Notes. On 31 January 2022, the meeting for the Class A1 Notes referred to in recital (B) above was held and adjourned due to lack of quorum and notice of the adjourned meeting was given to the holders of the Class A1 Notes. On 14 February 2022, the adjourned meeting in respect of the Class A1 Notes was held and the Extraordinary Resolution was passed in accordance with the provisions of the Original Trust Deed and the conditions to implementation were satisfied.
- (D) The Issuer and the Trustee (the Trustee acting on the direction of the Noteholders pursuant to the relevant Extraordinary Resolutions) are entering into this Supplemental Trust Deed to give effect to the modifications to the Original Trust Deed hereinafter contained and thereby give effect to the matters referred to in the Extraordinary Resolution. The modifications to the Original Trust Deed contained herein will be effective on the Effective Date (as defined below).

**NOW THIS SUPPLEMENTAL TRUST DEED WITNESSES AND IT IS HEREBY AGREED AND DECLARED** as follows:

1. **DEFINITIONS AND INTERPRETATION**

Unless otherwise defined herein, all words and expressions defined in the Original Trust Deed shall, where the context so requires and admits, have the same meanings in this Supplemental Trust Deed.

"**Effective Date**" means the Interest Payment Date falling in February 2022.

2. **AMENDMENTS**

2.1 With effect from the Effective Date, the Original Trust Deed shall be modified by making the following amendments to the Conditions as set out in Schedule 4 (*Terms and Conditions of the Notes*) of the Original Trust Deed:

(a) a new paragraph shall be inserted at the end of Condition 2 (*Status and Relationship between the Classes of Notes*) as follows:

In these Conditions, "**Most Senior Class**" means the Class A Notes or, if there are no Class A Notes then outstanding, the Class B Notes then outstanding or, if there are no Class A Notes or Class B Notes then outstanding, the Class C Notes then outstanding.

(b) Condition 4(c) (*Rate of Interest*) shall be deleted in its entirety and replaced with the below:

(c) *Rate of Interest*

The rate of interest applicable from time to time to each class of Notes (the "**Rate of Interest**") will be determined by Citibank, N.A., London Branch acting as reference agent (the "**Reference Agent**", which expression shall include its successors as Reference Agent under the Agency Agreement) on the basis of the following provisions:

(i) In these Conditions:

"**Banking Day**" means, any day on which commercial banks are open for business (including dealings in foreign exchange and foreign currency deposits) in London;

"**Compounded Daily SONIA**" means the rate of return of a daily compound interest investment (with the daily sterling overnight reference rate as reference rate for the calculation of interest) and will be calculated by the Reference Agent (or such other party responsible for the calculation of the Rate of Interest) as at the Interest Determination Date, as follows, and the resulting percentage will be rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards:

$$\left[ \prod_{i=1}^{d_0} \left( 1 + \frac{SONIA_{i-5LBD} \times n_i}{365} \right) - 1 \right] \times \frac{365}{d}$$

where:

"d" is the number of calendar days in the relevant Interest Period;

"d<sub>0</sub>" is the number of Banking Days in the relevant Interest Period;

"i" is a series of whole numbers from one to d<sub>0</sub>, each representing the relevant Banking Day in chronological order from, and including, the first Banking Day in the relevant Interest Period;

"Eurozone" means the region comprised of the member states of the European Union that adopt the single currency in accordance with the Treaty of Rome of 25 March 1957, establishing the European Community, as amended from time to time;

"Interest Commencement Date" means the Interest Payment Date falling in February 2022 in respect of the GBP Notes and the Class A1 Notes;

"Interest Determination Date" means in relation to an Interest Period for which the applicable Rate of Interest shall apply (a) in respect of GBP Notes and the Class A1 Notes, the fifth Banking Day before the Interest Payment Date for which the Rate of Interest to be determined on such date will apply; (b) in respect of USD Notes, two London Business Days before the first day of the Interest Period; and (c) in respect of EUR Notes, two TARGET Business Days before the first day of the Interest Period

"Margin Adjustment" means 0.1193 per cent.;

"n<sub>i</sub>", for any day "i", means the number of calendar days from and including such day "i" up to but excluding the following Banking Day;

"Notes Interest Rate Margin" means in relation to:

- (A) each Class A1 Note, 0.24 per cent. plus the Margin Adjustment per annum;
- (B) each Class A2a Note, 0.12 per cent. per annum up to and including the Interest Period relating to that Note ending in August 2011 and thereafter 0.24 per cent. plus the Margin Adjustment per annum;

- (C) each Class A2b Note, 0.12 per cent. per annum up to and including the Interest Period relating to that Note ending in August 2011 and thereafter 0.24 per cent. per annum;
- (D) each Class A2c Note, 0.11 per cent. per annum up to and including the Interest Period relating to that Note ending in August 2011 and thereafter 0.22 per cent. per annum;
- (E) each Class B1a Note 0.24 per cent. per annum up to and including the Interest Period relating to that Note ending in August 2011 and thereafter 0.48 per cent. plus the Margin Adjustment per annum;
- (F) each Class B1b Note 0.24 per cent. per annum up to and including the Interest Period relating to that Note ending in August 2011 and thereafter 0.48 per cent. per annum;
- (G) each Class C1a Note, 0.46 per cent. per annum up to and including the Interest Period relating to that Note ending in August 2011 and thereafter 0.92 per cent. plus the Margin Adjustment per annum; and
- (H) each Class C1b Note, 0.46 per cent. per annum up to and including the Interest Period relating to that Note ending in August 2011 and thereafter 0.92 per cent. per annum.

**"Observation Period"** means the period from and including the date falling five Banking Days prior to the first day of the relevant Interest Period (and the first Interest Period shall begin on and include the Interest Commencement Date) and ending on, but excluding, the date falling five Banking Days prior to the Interest Payment Date for such Interest Period (or, if applicable, the date falling five Banking Days prior to any other date on which a payment of interest is to be made in respect of the GBP Notes or the Class A1 Notes);

**"Reference Banks"** means Barclays Bank PLC, Lloyds TSB Bank plc, HSBC Bank plc and The Royal Bank of Scotland plc or any duly appointed substitute reference bank(s) as may be appointed by the Issuer and approved by the Trustee;

**"Reference Rate"** means:

- (A) in respect of Interest Periods for each Note (other than the GBP Notes and the Class A1 Notes), the arithmetic mean of the Reference Quotations for three month Quotation Deposits in each case rounded upwards, if necessary, to five decimal places;
- (B) in respect of Interest Periods for each GBP Note and Class A1 Note means, in respect of any Banking Day, a reference rate equal to the daily Sterling Overnight Index

Average ("SONIA") rate for such Banking Day as provided by the administrator of SONIA to authorised distributors and as then published on the Reference Screen or, if the Reference Screen is unavailable, as otherwise published by such authorised distributors (on the Banking Day immediately following such Banking Day). If, in respect of any Banking Day in the relevant Observation Period, the Reference Agent (or such other party responsible for the calculation of the Rate of Interest) determines that the Reference Rate is not available on the Reference Screen or has not otherwise been published by the relevant authorised distributors, such Reference Rate shall be the Bank of England's Bank Rate (the "Bank Rate") prevailing at close of business on the relevant Banking Day, plus the mean of the spread of the Reference Rate to the Bank Rate over the previous five days on which a Reference Rate has been published, excluding the highest spread (or, if there is more than one highest spread, one only of those highest spreads) and lowest spread (or, if there is more than one lowest spread, one only of those lowest spreads) to the Bank Rate;

**"Reference Quotations"** means:

- (A) where the Reference Screen is being used, quotations to leading banks for the relevant Quotation Deposits for same day value in the Quotation Market at or about the Quotation Time as displayed on the Reference Screen; and
- (B) where Reference Banks are being used, the offered quotations made by the relevant Reference Bank to leading banks for the relevant Quotation Deposits for same day value in the Quotation Market at or about the Quotation Time. details of which are provided by that Reference Bank to the Reference Agent;

**"Reference Screen"** means (a) in respect of EUR Notes, page number 248; (b) in respect of USD Notes (other than the Class A1 Notes), page number 3750, in each case displayed on the Dow-Jones/ Telerate Monitor (or such replacement page on that service which displays the relevant information) or, if that service ceases to display the information, such other screen service as may be determined by the Issuer (with the approval of the Trustee, in its sole discretion) and (c) in respect of GBP Notes and Class A1 Notes the Reuters Screen SONIA Page (or such replacement page on that service which displays the relevant information) or, if that service ceases to display the information, such other screen service as may be determined by the Issuer (with the approval of the Trustee, in its sole discretion);

"Reset Margin" means the percentage margin at which the Remarketing Agent is able to on sell all of the Class A1 Notes in the market as on the relevant A1 Note Mandatory Transfer Date;

"Quotation Deposits" means (a) in respect of GBP Notes and the Class A1 Notes from and including any A1 Note Mandatory Transfer Date on which they are purchased by the A1 Note Conditional Purchaser, deposits of £10,000,000; (b) in respect of USD Notes, deposits of \$10,000,000; and (c) in respect of EUR Notes, deposits of €10,000,000;

"Quotation Market" means (a) in respect of EUR Notes, the Eurozone inter-bank market, and (b) in respect of other Notes, the London inter-bank market;

"Quotation Time" means (a) in respect of EUR Notes, 11.00 a.m. Brussels time on the relevant Interest Determination Date relating to those EUR Notes, and (b) in respect of other Notes, 11.00 a.m. London time on the relevant Interest Determination Date relating to those other Notes; and

"SONIA<sub>i</sub>-5LBD" means, in respect of any Banking Day falling in the relevant Interest Period, the Reference Rate for the Banking Day falling five Banking Days prior to the relevant Banking Day "i".

