

EXECUTION VERSION

26 APRIL 2018

PARAGON MORTGAGES (NO.25) PLC
AS THE ISSUER

AND

CITICORP TRUSTEE COMPANY LIMITED
AS THE TRUSTEE

TRUST DEED
RELATING TO THE ISSUE OF MORTGAGE BACKED
NOTES AND RESIDUAL CERTIFICATES BY THE
ISSUER

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THIS Trust Deed is dated 26 April 2018.

BETWEEN:

- (1) **PARAGON MORTGAGES (NO.25) PLC**, (the "**Issuer**"), a company incorporated with limited liability in England and Wales with registered number 9777963 whose registered office is at 51 Homer Road, Solihull, West Midlands B91 3QJ; 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) By resolutions of the Board of Directors of the Issuer passed on 11 April 2018 the Issuer has resolved to issue the Notes and Residual Certificates, all of such Notes and Residual Certificates to be constituted and secured in the manner appearing hereinafter and in the Deed of Charge.
- (B) The Trustee has agreed to act as trustee for the Noteholders and Residual Certificateholders of this Trust Deed (including the security constituted in or pursuant to the Deed of Charge) upon and subject to the terms and conditions of this Trust Deed.

THE PARTIES AGREE as follows:

1. DEFINITIONS AND INTERPRETATION

- 1.1 In this Trust Deed, including the recitals hereto, unless there is anything in the subject or context inconsistent therewith the expressions defined in the Relevant Documents and Conditions (each as defined below) shall, unless otherwise defined in this Clause 1.1, or in the recitals above, have the same meanings in this Agreement except so far as the context otherwise requires:

"**Additional Interest**" has the meaning ascribed thereto in Condition 4.

"**Administration Agreement**" means the administration agreement dated on or about the date of this Trust Deed between the Administrator, the Sellers, the Issuer and the Trustee and any other agreement for the time being in force to which the Trustee is a party appointing any other Administrator, all as from time to time supplemented or modified in accordance with the provisions contained in this Trust Deed and in the Administration Agreement.

"**Administrator**" has the meaning ascribed thereto in the Administration Agreement.

"**Affiliate**" means any corporation, other than the Issuer, which in relation to the person concerned is a holding company or a subsidiary of, or a subsidiary of any holding company of, a corporation (or a subsidiary of a corporation), at least one-third of the issued equity share capital of which is beneficially owned by, the person concerned or an Affiliate thereof under the preceding part of this definition.

"Agency Agreement" means the agency agreement dated on or about the date of the Trust Deed appointing the initial Registrar, Class S VFN Registrar, Principal Paying Agent and Reference Agent in respect of the Notes and Residual Certificates, and any other agreement for the time being in force appointing further or other Registrars, Paying Agents or another Reference Agent in respect of the Notes and Residual Certificates, or in connection with their duties, the terms of which in each case have been previously approved in writing by the Trustee, together with any agreement for the time being in force amending or modifying with the prior written approval of the Trustee any of the aforesaid agreements.

"Agents" means the Principal Paying Agent, the Reference Agent, the Registrar and the Class S VFN Registrar.

"Approved Credit Support Document" means a 1995 ISDA Credit Support Annex (Bilateral Form - Transfer) entered into by the Issuer, a Hedge Provider and the Trustee on or around the Closing Date in support of the relevant Hedge Provider's obligations under the relevant Hedge Agreement.

"Auditors" means the auditors for the time being of the Issuer, or in the event of their being unable or unwilling to carry out any action requested of them pursuant to the provisions of this Trust Deed, such other firm of accountants as may be nominated or approved by the Trustee after consultation with the Issuer.

"Authorised Investments" has the meaning ascribed thereto in the Administration Agreement.

"Basis Hedge Agreement" means any Initial Basis Hedge Agreement and any Permitted Basis Hedge Agreement.

"Basis Hedge Provider" means each Initial Basis Hedge Provider and each Permitted Basis Hedge Provider.

"Beneficial Noteholder" means each person having a Book-Entry Interest.

"Benefit Plan" means a pension, profit-sharing or other employee benefit plan, including an individual retirement account or Keogh plan subject to ERISA and/or Section 4975 of the US Revenue Code.

"Book-Entry Interests" means the beneficial ownership interests in the Global Notes and the Global Residual Certificates, the ownership of which shall be evidenced, and transfers of which shall be made, through book entries by Euroclear or Clearstream, Luxembourg from time to time as described herein.

"Borrower" has the meaning ascribed thereto in the Administration Agreement.

"Business Day" has the meaning ascribed thereto in Condition 4.

