

ISSUE SERVICES FEE LETTER

PARAGON MORTGAGES (NO.25) PLC
51 Homer Road, Solihull, West Midlands B91 3QJ
Registered in England and Wales as company number 9777963

To: Paragon Finance PLC
51 Homer Road
Solihull
West Midlands
B91 3QJ (the "**Issue Services Provider**"),

Citicorp Trustee Company Limited
Citigroup Centre
Canada Square
Canary Wharf
London E14 5LB (the "**Trustee**", which expression includes any other person or persons from time to time acting as trustee under the Trust Deed constituting the Notes)

26 April 2018

Dear Sirs,

Issue Services Fee Letter

Pursuant to the powers contained in its Articles of Association and a resolution of its Board of Directors passed on 11 April 2018, Paragon Mortgages (No.25) PLC (the "**Company**") has duly authorised and has determined to create and issue several classes of mortgage backed floating rate notes as described in a Prospectus dated on or around 26 April 2018 (the "**Notes**").

The Issue Services Provider will pay, on behalf of the Company, or reimburse to the Company any expenses payable by the Company in connection with the issue of the Notes.

The Company has agreed to reimburse the Issue Services Provider for all fees, commissions and expenses in connection with the issue of the Notes paid by the Issue Services Provider on behalf of the Company and as its agent and to pay interest thereon as described herein.

Terms defined in the agreements listed in Schedule 1 hereto shall, unless otherwise defined herein, have the same meanings when used herein.

1. REIMBURSEMENT OF THE EXPENSES IN CONNECTION WITH THE ISSUE OF THE NOTES

1.1 The Issue Services Provider undertakes that it will pay on behalf of the Company or reimburse the Company for the fees, commissions and expenses specified as being payable by the Company pursuant to and in accordance with clauses 6 (*Commission and Fees*) and 8.1.1 of the Subscription Agreement, the fees specified as being

payable by the Company on the Closing Date pursuant to and in accordance with clauses 5 (*Fees of the Substitute Administrator during Standby Period*) and 6 (*Expenses of the Substitute Administrator during Standby Period*) of the Substitute Administrator Agreement.

- 1.2 Subject to Clause 4 below, the Company will repay to the Issue Services Provider all such fees, commissions and expenses paid by the Issue Services Provider on behalf of the Company or reimbursed to the Company by the Issue Services Provider pursuant to Clause 2 and Clause 3 hereof. The Issue Services Provider will within three months after the Closing Date notify the Company of the aggregate amount of such fees, commissions and expenses (the "**Expenses Amount**").
- 1.3 Subject to Clause 4 below, the Expenses Amount will be re-payable in accordance with Clause 2 and Clause 3 hereof.

2. **INSTALMENTS OF EXPENSES REIMBURSEMENT**

- 2.1 Subject to Clause 3 hereof, the Company will pay to the Issue Services Provider the Expenses Amount in 16 equal quarterly instalments (each an "**Instalment**"). Subject to Clause 3 hereof, the first Instalment of the Expenses Amount shall be paid on the Interest Payment Date falling in August 2018 and each subsequent Instalment shall be payable on the succeeding Interest Payment Dates, in all cases, in accordance with the relevant Payments Priority, or any such other period agreed between the Issuer and the Issue Services Provider.
- 2.2 Subject to Clauses 2.3 and 3 hereof, the Company will pay to the Issue Services Provider interest on the Expenses Amount in the amount calculated in accordance with Schedule 2 hereto. Interest will accrue from day to day and will be calculated on the basis of the number of days elapsed and a year of 365 (or 366 in the case of a leap year) days. Interest will be payable in arrear at the same time as the Instalment to which such interest relates in respect of the Interest Period ending on the relevant Interest Payment Date (as such terms are defined in Condition 4(a) of the Notes) whether or not any Note remains outstanding.
- 2.3 All payments of interest pursuant to Clause 2.2 will be made without withholding or deduction for, or on account of, any present or future taxes, duties or charges of whatsoever nature ("**Taxes**") unless the Company is required by applicable law to make any such payment subject to any withholding or deduction for, or on account of, any Taxes. In that event the Company shall make such payment after such withholding or deduction has been made and shall account to the relevant authorities for the amount so required to be withheld or deducted. The Company will not be obliged to make any additional payments to the Issue Services Provider in respect of such withholding or deduction.

3. **VAT**

- 3.1 All sums set out in this letter or otherwise payable by the Company to the Issue Services Provider pursuant to this letter shall be inclusive of any VAT and section 89 of the Value Added Tax Act 1994 shall not apply to the affect the amount of such sums.

3.2 All sums set out in this letter or otherwise payable by the Issuer Services Provider to the Company pursuant to this letter shall be deemed to be exclusive of any VAT which shall, subject to the receipt of a valid VAT invoice, be payable in addition to and at the same time as such sums.