(ii) In relation to each class of Notes (other than the GBP Notes and the Class A1 Notes), at or about the Quotation Time on each Interest Determination Date in relation to such class:

(A) the Reference Agent shall determine the Reference Rate on the basis of Reference Quotations using the Reference Screen in respect of such class; or

(B) if the Reference Agent is unable to determine a Reference Rate under paragraph (A) above, the Reference Agent shall determine that Reference Rate using the Reference Banks if, upon the Reference Agent requesting the relevant Reference Quotations from the principal London office of each of the Reference Banks, at least two of such Reference Banks provide the relevant details of those Reference Quotations to the Reference Agent; or

(C) if only one Reference Bank provides the Reference Agent with the relevant Reference Quotations under paragraph (B) above, the Reference Agent shall determine the relevant Reference Rate using the Reference Quotations of that Reference Bank and Reference Quotations of an additional bank which the Trustee indicates to the Reference Agent is, in the opinion of the Trustee, suitable to be and shall be treated as an additional Reference Bank for such purpose on that Interest Determination Date; or



- (D) if no Reference Bank provides the Reference Agent with the relevant Reference Quotations under paragraph (B) above, the Reference Agent shall determine the relevant Reference Rate using the Reference Quotations of two other banks which the Trustee indicates to the Reference Agent are, in the opinion of the Trustee, suitable to be and shall be treated as Reference Banks for such purpose on that Interest Determination Date; or
  - (E) if the Trustee does not provide the indication contemplated under paragraph (C) above or does not provide either or both of the indications contemplated under paragraph (D) above (as applicable), or the relevant additional bank under paragraph (C) above or either or both of the other banks under paragraph (D) above (as applicable) does not or do not provide the relevant Reference Quotations, then the Reference Agent shall determine the relevant Reference Rate to be the most recent Reference Rate for that class which was determined under either paragraph (A) or (B) above.
- (iii) The Rate of Interest for each class of Notes (other than the GBP Notes and the Class A1 Notes) for each Interest Period relating to such class shall be the aggregate of:
- (A) the Note Interest Rate Margin in respect of that class; and
  - (B) the Reference Rate for that class as determined under paragraph (ii)(A) above on the Interest Determination Date relating to that Interest Period.
- (iv) In respect of the GBP Notes and the Class A1 Notes the following provisions shall apply from the Interest Commencement Date:
- (A) On each Interest Determination Date the Reference Agent will determine Compounded Daily SONIA at the Quotation Time on such Interest Determination Date.
  - (B) The Rate of Interest for the Interest Period in respect of each class of the Notes shall be Compounded Daily SONIA plus the Notes Interest Rate Margin.
  - (C) In the event that the Rate of Interest cannot be determined in accordance with the provisions of the Conditions by the Reference Agent (or such other party responsible for the calculation of the Rate of Interest), the Rate of Interest shall be:
    - (1) that determined as at the last preceding Interest Determination Date where the Rate of Interest was determined using Compounded Daily SONIA; or

(2) if there is no such preceding Interest Determination Date, the Rate of Interest which would have been applicable to such Notes for a period equal in duration to the first Interest Period in relation to which the Rate of Interest is to be determined using Compounded Daily SONIA but ending on (and excluding) the Interest Payment Date falling in February 2022 (but applying the relevant Notes Interest Rate Margin applicable to the first Interest Period in relation to which the Rate of Interest is to be determined using Compounded Daily SONIA).

(v) There shall be no maximum or minimum Rate of Interest.

(c) sub-paragraph (B) of Condition 4(d)(ii) (*Determination of Rate of Interest and Calculation of Interest Payments and Other Interest Amounts*) shall be amended as follows:

(B) then, separately for each class of Notes to which that Interest Determination Date relates, calculate an amount in respect of that class in accordance with Condition 4(d)(i) using that Rate of Interest as the Calculation Interest Rate, using the actual number of days in that Interest Period as the Calculation Period and:

(1) in the case of the first Interest Determination Date for that class (other than the GBP Notes and the Class A1 Notes), using the aggregate Initial Principal Amount (as defined in Condition 5(b)) of that class of Notes as the Calculation Amount, and

(2) in the case of each other relevant Interest Determination Date for that class, using as the Calculation Amount the aggregate Principal Liability Outstanding which will remain in respect of that class of Notes after the application of any Available Redemption Funds on the first day of the Interest Period to which that Interest Determination Date relates: and

(d) the first paragraph of Condition 4(d)(iii) (*Determination of Rate of Interest and Calculation of Interest Payments and Other Interest Amounts*) shall be amended as follows:

On (or as soon as practicable after) the last Business Day of the month preceding the month in which an Interest Payment Date ~~or, in the case of the Class A1 Notes, an A1 falls~~ and, no later than one Business Day from the Interest Determination Date in respect of the GBP Notes and the Class A1 Notes corresponding to such Interest Payment Date falls, the Issuer shall determine (or cause the Administrator to determine) in respect of each Note to which that Interest Payment Date ~~or A1 Interest Payment Date, as applicable,~~ relates:

- (e) the first two paragraphs of Condition 4(e) (*Publication of Rate of Interest and Interest Payments*) shall be amended as follows:

The Reference Agent will cause the Rate of Interest and the Interest Payment applicable to each class of Notes for each Interest Period and the relevant Interest Payment Date or A1 Interest Payment Date, as applicable, to be notified to the Issuer, the Trustee, the Paying Agents, the Administrator and, for so long as any Notes are listed by the U.K. Listing Authority and admitted to trading on the Gilt Edged and Fixed Interest Market of the London Stock Exchange plc (the "**London Stock Exchange**"), the London Stock Exchange, and will cause the same to be published in accordance with Condition 12 on or as soon as possible after the ~~date of commencement of the~~ relevant Interest ~~Period~~ Determination Date.

The Issuer will cause the Deferred Interest (if any), the Additional Interest (if any) and the Default Interest (if any) applicable to the Class C Notes for each Interest Period to be notified to the Trustee, the Paying Agents and (for so long as the Class C Notes are listed by the U.K. Listing Authority and admitted to trading on the London Stock Exchange) the London Stock Exchange, and will cause the same to be published in accordance with Condition 12 ~~no later than the eighth Business Day prior to~~ as soon as possible after the relevant Interest Payment Determination Date in respect of the GBP Notes and the Class A1 Notes.

- (f) Condition 4(g) (*Reference Banks and Reference Agent*) shall be amended as follows:

The Issuer will procure that, so long as any of the Class A Notes (other than the Class A1 Notes) remains outstanding, there will at all times be four Reference Banks and a Reference Agent. The Issuer reserves the right at any time to terminate the appointment of the Reference Agent or of any Reference Bank. Notice of any such termination will be given to Noteholders. If any person shall be unable or unwilling to continue to act as a Reference Bank or the Reference Agent (as the case may be), or if the appointment of any Reference Bank or the Reference Agent shall be terminated, the Issuer will, with the approval of the Trustee, appoint a successor Reference Bank or Reference Agent (as the case may be) to act as such in its place, provided that neither the resignation nor removal of the Reference Agent shall take effect until a successor Reference Agent approved by the Trustee has been appointed.

- (g) Condition 5(a) (*Redemption and Purchase*) shall be amended as follows:

- (a) *Mandatory Redemption in Part from Available Redemption Funds: Apportionment of Available Redemption Funds Between the Class A Notes, the Class B Notes and the Class C Notes*

The Notes shall be subject to mandatory redemption in part on any Interest Payment Date in accordance with this Condition 5(a) if on the Principal Determination Date (as defined below) relating thereto there are any Available Redemption Funds (as defined below).