"Class A Noteholders" means the several persons who are for the time being Holders (as defined in Condition 1(d)) of the Class A Notes (being, if and to the extent that the Class A Notes are represented by the Definitive Class A Notes, the holders thereof and, if and to the extent that the Class A Notes are represented by the Global Class A Notes, the persons for the time being shown in the records of Euroclear and

Clearstream, Luxembourg (other than Clearstream, Luxembourg if Clearstream, Luxembourg shall be an account holder of Euroclear and other than Euroclear if Euroclear shall be an account holder of Clearstream, Luxembourg) as being holders of the Class A Notes) in which regard any certificate or other document issued by Clearstream, Luxembourg or Euroclear as to the principal amount of Class A Notes standing to the account of any person shall be conclusive and binding for all purposes hereof (other than for the purposes of payments in respect thereof the right to which shall be vested, as against the Issuer and the Trustee, solely in the holder of the Class A Notes in accordance with and subject to their respective terms and the terms of this Trust Deed) and the words "**holder**" and "**holders**" shall (where appropriate) be construed accordingly.

"**Class A Notes**" means, the £600,000,000 Class A mortgage backed floating rate notes due 2050, hereby constituted or the amount thereof from time to time outstanding or, as the context may require, a specific number thereof and includes the Global Class A Note of each class (or any part thereof) and the Definitive Class A Notes of each class (or any of them).

"**Class B Noteholders**" means the several persons who are for the time being Holders (as defined in Condition 1(d)) of the Class B Notes (being, if and to the extent that the Class B Notes are represented by the Definitive Class B Notes, the holders thereof and, if and to the extent that the Class B Notes are represented by the Global Class B Notes, the persons for the time being shown in the records of Euroclear and Clearstream, Luxembourg (other than Clearstream, Luxembourg if Clearstream, Luxembourg shall be an account holder of Euroclear and other than Euroclear if Euroclear shall be an account holder of Clearstream, Luxembourg) as being holders of the Class B Notes) in which regard any certificate or other document issued by Clearstream, Luxembourg or Euroclear as to the principal amount of Class B Notes standing to the account of any person shall be conclusive and binding for all purposes hereof (other than for the purposes of payments in respect thereof the right to which shall be vested, as against the Issuer and the Trustee, solely in the holder of the Class B Notes in accordance with and subject to their respective terms and the terms of this Trust Deed) and the words "**holder**" and "**holders**" shall (where appropriate) be construed accordingly.

"**Class B Notes**" means, the £33,500,000 Class B mortgage backed floating rate notes due 2050, hereby constituted or the amount thereof from time to time outstanding or, as the context may require, a specific number thereof and includes the Global Class B Note of each class (or any part thereof) and the Definitive Class B Notes of each class (or any of them).

"**Class C Noteholders**" means the several persons who are for the time being Holders (as defined in Condition 1(d)) of the Class C Notes (being, if and to the extent that the Class C Notes are represented by the Definitive Class C Notes, the holders thereof and, if and to the extent that the Class C Notes are represented by the Global Class C Notes, the persons for the time being shown in the records of Euroclear and Clearstream, Luxembourg (other than Clearstream, Luxembourg if Clearstream, Luxembourg shall be an account holder of Euroclear and other than Euroclear if Euroclear shall be an account holder of Clearstream, Luxembourg) as being holders of the Class C Notes) in which regard any certificate or other document issued by Clearstream, Luxembourg or Euroclear as to the principal amount of Class C Notes

standing to the account of any person shall be conclusive and binding for all purposes hereof (other than for the purposes of payments in respect thereof the right to which shall be vested, as against the Issuer and the Trustee, solely in the holder of the Class C Notes in accordance with and subject to their respective terms and the terms of this Trust Deed) and the words "**holder**" and "**holders**" shall (where appropriate) be construed accordingly.

"**Class C Notes**" means, the £30,000,000 Class C mortgage backed floating rate notes due 2050, hereby constituted or the amount thereof from time to time outstanding or, as the context may require, a specific number thereof and includes the Global Class C Note of each class (or any part thereof) and the Definitive Class C Notes of each class (or any of them).

"**Class D Noteholders**" means the several persons who are for the time being Holders (as defined in Condition 1(d)) of the Class D Notes (being, if and to the extent that the Class D Notes are represented by the Definitive Class D Notes, the holders thereof and, if and to the extent that the Class D Notes are represented by the Global Class D Notes, the persons for the time being shown in the records of Euroclear and Clearstream, Luxembourg (other than Clearstream, Luxembourg if Clearstream, Luxembourg shall be an account holder of Euroclear and other than Euroclear if Euroclear shall be an account holder of Clearstream, Luxembourg) as being holders of the Class D Notes) in which regard any certificate or other document issued by Clearstream, Luxembourg or Euroclear as to the principal amount of Class D Notes standing to the account of any person shall be conclusive and binding for all purposes hereof (other than for the purposes of payments in respect thereof the right to which shall be vested, as against the Issuer and the Trustee, solely in the holder of the Class D Notes in accordance with and subject to their respective terms and the terms of this Trust Deed) and the words "**holder**" and "**holders**" shall (where appropriate) be construed accordingly.