3.3 Where any party is required by the terms of this letter to reimburse or indemnify any other party for any cost or expense, such first party shall reimburse or indemnify such other party for the full amount of such cost or expense, including such part thereof as represents VAT, save to the extent that such other party is entitled to credit or repayment in respect of such VAT from the relevant tax authority.

4. SUBORDINATION AND LIMITED RECOURSE

4.1 No Instalment (or, where relevant, interest in relation thereto) shall be payable by the Company to the Issue Services Provider except in accordance with the provisions of clauses 6, 7 and 8 of the Deed of Charge unless and until all sums thereby required to be paid in priority thereto have been paid or discharged in full.

4.2 Notwithstanding any other provision of this letter, the Issue Services Provider agrees that, if the security for the Notes is enforced and the proceeds of such enforcement are insufficient, after payment of all other claims ranking in priority (pursuant to clause 8.2 of the Deed of Charge) to amounts outstanding under this letter, to pay in full all amounts due under the terms of this letter, then the Issue Services Provider hereby acknowledges that it shall have no further claim against the Company in respect of any such unpaid amounts.

5. ASSIGNMENT

The Issue Services Provider may assign, transfer or create any trust or interest in (whether by way of security or otherwise howsoever) or otherwise dispose of all or any of its rights under this letter in favour of any person provided that such person becomes a party to the Deed of Charge and has executed and delivered an acknowledgement and undertaking to the Issuer and the Trustee in such form as the Trustee may require acknowledging that such person's rights in respect of this letter shall be subject to the provisions of the Deed of Charge.

6. PAYMENTS

All payments to be made pursuant hereto shall be made in Sterling in immediately available funds.

7. VARIATION

No variation of this letter shall be effective without the prior written approval of the Trustee.

8. GOVERNING LAW

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

If the foregoing is in accordance with your understanding of our agreement, please sign and return to us one counterpart hereof, and upon the acceptance hereof by you, this letter and such acceptance hereof shall constitute a binding agreement between each of the Company, the Issue Services Provider and the Trustee.

Yours faithfully,

SIGNED

Signed for and on behalf of:

Paragon Mortgages (No.25) PLC



By:

Name: **Helena Whitaker**

Title: Director
per pro Intertrust Directors 2 Limited
Director

Signed for and on behalf of:

Paragon Finance PLC



By:

Name: **STEPHEN BOWCOTT**

Title: Attorney

Signed for and on behalf of:

Citicorp Trustee Company Limited

By:

Name: 
GEORGIA MITCHELL

Title: Attorney

SCHEDULE 1

1. The subscription agreement in respect of the Offered Notes (as defined therein) dated on or around 23 April 2018 and made between, among others, the Company, Paragon Finance PLC and Paragon Mortgages (2010) Limited ("**PML**") (the "**Subscription Agreement**").
2. The substitute administrator agreement made between, among others, the Company, the Trustee, Homeloan Management Limited and PML (the "**Substitute Administrator Agreement**") and dated on or around 26 April 2018.
3. The deed of sub-charge and assignment made between, among others, the Company, the Trustee, PML and the Issue Services Provider and dated on or around 26 April 2018 (the "**Deed of Charge**").
4. The administration agreement made between, amongst others, PML, the Company and the Trustee dated on or around 26 April 2018.

SCHEDULE 2

The quarterly amount of interest payable on the Expenses Amount, or on any part thereof, in either case on the day falling on or after the date which is the first Business Day after the relevant Interest Payment Date (pursuant to Clauses 2.1 and 2.2 hereof) (the "**Relevant Interest Period**") shall be:

$$\frac{(\text{LIB}_3 + \text{X}) \times \text{E}}{4}$$

For this purpose:-

- LIB3 shall mean the interest rate determined by the Issue Services Provider to be the interest rate for sterling deposits for a period of three months (or, in the case of the first Relevant Interest Period, on the basis of a linear interpolation between the interest rates for sterling deposits for a period of three months and sterling deposits for a period of six months) quoted on the Reuters Service page LIBOR01 (or any other page on which Reuters Service is for the time being posting offered rates quoted by prime banks in the London interbank sterling market) at or about 11.00 a.m. (London time) on the first day of the Relevant Interest Period being, if more than one rate is quoted and the rates so quoted are not the same, the arithmetic mean (rounded to five decimal places) of the rates so quoted, provided that if, on any such day, no such rate is being quoted on the Reuters Service page LIBOR01 (or such other appropriate page) (or, if applicable, the Alternative Base Rate) at such time and such date, LIB3 shall mean such rate as the Issue Services Provider shall determine to be the rate at which it is offered sterling deposits of £10,000,000 in London for same day value on the first day of the Relevant Interest Period and for a period approximately equal thereto, in each case expressed as a percentage;
- X shall mean 4 per cent. per annum or such other fair commercial rate as may be agreed from time to time between the Issue Services Provider and the Issuer; and
- E shall mean the Expenses Amount (or such part thereof as is outstanding at the relevant time).

Terms used in this Schedule and not otherwise defined shall have the meanings ascribed to them in Condition 4(a) of the Notes (whether or not any Note remains outstanding).