Prior to the service of an Enforcement Notice, the Issuer shall determine (or cause the Administrator to determine, no later than one Business Day from the relevant Interest Determination Date in respect of the Class A1 Notes and the GBP Notes) the principal amount so redeemable in relation to each class of Notes and each Note within each class as follows:

- (i) *first*:
  - (A) the amount of the Class A Available Redemption Funds (as defined below) on the Principal Determination Date relating to that Interest Payment Date (determined no later than one Business Day from the relevant Interest Determination Date in respect of the Class A1 Notes and the GBP Notes) shall be allocated: if any Class A Note is outstanding on that Principal Determination Date, to each class of Class A Notes *pro rata* to the aggregate GBP Equivalent Principal Liability Outstanding of each such class as at that Principal Determination Date **provided that** the amount so allocated to any such class shall not exceed the aggregate GBP Equivalent Principal Liability Outstanding of that class, and then
  - (B) the amount of the Subordinated Available Redemption Funds (as defined below) on that Principal Determination Date (determined no later than one Business Day from the relevant Interest Determination Date in respect of the Class A1 Notes and the GBP Notes) to be applied to redeem the Class B Notes on the following Interest Payment Date (after applying amounts due under Clause 6.1.2(e) of the Deed of Charge, to the extent not satisfied out of amounts standing to the credit of the Revenue Ledger), shall be allocated to each class of Class B Notes *pro rata* to the aggregate GBP Equivalent Principal Liability Outstanding of each such class as at that Principal Determination Date **provided that** the amount so allocated to any such class shall not exceed the aggregate GBP Equivalent Principal Liability Outstanding of that class. and then
  - (C) the amount of the Subordinated Available Redemption Funds (as defined below) on that Principal Determination Date to be applied to redeem the Class C Notes on the following Interest Payment Date (after applying amounts due under Clause 6.1.2(g) of the Deed of Charge, to the extent not satisfied out of amounts standing to the credit of the Revenue Ledger), shall be allocated to each class of Class C Notes *pro rata* to the aggregate GBP Equivalent Principal Liability Outstanding of each such class as at that Principal Determination Date **provided that** the amount so allocated to any such class shall not exceed the

aggregate GBP Equivalent Principal Liability Outstanding of that class;

- (ii) then for each class which does not comprise GBP Notes, the equivalent amount in the relevant Note Currency of the amount allocated, if any, to that class under paragraph (i) above shall be determined using the exchange rate specified in the relevant Currency Swap Agreement relating to that class or, if that Currency Swap Agreement has terminated early or is expected to terminate early on or before the next Interest Payment Date, the applicable spot rate of exchange expected to be used at that Interest Payment Date as determined by the Administrator (prior to the Security (as defined below) becoming enforceable) or the Trustee (from or after the Security becoming enforceable); and
- (iii) then in respect of each class of Notes:
  - (A) the amount, if any, so allocated to that class under paragraph (i) above (where that class comprises GBP Notes), or
  - (B) the equivalent amount in respect of that class determined under paragraph (ii) above (where that class does not comprise GBP Notes),

shall be allocated to each Note in that class *pro rata* to the GBP Equivalent Principal Liability Outstanding of each such Note in that class, **provided always that** the amount so allocated shall not exceed the Principal Liability Outstanding of the relevant Note.

The amount allocated to a Note under paragraph (iii) above (and rounded down to the nearest Note Currency Unit) shall be the "**Principal Payment**" in respect of that Note on the Principal Determination Date relating to that Interest Payment Date.

On each Interest Payment Date an amount equal to the Available Redemption Funds (as determined on the preceding Principal Determination Date and no later than one Business Day from the relevant Interest Determination Date in respect of the Class A1 Notes and the GBP Notes) allocated to Notes as described above shall be paid from the Transaction Account (and debited to the Principal Ledger) and applied as follows:

- (i) in respect of the GBP Notes (and the Class A1 Notes in the case that the Class A1 Notes have been purchased by the A1 Note Conditional Purchaser), in redemption of each of those Notes in an amount equal to the Principal Payment allocated on that Principal Determination Date to each of those Notes; and

- (ii) in respect of each of the other Notes:
  - (A) if the Currency Swap Agreement relating to any class of those other Notes has not terminated early on or before that Interest Payment Date, in payment to the relevant Currency Swap Provider of an amount equal to the GBP Equivalent of the aggregate of the Principal Payments allocated on that Principal Determination Date to such other Notes; and
  - (B) if the Currency Swap Agreement relating to any class of those other Notes has terminated early on or before that Interest Payment Date, in payment of an amount equal to the GBP Equivalent of the aggregate of the Principal Payments allocated on that Principal Determination Date to those other Notes in exchange for receipt of an amount in the relevant Note Currency of such other Notes at the applicable spot rate;
  - (C) and the amount received in exchange for such payments (as applicable) shall be applied in redemption of each of those other Notes in an amount equal to the Principal Payment allocated on that Principal Determination Date to each of such Notes.

**"Principal Determination Date"** in relation to an Interest Payment Date, means the last Business Day of the month preceding that in which such Interest Payment Date falls.

**"Available Redemption Funds"** on any Principal Determination Date (and determined no later than one Business Day from the relevant Interest Determination Date in respect of the GBP Notes and the Class A1 Notes) means:

- (i) the aggregate of:
  - (A) the sum of all principal received or recovered in respect of the Mortgages or deemed to have been received (including, without limitation, (aa) repayments of principal by borrowers and purchase moneys paid to the Issuer (other than in respect of accrued interest) on the repurchase or purchase of any Mortgages pursuant to the terms of the Relevant Documents and all Purchased Pre-Closing Arrears and Accruals relating thereto received by or on behalf of the Issuer but excluding any such amount which under the Mortgage Sale Agreement is held on trust for, or is to be accounted to, a person other than the Issuer; and (bb) amounts credited to the Principal Deficiency Ledger (thereby reducing the balance thereof) (but excluding amounts so credited as the result of the occurrence of Flexible Drawing Capitalised Advances) during the period from (but excluding) the preceding Principal

Determination Date (or, if applicable, in the case of the first calculation of Available Redemption Funds, the period from (and including) the Closing Date) to (and including) the Principal Determination Date on which such calculation occurs (the "**Collection Period**"));

- (B) in the case of the first Principal Determination Date, the amount (if any) by which the sum of (aa) the aggregate GBP Equivalent Initial Principal Amount of the Class A Notes, the Class B Notes and the Class C Notes and (bb) the amount drawn down on the Closing Date by the Issuer under the Subordinated Loan Agreement exceeds the aggregate of (x) the amounts paid by the Issuer to the Sellers by way of purchase price for the Mortgages purchased by the Issuer on the Closing Date in accordance with the Mortgage Sale Agreement, (y) the amount applied to establish the First Loss Fund on the Closing Date and (z) amounts debited from the Pre-Funding Reserve up to and including the first Principal Determination Date;
- (C) the amount of any Available Redemption Funds on the immediately preceding Principal Determination Date not applied in redemption of Notes on the Interest Payment Date relative thereto; and
- (D) any part of the amount deducted pursuant to paragraphs (ii)(A), (B) and (C) below in determining Available Redemption Funds on the immediately preceding Principal Determination Date which was not applied in making the relevant payments in respect of which such amount was so deducted;

less

- (ii) the aggregate of:
  - (A) the amount estimated by the Issuer to be the likely shortfall, on the Interest Payment Date which will occur before the next Principal Determination Date, of funds available to pay interest due or overdue on the Class A Notes and any other amounts ranking *pari passu* with or in priority to such interest and to meet certain expenses of the Issuer payable on each such Interest Payment Date;
  - (B) the amount estimated by the Issuer to be, on the immediately succeeding Interest Payment Date, the extent to which the First Loss Fund will be less than the Liquidity Amount following the application of the priority of payments set out in clause 6.1.2 of the Deed of Charge (such principal amounts being used to increase the First Loss Fund up to the Liquidity Amount and a corresponding debit being made to the Principal Deficiency Ledger);

- (C) the aggregate principal amount of Discretionary Further Advances made by the Issuer during the relevant Collection Period (or expected to be made on or prior to the Interest Payment Date immediately succeeding the relevant Collection Period) other than such as have been or will be funded by drawings under the Subordinated Loan Agreement;
- (D) the aggregate principal amount of Mandatory Further Advances made by the Issuer during the relevant Collection Period (or expected to be made on or prior to the Interest Payment Date immediately succeeding the relevant Collection Period) to the extent that such principal amount has been funded using amounts falling within (i)(A) above;
- (E) the aggregate amount of principal applied during the relevant Collection Period in refunding reclaimed direct debit payments in respect of the Mortgages; and
- (F) the aggregate amount (the "**Flexible Drawing Facility Principal Debt**") of principal which has or will become due and repayable on or before the next Interest Payment Date in respect of Flexible Drawing Facility Advances (if any),

in each such case (save for (C), (D) and (E)) only to the extent that such moneys have not been taken into account in the calculation of Available Redemption Funds on the preceding Principal Determination Date. Amounts (A) to (F) shall be paid in priority according to the order listed, except to the extent that any of items (C), (D) or (E) is identified as being due and payable prior to the determination of amounts due in priority thereto in which case amounts shall be allocated for payment of such item upon such identification.

The Available Redemption Funds ~~on~~for a Principal Determination Date shall be apportioned between the Class A Notes, the Class B Notes and the Class C Notes to determine the Class A Available Redemption Funds and the Subordinated Available Redemption Funds ~~as at~~for such Principal Determination Date and determined no later than one Business Day from the relevant Interest Determination Date in respect of the GBP Notes and the Class A1 Notes.

The "**Class A Available Redemption Funds**" shall equal:

- (i) on any Principal Determination Date (and determined no later than one Business Day from the relevant Interest Determination Date in respect of the GBP Notes and the Class A1 Notes) falling up to and including the occurrence of the "**Determination Event**" being the first Interest Payment Date on which the ratio of (I) the



aggregate GBP Equivalent Principal Amount Outstanding of the Class B Notes and the Class C Notes to (II) the sum of the aggregate GBP Equivalent Principal Amount Outstanding of the Class A Notes, the Class B Notes and the Class C Notes is 0.269: 1 or more (in each case after the application of Available Redemption Funds on that Interest Payment Date)), all of the Available Redemption Funds determined as at such Principal Determination up to the aggregate GBP Equivalent Principal Amount Outstanding of the Class A Notes; and

- (ii) on any other Principal Determination Date (and determined no later than one Business Day from the relevant Interest Determination Date in respect of the GBP Notes and the Class A1 Notes), the Available Redemption Funds determined as at such date, less the Subordinated Available Redemption Funds determined as at such date.

The "**Subordinated Available Redemption Funds**" shall equal:

- (i)
  - (A) where the Principal Determination Date on which the Subordinated Available Redemption Funds are to be determined falls up to and including the occurrence of the Determination Event; or
  - (B) where the Principal Determination Date on which the Subordinated Available Redemption Funds are to be determined falls after the occurrence of the Determination Event and Class A Notes remain outstanding and will not be redeemed in full on the next Interest Payment Date and either of the following tests is not satisfied:
    - (I) on the Interest Payment Date immediately following the Principal Determination Date on which the Subordinated Available Redemption Funds are to be determined, after the application of the moneys in the Transaction Account in accordance with the provisions of the Deed of Charge and the Administration Agreement on that Interest Payment Date and any drawing made under the Subordinated Loan Agreement on that Interest Payment Date, there is any credit balance of zero or greater on the Principal Deficiency Ledger; or
    - (II) on the Principal Determination Date on which the Subordinated Available Redemption Funds are to be determined the then Current Balances (as defined in the Trust Deed) of Mortgages which are more than three months in arrears (as

defined in the Trust Deed) represent less than 7.5 per cent. of the then Current Balances of all of the Mortgages (paragraphs (I) and (II) together being the "**Redemption Tests**"),

nil;

- (ii) on each Principal Determination Date which falls after the occurrence of the Determination Event and on which Class A Notes remain outstanding and will not be redeemed in full on the next following Interest Payment Date, **provided that** both the Redemption Tests are satisfied that amount of the Available Redemption Funds (*pro rata*) to the amount of the Class B Notes and the Class C Notes determined as at such date which, if applied to the redemption of the Class B Notes and the Class C Notes, would cause the ratio of (I) the aggregate GBP Equivalent Principal Liability Outstanding of the Class B Notes and the aggregate GBP Equivalent Principal Liability Outstanding of the Class C Notes to (II) the sum of the aggregate GBP Equivalent Principal Liability Outstanding of the Class A Notes and the aggregate GBP Equivalent Principal Liability Outstanding of the Class B Notes and the aggregate GBP Equivalent Principal Liability Outstanding of the Class C Notes after such application to become as nearly as possible equal to 0.269:1 **provided that** the aggregate GBP Equivalent Principal Liability Outstanding of the Class B Notes and the Class C Notes after such application shall not, so long as any of the Class A Notes remains outstanding, be reduced below 4.76 per cent. of the GBP Equivalent Initial Principal Amount; and
- (iii) on any Principal Determination Date which is immediately prior to an Interest Payment Date on which no Class A Note remains outstanding, the total amount of the Available Redemption Funds and on the Principal Determination Date immediately prior to the Interest Payment Date on which the Class A Notes are to be redeemed in full, the amount of Available Redemption Funds in excess of the aggregate GBP Equivalent Principal Liability Outstanding of the Class A Notes on such Principal Determination Date.

On any Principal Determination Date falling after the Determination Event, if both the Redemption Tests are satisfied, the Subordinated Available Redemption Funds shall be applied *pro rata* between the Class B Notes and the Class C Notes according to the aggregate GBP Equivalent Principal Liability Outstanding of the Class B Notes and the aggregate GBP Equivalent Principal Liability Outstanding of the Class C Notes. On any Principal Determination Date, if any of the Redemption Tests is not satisfied, the Subordinated Available Redemption Funds (if any) shall be applied first to the Class B Notes up to the aggregate GBP Equivalent Principal Liability Outstanding of the

Class B Notes and then to the Class C Notes up to the aggregate GBP Equivalent Principal Liability Outstanding of the Class C Notes.

On each Interest Payment Date an amount equal to the relevant Flexible Drawing Facility Principal Debt (as determined on the preceding Principal Determination Date) shall be paid from the Transaction Account (and debited to the Principal Ledger) and applied in or towards repayment of principal due and repayable in respect of Flexible Drawing Facility Advances (if any).

- (h) the first paragraph of Condition 5(b)(i) (*Calculation of Principal Payments, Principal Amount Outstanding, Principal Liability Outstanding and Pool Factor*) shall be amended as follows:

On (or as soon as practicable after) each Principal Determination Date (and no later than one Business Day from the relevant Interest Determination Date in respect of the GBP Notes and the Class A1 Notes), the Issuer shall determine (or cause the Administrator to determine) (x) the amount of any Principal Payment in respect of each Note of a particular class due on the Interest Payment Date next following such Principal Determination Date, (y) the Principal Amount Outstanding and the Principal Liability Outstanding of each Note of a particular class after deducting any Principal Payment due to be made in respect of each Note of that class on the next Interest Payment Date, and (z) the fraction in respect of each Note of a particular class expressed as a decimal rounded upwards to the sixth place (the "**Pool Factor**"), of which the numerator is the Principal Amount Outstanding of a Note of that particular class (as referred to in (y) above) and the denominator is the principal amount (expressed as an integer) of that Note upon issue. Each determination by or on behalf of the Issuer of any Principal Payment, the Principal Liability Outstanding of a Note, the Principal Amount Outstanding of a Note and the Pool Factor in respect thereof shall in each case (in the absence of wilful default, bad faith or manifest error) be final and binding on all persons.

- (i) Condition 5(b)(ii) (*Calculation of Principal Payments, Principal Amount Outstanding, Principal Liability Outstanding and Pool Factor*) shall be amended as follows:

The Issuer, by not later than the ~~seventh-second~~ Business Day after the ~~Principal~~ relevant Interest Determination Date in respect of the GBP Notes and Class A1 Notes immediately preceding the relevant Interest Payment Date, will cause each determination of a Principal Payment, Principal Amount Outstanding, Principal Liability Outstanding and Pool Factor to be notified to the Trustee, the Principal Paying Agent, the Reference Agent and (for so long as the relevant Notes are listed by the U.K. Listing Authority and admitted to trading on the London Stock Exchange) the London Stock Exchange and will cause details of each determination of a Principal Payment, Principal Liability Outstanding, Principal Amount Outstanding and Pool Factor to be published in accordance with Condition 12 on the next following Business Day, or as soon as practicable thereafter. If no Principal Payment is due to be made on the Notes of a particular class on any Interest Payment Date a notice to this effect will be given to the Noteholders of that class.

- (j) Condition 6(g) (*Duty to maintain a Paying Agent*) shall be amended as follows:

The initial Principal Paying Agent is Citibank, N.A., London Branch at its office at Citigroup Centre, ~~21<sup>st</sup> Floor~~, Canada Square, Canary Wharf, London, E14 5LB. The Issuer may at any time (with the previous written approval of the Trustee) vary or terminate the appointment of any Paying Agent and appoint additional or other Paying Agents, **provided that** it will at all times maintain a Paying Agent having a specified office in the City of London (the "**London Paying Agent**") and a Paying Agent (which may be the London Paying Agent) in an EU member state that will not be obliged to withhold or deduct amounts for and on account of tax pursuant to EU Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive and, in the case of the Paying Agent for the Reg S Notes, require that such Paying Agent's office for administering payments in respect of such Notes is located outside the United States or its possessions. Notice of any such termination or appointment and of any change in the office through which any Paying Agent will act will be given in accordance with Condition 12.

- (k) the second paragraph of Condition 13 (*Meetings of Noteholders; Modifications; Consents; Waiver*) shall be amended as follows:

In these Conditions a "**Basic Terms Modification**" means a modification of certain terms including, among other things, a modification which would have the effect of altering the date of maturity of any of the Notes, or postponing any day for payment of interest in respect of any of the Notes, reducing or cancelling the amount of principal payable in respect of any of the Notes, or reducing the rate of interest applicable to any of the Notes (other than in accordance with Condition 18 (*Base Rate Modification*)), or altering the majority required to pass an Extraordinary Resolution, or altering the currency of payment of any of the Notes, or altering the date or priority of redemption of any of the Notes

- (l) A new Condition 18 (*Base Rate Modification*) shall be inserted as follows:

**18. Base Rate Modification**

- (a) Notwithstanding the provisions of Condition 13 (*Meetings of Noteholders; Modifications; Consents; Waiver*), the Trustee shall be obliged, without any consent or sanction of the Noteholders, to concur with the Issuer in making any modification to these Conditions or any other Relevant Document to which it is a party or in relation to which it holds security or entering into any new, supplemental or additional documents that the Issuer considers necessary for the purpose of changing the base rate from SONIA in respect of all classes of Notes but not only some classes of Notes to which SONIA applies (the "**Applicable Base Rate**") to an alternative base rate (including where such base rate may remain linked to SONIA but may be calculated in a different manner) (any such rate, an "**Alternative Base Rate**") and making such other amendments to these Conditions or any other Relevant Document as are necessary or advisable in the reasonable judgment of the Issuer to facilitate the changes envisaged pursuant to this Condition 18 (*Base Rate Modification*) (for the avoidance of doubt,

this may include changing the base rate referred to in any hedging agreement (including, for the avoidance of doubt, the cross-currency swaps), for the purpose of aligning any such hedging agreement with the proposed Base Rate Modification pursuant to paragraph (c)(iv) below) (a "**Base Rate Modification**"), **provided that** the Issuer, or, as the case may be, an Administrator on behalf of the Issuer certifies to the Trustee in writing (such certificate, a "**Base Rate Modification Certificate**") that:

- (i) the Issuer has provided written notice of the proposed Base Rate Modification to the Noteholders of each class including all the details required by Condition 18(c) below and that Noteholders representing at least 10 per cent. of the aggregate GBP Equivalent Initial Principal Amount then outstanding of the Most Senior Class of Notes have not contacted the Issuer 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 the prescribed notification period notifying the Issuer or Principal Paying Agent that such Noteholders do not consent to the Base Rate Modification; and
- (ii) the Administrators 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 Base Rate Modification; and
- (iii) the Base Rate Modification is being undertaken due to any one or more of the following (and not for any other reason):
  - (1) where the Applicable Base Rate is SONIA, an alternative manner of calculating a SONIA-based base rate is introduced and becomes the standard means of calculating interest for similar transactions;
  - (2) a material disruption to the Applicable Base Rate, a material change in the methodology of calculating the Applicable Base Rate or the Applicable Base Rate ceasing to exist or be published; or
  - (3) the insolvency or cessation of business of the administrator of the Applicable Base Rate (in circumstances where no successor administrator has been appointed); or
  - (4) a public statement by the administrator of the Applicable Base Rate that it will cease publishing the Applicable Base Rate permanently or indefinitely (in

circumstances where no successor administrator has been appointed that will continue publication of the Applicable Base Rate) with effect from a date no later than 6 months after the proposed effective date of such Base Rate Modification; or

(5) a public statement by the supervisor of the administrator of the Applicable Base Rate that the Applicable Base Rate has been or will be permanently or indefinitely discontinued (or there will be a material change in the methodology of calculating the Applicable Base Rate) with effect from a date no later than 6 months after the proposed effective date of such Base Rate Modification; or

(6) a public statement by the supervisor of the administrator of the Applicable Base Rate that means the Applicable Base Rate 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 such Base Rate Modification; or

(7) it becomes unlawful for any Paying Agent, the Issuer or the Administrators to calculate any payments due to be made to any Noteholder using the Applicable Base Rate; or

(8) the reasonable expectation of an Administrator that any of the events specified in sub-paragraphs (2), (3) or (7) will occur or exist within six months of the proposed effective date of such Base Rate Modification; or

(9) a change in the generally accepted market practice in the publicly listed asset backed floating rate notes market to refer to a base rate endorsed in a public statement by the Bank of England, the Financial Conduct Authority or the Prudential Regulation Authority or any relevant committee or other body established, sponsored or approved by any of the foregoing, including the Working Group on Sterling Risk-Free Rates, despite the continued existence of the Applicable Base Rate; and

(iv) the Alternative Base Rate is any one or more of the following:

(1) a base rate published, endorsed, approved or recognised by the administrator of the Applicable Base Rate, the supervisor of the administrator of the Applicable Base Rate or other relevant authority or

- any stock exchange on which the Notes are listed (or any relevant committee or other body established, sponsored or approved by any of the foregoing); or
- (2) SONIA, where an alternative manner of calculating a SONIA-based rate is introduced and becomes a standard means of calculating interest for similar transactions; or
  - (3) the Broad Treasuries Repo Financing Rate (or any rate which is derived from, based upon or otherwise similar to the foregoing); or
  - (4) a base rate utilised in a material number of publicly listed new issues of sterling-denominated asset backed floating rate notes prior to the effective date of such Base Rate Modification; or
  - (5) a base rate utilised in a publicly-listed new issue of sterling- denominated asset backed floating rate notes where the originator of the relevant assets is one of the Sellers or an affiliate of the Sellers; or
  - (6) such other base rate as an Administrator reasonably determines.
- (b) The Issuer, or an Administrator on the Issuer's behalf, shall (i) provide the Trustee with an initial draft of the Base Rate Modification Certificate at least 45 calendar days prior to the date on which it is proposed that the Base Rate Modification would take effect and (ii) provide the Trustee with a signed copy of the final Base Rate Modification Certificate on the date on which the Base Rate Modification takes effect.
- (c) The Issuer shall provide written notice of the proposed Base Rate Modification to the Noteholders of each class, at least 35 calendar days' prior to the date on which it is proposed that the Base Rate Modification would take effect, in accordance with Condition 12 (Notices) and by publication on Bloomberg on the "Company News" screen relating to the Notes (such notice, the "**Base Rate Modification Noteholder Notice**"). The Base Rate Modification Noteholder Notice shall include the following:
- (i) details of how the Noteholders of the Most Senior Class of Notes then outstanding may object to the proposed Base Rate Modification and the notification period during which they may do so (which shall commence at least 35 calendar days prior to the date on which it is proposed that the Base Rate Modification would take effect and continue for a period not less than 30 calendar days); and
  - (ii) confirmation of the sub-paragraph(s) of Condition 18(a)(iii) under which the Base Rate Modification is being proposed; and

- (iii) confirmation of which Alternative Base Rate is proposed to be adopted pursuant to Condition 18(a)(iv); and
- (iv) details of any consequential modifications that the Issuer has agreed will be made to any hedging agreement (including the cross-currency swaps) and/or any Relevant Document to which it is a party for the purpose of aligning any such hedging agreement and/or any Relevant Document, as applicable, with the proposed Base Rate Modification, if the proposed Base Rate Modification takes effect. The Issuer shall use reasonable endeavours to agree modifications to each hedging agreement and/or any Relevant Document where commercially appropriate so that the transaction is hedged and/or aligned following the Base Rate Modification to a similar extent as prior to the Base Rate Modification, and that such modifications shall take effect within 30 calendar days following the Base Rate Modification taking effect.

If (A) no modifications are proposed to be made to hedging agreements (including the cross-currency swaps) and/or any Relevant Document; and/or (B) modifications will be made to hedging agreements (including the cross-currency swaps) and/or any Relevant Document but will not result in the transaction being similarly hedged and/or aligned; and/or (C) modifications to any hedging agreement (including the cross-currency swaps) and/or any Relevant Document would take effect later than 30 calendar days following the Base Rate Modification taking effect, the Issuer shall set out in the Base Rate Modification Noteholder Notice detailed reasons why this is the case; and

- (v) details of the adjustment which the Issuer proposes to make (if any) to the margin payable on the Notes which are the subject of the Base Rate Modification in order to, so far as reasonably and commercially practicable, preserve what would have been the Rate of Interest on the Notes had no such Base Rate Modification been effected (the "**Rate of Interest Maintenance Adjustment**") provided that:
  - (1) in the event that it has become generally accepted market practice in the securitisation, Eurobond or swaps market to use a particular rate of interest maintenance mechanism in the context of a transition from the Applicable Base Rate to the Alternative Base Rate, then the Issuer shall use reasonable endeavours to propose to make the adjustment required by such generally adopted rate of interest maintenance mechanism as the Rate of Interest Maintenance Adjustment, or otherwise the Issuer shall set out in the Base Rate Modification Noteholder Notice detailed reasons why this is not a commercial and reasonable approach in relation to the Notes and the proposed Base Rate Modification; or
  - (2) in the event that (1) above does not apply, the Issuer shall use reasonable endeavours to propose an alternative Rate of



Interest Maintenance Adjustment as reasonably determined by the Administrators and shall set out detailed reasons for the proposal or otherwise the Issuer shall set out in the Base Rate Modification Noteholder Notice detailed reasons why this is not a commercial and reasonable approach in relation to the Notes and the proposed Base Rate Modification; and

- (3) if any Rate of Interest Maintenance Adjustment is proposed, the Rate of Interest Maintenance Adjustment applicable to each class of Notes other than the Most Senior Class of Notes shall be at least equal to that applicable to the Most Senior Class of Notes. In circumstances where the Issuer proposes a lower Rate of Interest Maintenance Adjustment on any class of Notes other than the Most Senior Class of Notes than that which is proposed for the Most Senior Class of Notes or another class of Notes which ranks senior to the class of Notes to which the lower Rate of Interest Maintenance Adjustment is proposed to be made, the Base Rate Modification will not be made unless an Extraordinary Resolution is passed in favour of such modification in accordance with Condition 13 (*Meetings of Noteholders; Modifications; Consents; Waiver*) by the Noteholders of each class of Notes then outstanding to which the lower Rate of Interest Maintenance Adjustment is proposed to be made; and
  - (4) for the avoidance of doubt, the Rate of Interest Maintenance Adjustment may effect an increase or a decrease to the margin over the Alternative Base Rate; and
- (vi) confirmation that either:
- (1) the Issuer, or, as the case may be, an Administrator, on behalf of the Issuer, has obtained from each of the Rating Agencies written confirmation (or it has been unable to obtain written confirmation, but has received oral confirmation from an appropriately authorised person at each of the Rating Agencies) that the proposed Base Rate Modification would not result in a downgrade, withdrawal or suspension of the then current ratings assigned to the Notes by such Rating Agency and would not result in any Rating Agency placing any Notes on rating watch negative (or equivalent) and, if relevant, it has appended a copy of each such confirmation to the Base Rate Modification Certificate; or
  - (2) the Rating Agencies have been informed of the proposed modification and neither of the Rating Agencies has indicated that such modification would result in (x) a downgrade, withdrawal or suspension of the then current ratings assigned to any class of the Notes by such Rating Agency or (y) such Rating Agency placing any Notes on rating watch negative (or

equivalent).

- (d) If Noteholders representing at least 10 per cent. of the aggregate GBP Equivalent Initial Principal Amount then outstanding of the Most Senior Class of Notes have notified the Principal Paying Agent or the Issuer in writing (or otherwise in accordance with the then current practice of any applicable clearing system through which such Notes may be held) within the notification period referred to in Condition 18(c)(i) that they do not consent to the modification, then such modification will not be made unless an Extraordinary Resolution of the Noteholders of the Most Senior Class of Notes then outstanding is passed in favour of such modification in accordance with Condition 13 (*Meetings of Noteholders; Modifications; Consents; Waiver*) provided that (A) in circumstances where the Issuer proposes a lower Rate of Interest Maintenance Adjustment on any class of Notes other than the Most Senior Class of Notes than that which is proposed for the Most Senior Class of Notes or another class of Notes which ranks senior to the class of Notes to which the lower Rate of Interest Maintenance Adjustment is proposed to be made, such Extraordinary Resolution shall be passed by the Noteholders of the Most Senior Class of Notes then outstanding and by the Noteholders of each class of Notes then outstanding to which the lower Rate of Interest Maintenance Adjustment is proposed to be made, and (B) in other circumstances, such Extraordinary Resolution shall be passed by Noteholders of the Most Senior Class of Notes then outstanding.
- (e) Other than where specifically provided in this Condition 18 (*Base Rate Modification*) or any Relevant Document:
- (i) when implementing any modification pursuant to this Condition 18 (*Base Rate Modification*), the Trustee shall not consider the interests of the Noteholders 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 an Administrator on behalf of the Issuer), pursuant to this Condition 18 (*Base Rate Modification*) and shall not be liable to the Noteholders 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; and
- (ii) the Trustee shall not be obliged to agree to any modification which, in the sole opinion of the Trustee would have the effect of (A) exposing the Trustee to any liability against which it has not been indemnified and/or secured and/or pre-funded to its satisfaction or (B) increasing the obligations or duties, or decreasing the rights or protection, of the Trustee in the Relevant Documents and/or these Conditions.
- (f) Any Base Rate Modification shall be binding on all Noteholders and shall be notified by the Issuer as soon as reasonably practicable to:
- (i) so long as any of the Notes rated by the Rating Agencies remains

outstanding, each Rating Agency; and

- (ii) the Noteholders in accordance with Condition 12 (Notices).
- (g) Following the making of a Base Rate Modification, if it becomes generally accepted market practice in the publicly listed asset backed floating rate notes market to use a base rate of interest (the "**Accepted Market Base Rate**") which is different from the Alternative Base Rate which had already been adopted by the Issuer in respect of the Notes pursuant to a Base Rate Modification, the Issuer is entitled to propose a further Base Rate Modification pursuant to this Condition 18 (Base Rate Modification).

2.2 With effect from the Effective Date, the Original Trust Deed shall be modified by making the following amendments:

- (a) the address of the Issuer, MTL, MTS, PFPLC, PML and the Warehouse in the recitals, in clause 1.1 (*Definitions and Interpretation*), clause 25 (*Notices*) and Schedule 5, Part A (*Forms of Rule 144A Transfer Certificate*) and Part B (*Form of Regulation S Transfer Certificate*) shall be amended as follows:

~~St. Catherine's Court, Herbert Road,~~ 51 Homer Road, Solihull, West Midlands B91 3QE, United Kingdom

- (b) the address of the Trustee in the recitals, clause 25 (*Notices*) and Schedule 5, Part A (*Forms of Rule 144A Transfer Certificate*) and Part B (*Form of Regulation S Transfer Certificate*) shall be amended as follows:

~~Citigroup Centre, 14th Floor,~~ Canada Square, Canary Wharf, London E14 5LB

- (c) the definition of "**Principal Paying Agent**" in clause 1.1 (*Definitions*) shall be amended as follows:

"**Principal Paying Agent**" means Citibank, N.A., London branch at its office at Citigroup Centre, ~~21<sup>st</sup> Floor,~~ Canada Square, Canary Wharf, London E14 5LB, or such other Principal Paying Agent in respect of the Notes for the time being as may have been appointed as such by the Issuer with the prior written approval of, and on terms previously approved in writing by, the Trustee and (except in the case of the initial Principal Paying Agent) notice of whose appointment has been given to the Noteholders pursuant to Clause 12(M) in accordance with Condition 12;

- (d) the definition of "**Reference Agent**" in clause 1.1 (*Definitions*) shall be amended as follows:

"**Reference Agent**" means Citibank, N.A., London branch at its office at Citigroup Centre, ~~21<sup>st</sup> Floor,~~ Canada Square, Canary Wharf, London E14 5LB, or such other Reference Agent in respect of the Notes as may (with the prior approval of, and on terms previously approved in writing by, the Trustee) from time to time be appointed as such by the Issuer and (except in the case of the initial Reference Agent) notice of whose appointment has been given to the Noteholders pursuant to Clause 12(M) in accordance with Condition 12;

- (e) the notice details of the Issuer in clause 25 (*Notices*) shall be amended as follows:

51 Homer Road  
Solihull  
West Midlands  
B91 3QJ  
~~St. Catherine's Court~~  
~~Herbert Road~~  
~~Solihull~~  
~~West Midlands B91 3QE~~

Attention: The Company Secretary  
Email Address: [Company\\_Secretary@Paragon-group.co.uk](mailto:Company_Secretary@Paragon-group.co.uk);  
[securitisations@paragonbank.co.uk](mailto:securitisations@paragonbank.co.uk)  
Facsimile No.: 0121 712 2072

- (f) the notice details of the Trustee in clause 25 (*Notices*) shall be amended as follows:

Citigroup Centre  
Canada Square  
Canary Wharf  
London  
E14 5LB

Attention: Agency & Trust  
Facsimile No.: 020 7500 5248/ 0203 060 4796

- (g) a new clause 30 (Base Rate Modification) shall be included as follows:

### **30. BASE RATE MODIFICATION**

30.1 Notwithstanding the provisions of Clause 19 (*Waiver; Authorisation; Determination; Modification*), the Trustee shall be obliged, without any consent or sanction of the Noteholders, to concur with the Issuer in making any modification to the Conditions or any other Relevant Document to which it is a party or in relation to which it holds security or entering into any new, supplemental or additional documents that the Issuer considers necessary for the purpose of changing the base rate from SONIA in respect of all classes of Notes but not only some classes of Notes to which SONIA applies (the "**Applicable Base Rate**") to an alternative base rate (including where such base rate may remain linked to SONIA but may be calculated in a different manner) (any such rate, an "**Alternative Base Rate**") and making such other amendments to the Conditions or any other Relevant Document as are necessary or advisable in the reasonable judgment of the Issuer to facilitate the changes envisaged pursuant to this Clause (for the avoidance of doubt, this may include changing the base rate referred to in any hedging agreement

(including, for the avoidance of doubt, the cross-currency swaps), for the purpose of aligning any such hedging agreement with the proposed Base Rate Modification pursuant to paragraph Clause 30.3.4 below) (a "Base Rate Modification"), provided that the Issuer, or, as the case may be, an Administrator on behalf of the Issuer certifies to the Trustee in writing (such certificate, a "Base Rate Modification Certificate") that:

30.1.1 the Issuer has provided written notice of the proposed Base Rate Modification to the Noteholders of each class including all the details required by Clause 30.3 below and that Noteholders representing at least 10 per cent. of the aggregate GBP Equivalent Initial Principal Amount then outstanding of the Most Senior Class of Notes have not contacted the Issuer 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 the prescribed notification period notifying the Issuer or Principal Paying Agent that such Noteholders do not consent to the Base Rate Modification; and

30.1.2 the Administrators 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 Base Rate Modification; and

30.1.3 the Base Rate Modification is being undertaken due to any one or more of the following (and not for any other reason):

(a) where the Applicable Base Rate is SONIA, an alternative manner of calculating a SONIA-based base rate is introduced and becomes the standard means of calculating interest for similar transactions;

(b) a material disruption to the Applicable Base Rate, a material change in the methodology of calculating the Applicable Base Rate or the Applicable Base Rate ceasing to exist or be published; or

(c) the insolvency or cessation of business of the administrator of the Applicable Base Rate (in circumstances where no successor administrator has been appointed); or

- (d) a public statement by the administrator of the Applicable Base Rate that it will cease publishing the Applicable Base Rate permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of the Applicable Base Rate) with effect from a date no later than 6 months after the proposed effective date of such Base Rate Modification; or
- (e) a public statement by the supervisor of the administrator of the Applicable Base Rate that the Applicable Base Rate has been or will be permanently or indefinitely discontinued (or there will be a material change in the methodology of calculating the Applicable Base Rate) with effect from a date no later than 6 months after the proposed effective date of such Base Rate Modification; or
- (f) a public statement by the supervisor of the administrator of the Applicable Base Rate that means the Applicable Base Rate 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 such Base Rate Modification; or
- (g) it becomes unlawful for any Paying Agent, the Issuer or the Administrators to calculate any payments due to be made to any Noteholder using the Applicable Base Rate; or
- (h) the reasonable expectation of an Administrator that any of the events specified in sub-paragraphs (c), (d) or (g) will occur or exist within six months of the proposed effective date of such Base Rate Modification; or
- (i) a change in the generally accepted market practice in the publicly listed asset backed floating rate notes market to refer to a base rate endorsed in a public statement by the Bank of England, the Financial Conduct Authority or the Prudential Regulation Authority or any relevant committee or other body established, sponsored or approved by any of the foregoing, including the Working Group on Sterling Risk-Free Rates, despite the continued existence of the Applicable Base Rate; and

30.1.4 the Alternative Base Rate is any one or more of the following:

- (a) a base rate published, endorsed, approved or recognised by the administrator of the Applicable Base Rate, the supervisor of the administrator of the Applicable Base Rate or other relevant authority or any stock exchange on which the Notes are listed (or any relevant committee or other body established, sponsored or approved by any of the foregoing); or
- (b) SONIA, where an alternative manner of calculating a SONIA-based rate is introduced and becomes a standard means of calculating interest for similar transactions; or
- (c) the Broad Treasuries Repo Financing Rate (or any rate which is derived from, based upon or otherwise similar to the foregoing); or
- (d) a base rate utilised in a material number of publicly listed new issues of sterling-denominated asset backed floating rate notes prior to the effective date of such Base Rate Modification; or
- (e) a base rate utilised in a publicly-listed new issue of sterling-denominated asset backed floating rate notes where the originator of the relevant assets is one of the Sellers or an affiliate of the Sellers; or
- (f) such other base rate as an Administrator reasonably determines.

30.2 The Issuer, or an Administrator on the Issuer's behalf, shall (i) provide the Trustee with an initial draft of the Base Rate Modification Certificate at least 45 calendar days prior to the date on which it is proposed that the Base Rate Modification would take effect and (ii) provide the Trustee with a signed copy of the final Base Rate Modification Certificate on the date on which the Base Rate Modification takes effect.

30.3 The Issuer shall provide written notice of the proposed Base Rate Modification to the Noteholders of each class, at least 35 calendar days' prior to the date on which it is proposed that the Base Rate Modification would take effect, in accordance with Condition 12 (*Notices*) and by publication on Bloomberg on the "Company News" screen relating to the Notes (such notice, the "**Base Rate Modification Noteholder Notice**"). The Base Rate Modification Noteholder Notice shall include the following:

30.3.1 details of how the Noteholders of the Most Senior Class of Notes then outstanding may object to the proposed Base Rate Modification and the notification period during which they may do so (which shall commence at least 35 calendar days prior to the date on which it is proposed that the Base Rate Modification would take effect and continue for a period not less than 30 calendar days); and

30.3.2 confirmation of the sub-paragraph(s) of Clause 30.1.3 under which the Base Rate Modification is being proposed; and

30.3.3 confirmation of which Alternative Base Rate is proposed to be adopted pursuant to Clause 30.1.4; and

30.3.4 details of any consequential modifications that the Issuer has agreed will be made to any hedging agreement (including the cross-currency swaps) and/or any Relevant Document to which it is a party for the purpose of aligning any such hedging agreement and/or any Relevant Document, as applicable, with the proposed Base Rate Modification, if the proposed Base Rate Modification takes effect. The Issuer shall use reasonable endeavours to agree modifications to each hedging agreement and/or any Relevant Document where commercially appropriate so that the transaction is hedged and/or aligned following the Base Rate Modification to a similar extent as prior to the Base Rate Modification, and that such modifications shall take effect within 30 calendar days following the Base Rate Modification taking effect.

If (A) no modifications are proposed to be made to hedging agreements (including the cross-currency swaps) and/or any Relevant Document; and/or (B) modifications will be made to hedging agreements (including the cross-currency swaps) and/or any Relevant Document but will not result in the transaction being similarly hedged and/or aligned; and/or (C) modifications to any hedging agreement (including the cross-currency swaps) and/or any Relevant Document would take effect later than 30 calendar days following the Base Rate Modification taking effect, the Issuer shall set out in the Base Rate Modification Noteholder Notice detailed reasons why this is the case; and

30.3.5 details of the adjustment which the Issuer proposes to make (if any) to the margin payable on the Notes which are the subject of the Base Rate Modification in order to, so far as reasonably and



commercially practicable, preserve what would have been the Rate of Interest on the Notes had no such Base Rate Modification been effected (the "Rate of Interest Maintenance Adjustment") provided that:

- (a) in the event that it has become generally accepted market practice in thesecuritisation, Eurobond or swaps market to use a particular rate of interest maintenance mechanism in the context of a transition from the Applicable Base Rate to the Alternative Base Rate, then the Issuer shall use reasonable endeavours to propose to make the adjustment required by such generally adopted rate of interest maintenance mechanism as the Rate of Interest Maintenance Adjustment, or otherwise the Issuer shall set out in the Base Rate Modification Noteholder Notice detailed reasons why this is not a commercial and reasonable approach in relation to the Notes and the proposed Base Rate Modification; or
- (b) in the event that (1) above does not apply, the Issuer shall use reasonable endeavours to propose an alternative Rate of Interest Maintenance Adjustment as reasonably determined by the Administrators and shall set out detailed reasons for the proposal or otherwise the Issuer shall set out in the Base Rate Modification Noteholder Notice detailed reasons why this is not a commercial and reasonable approach in relation to the Notes and the proposed Base Rate Modification; and
- (c) if any Rate of Interest Maintenance Adjustment is proposed, the Rate of Interest Maintenance Adjustment applicable to each class of Notes other than the Most Senior Class of Notes shall be at least equal to that applicable to the Most Senior Class of Notes. In circumstances where the Issuer proposes a lower Rate of Interest Maintenance Adjustment on any class of Notes other than the Most Senior Class of Notes than that which is proposed for the Most Senior Class of Notes or another class of Notes which ranks senior to the class of Notes to which the lower Rate of Interest Maintenance Adjustment is proposed to be made, the Base Rate Modification will not be made unless an Extraordinary Resolution is passed in favour of such modification in accordance with Condition 13 (Meetings of Noteholders; Modifications: Consents; Waiver) by the

Noteholders of each class of Notes then outstanding to which the lower Rate of Interest Maintenance Adjustment is proposed to be made; and

- (d) for the avoidance of doubt, the Rate of Interest Maintenance Adjustment may effect an increase or a decrease to the margin over the Alternative Base Rate; and

30.3.6 confirmation that either:

- (a) the Issuer, or, as the case may be, an Administrator, on behalf of the Issuer, has obtained from each of the Rating Agencies written confirmation (or it has been unable to obtain written confirmation, but has received oral confirmation from an appropriately authorised person at each of the Rating Agencies) that the proposed Base Rate Modification would not result in a downgrade, withdrawal or suspension of the then current ratings assigned to the Notes by such Rating Agency and would not result in any Rating Agency placing any Notes on rating watch negative (or equivalent) and, if relevant, it has appended a copy of each such confirmation to the Base Rate Modification Certificate; or
- (b) the Rating Agencies have been informed of the proposed modification and neither of the Rating Agencies has indicated that such modification would result in (x) a downgrade, withdrawal or suspension of the then current ratings assigned to any class of the Notes by such Rating Agency or (y) such Rating Agency placing any Notes on rating watch negative (or equivalent).

30.4 If Noteholders representing at least 10 per cent. of the aggregate GBP Equivalent Initial Principal Amount then outstanding of the Most Senior Class of Notes have notified the Principal Paying Agent or the Issuer in writing (or otherwise in accordance with the then current practice of any applicable clearing system through which such Notes may be held) within the notification period referred to in Clause 30.3.1 that they do not consent to the modification, then such modification will not be made unless an Extraordinary Resolution of the Noteholders of the Most Senior Class of Notes then outstanding is passed in favour of such modification in accordance with Condition 13 (*Meetings of Noteholders; Modifications; Consents; Waiver*) provided that (A) in circumstances where the Issuer proposes a lower Rate of Interest Maintenance

Adjustment on any class of Notes other than the Most Senior Class of Notes than that which is proposed for the Most Senior Class of Notes or another class of Notes which ranks senior to the class of Notes to which the lower Rate of Interest Maintenance Adjustment is proposed to be made, such Extraordinary Resolution shall be passed by the Noteholders of the Most Senior Class of Notes then outstanding and by the Noteholders of each class of Notes then outstanding to which the lower Rate of Interest Maintenance Adjustment is proposed to be made, and (B) in other circumstances, such Extraordinary Resolution shall be passed by Noteholders of the Most Senior Class of Notes then outstanding.

30.5 Other than where specifically provided in this Clause or any Relevant Document:

30.5.1 when implementing any modification pursuant to this Clause, the Trustee shall not consider the interests of the Noteholders 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 an Administrator on behalf of the Issuer), pursuant to this Clause and shall not be liable to the Noteholders 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; and

30.5.2 the Trustee shall not be obliged to agree to any modification which, in the sole opinion of the Trustee would have the effect of (A) exposing the Trustee to any liability against which it has not been indemnified and/or secured and/or pre-funded to its satisfaction or (B) increasing the obligations or duties, or decreasing the rights or protection, of the Trustee in the Relevant Documents and/or these Conditions.

30.6 Any Base Rate Modification shall be binding on all Noteholders and shall be notified by the Issuer as soon as reasonably practicable to:

30.6.1 so long as any of the Notes rated by the Rating Agencies remains outstanding, each Rating Agency; and

30.6.2 the Noteholders in accordance with Condition 12 (*Notices*).

30.7 Following the making of a Base Rate Modification, if it becomes generally accepted market practice in the publicly listed asset backed floating rate notes market to use a base rate of interest (the "**Accepted Market Base Rate**") which is different from the Alternative Base Rate which had already been adopted by the Issuer in respect of the Notes

pursuant to a Base Rate Modification, the Issuer is entitled to propose a further Base Rate Modification pursuant to this Clause.

- (h) the first sub-paragraph of paragraph 1 (*Global Note Certificate*) of Schedule 1 (*Form of Global Notes*) shall be amended as follows:

This Global [Class Name] [Rule 144A/Reg S] Note is a Global Note certificate without interest coupons issued and constituted pursuant to and subject to a trust deed dated [20] July 2006 (as amended and/or restated from time to time, the "**Trust Deed**") between Paragon Mortgages (No.12) PLC (the "**Issuer**") and Citicorp Trustee Company Limited as trustee (the "**Trustee**") and issued subject to, and with the benefit of, the Conditions referred to below.

- (i) the address of the Registrar in Schedule 2 (*Form of Definitive Note*) shall be amended as follows:

Citibank, N.A., London Branch  
Citigroup Centre  
~~21<sup>st</sup> Floor~~  
Canada Square  
Canary Wharf  
London E14 5LB

- (j) limb (C) of paragraph 5 of Schedule 3 (*Provisions of Meetings of Noteholders*) shall be amended as follows:

alteration of the amount of interest payable on any Note (including, for the avoidance of doubt, Additional Interest and/or Deferred Interest) or modification of the method of calculating the amount of interest payable on any Note or modification of the date of payment of any interest payable on any Note, except for any such alteration or modification made in accordance with Condition 18 (*Base Rate Modification*);

### 3. MISCELLANEOUS

- 3.1 The provisions of the Original Trust Deed as modified by this Supplemental Trust Deed from the Effective Date shall continue in full force and effect and shall be valid and binding obligations of the Issuer and the Trustee.
- 3.2 The Original Trust Deed shall from the Effective Date henceforth be read and construed as one document with this Supplemental Trust Deed.
- 3.3 This Supplemental Trust Deed may be executed in counterparts, each of which, taken together, shall constitute one and the same Supplemental Trust Deed and each party may enter into this Supplemental Trust Deed by executing a counterpart.
- 3.4 A person who is not a party to this Supplemental Trust Deed has no right by virtue of the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Supplemental Trust Deed, but this does not affect any right or remedy of a third party which exists or is available apart from that Act.

4. **GOVERNING LAW**

This Supplemental Trust Deed and any non-contractual obligations arising out of or in connection with it shall be governed by and construed in accordance with English law.

**IN WITNESS WHEREOF** this Supplemental Trust Deed has been executed as a deed by the Issuer and the Trustee and delivered on the date first stated on page 1.

**SIGNATURES**

**Issuer**

**EXECUTED** as a **DEED** by  
**PARAGON MORTGAGES (NO.12) PLC**  
acting by a director



) .....  
) Name: Jimmy Giles  
) Director  
)

in the presence of



) .....  
) Name: Julia Gilbride  
) Address: 51 Homer Road, Solihull,  
West Midlands, B91 3QJ

**Trustee**

**EXECUTED as a DEED by CITICORP  
TRUSTEE COMPANY LIMITED acting**

) LE Hughes.....

by an authorised attorney

) LAURA HUGHES..... as attorney for  
) **CITICORP TRUSTEE COMPANY  
LIMITED**

in the presence of

Witness signature: .....

Witness name: Rose Robinson  
Vice-President.....

Witness title: .....

Witness address: .....

Citi  
Citigroup Centre  
25 Canada Square  
London E14 5LB