"**Class D Notes**" means, the £24,700,000 Class D mortgage backed floating rate notes due 2050, hereby constituted or the amount thereof from time to time outstanding or, as the context may require, a specific number thereof and includes the Global Class D Note of each class (or any part thereof) and the Definitive Class D Notes of each class (or any of them).

"**Class S Noteholders**" means the several persons who are for the time being Holders (as defined in Condition 1(d)) of the Class S Notes (being, if and to the extent that the Class S Notes are represented by the Definitive Class S Notes, the holders thereof and, if and to the extent that the Class S Notes are represented by the Global Class S Notes, the persons for the time being shown in the records of Euroclear and Clearstream, Luxembourg (other than Clearstream, Luxembourg if Clearstream, Luxembourg shall be an account holder of Euroclear and other than Euroclear if Euroclear shall be an account holder of Clearstream, Luxembourg) as being holders of the Class S Notes) in which regard any certificate or other document issued by Clearstream, Luxembourg or Euroclear as to the principal amount of Class S Notes standing to the account of any person shall be conclusive and binding for all purposes hereof (other than for the purposes of payments in respect thereof the right to which shall be vested, as against the Issuer and the Trustee, solely in the holder of the Class S Notes in accordance with and subject to their respective terms and the terms of this Trust Deed) and the words "**holder**" and "**holders**" shall (where appropriate) be construed accordingly.

"**Class S Notes**" means, the £10,923,000 Class S mortgage backed floating rate notes due 2050, hereby constituted or the amount thereof from time to time outstanding or, as the context may require, a specific number thereof and includes the Global Class S Note of each class (or any part thereof) and the Definitive Class S Notes of each class (or any of them).

"**Class S VFN**" means the £7,952,955 Class S variable funding note due 2050, hereby constituted or the amount thereof from time to time outstanding or, as the context may require, a specific number thereof;

"**Class S VFN Holder**" means the holder of the Class S VFN;

"**Class S VFN Registrar**" means Paragon Mortgages (2010) Limited, a company incorporated in England and Wales with registered number 6595834 whose registered office is at 51 Homer Road, Solihull, West Midlands B91 3QJ;

"**Class Z Noteholders**" means the several persons who are for the time being Holders (as defined in Condition 1(d)) of the Class Z Notes (being, if and to the extent that the Class Z Notes are represented by the Definitive Class Z Notes, the holders thereof and, if and to the extent that the Class Z Notes are represented by the Global Class Z Notes, the persons for the time being shown in the records of Euroclear and Clearstream, Luxembourg (other than Clearstream, Luxembourg if Clearstream, Luxembourg shall be an account holder of Euroclear and other than Euroclear if Euroclear shall be an account holder of Clearstream, Luxembourg) as being holders of the Class Z Notes) in which regard any certificate or other document issued by Clearstream, Luxembourg or Euroclear as to the principal amount of Class Z Notes standing to the account of any person shall be conclusive and binding for all purposes hereof (other than for the purposes of payments in respect thereof the right to which shall be vested, as against the Issuer and the Trustee, solely in the holder of the Class Z Notes in accordance with and subject to their respective terms and the terms of this Trust Deed) and the words "**holder**" and "**holders**" shall (where appropriate) be construed accordingly.

"**Class Z Notes**" means, the £17,648,000 Class Z mortgage backed floating rate notes due 2050, hereby constituted or the amount thereof from time to time outstanding or, as the context may require, a specific number thereof and includes the Global Class Z Note of each class (or any part thereof) and the Definitive Class Z Notes of each class (or any of them).

"**Clearstream, Luxembourg**" means Clearstream Banking, *société anonyme*, or any successor in business thereto.

"**Closing Date**" means 26 April 2018.

"**Collection Accounts**" has the meaning ascribed thereto in the Administration Agreement.

"**Collection Account Declarations of Trust**" has the meaning ascribed thereto in the Administration Agreement.

"**Common Depositary**" means the common depositary for Euroclear and Clearstream, Luxembourg.

"Common Safekeeper" means the common safekeeper for Euroclear and Clearstream, Luxembourg.

"Conditions" means the Conditions applicable to each class of the Notes in the form set out in Schedule 4 (*Terms and Conditions of the Notes*) (but, so long as the Notes of a particular class are represented by the Global Notes of that class, with the deletion therefrom of those provisions which are applicable only to the Definitive Notes of that class), as the same may from time to time be modified in accordance with this Trust Deed and any reference in this Trust Deed to a particular numbered Condition shall be construed accordingly.

"CRA Regulation" means Regulation (EC) No. 1060/2009, as amended.

"Current Balance" means, in respect of a Mortgage, the outstanding balance thereof including arrears of interest and all other sums which have fallen due for payment but remain unpaid under such Mortgage.

"Deed of Charge" means the Deed of Sub-Charge and Assignment dated on or about the date of this Trust Deed made between the Issuer, the Trustee, PFPLC, the Sellers, the Administrator, the Paragon Corporate Services Provider, the Initial Basis Hedge Providers, the Agents, the Class S VFN Registrar, the Account Bank, the Substitute Administrator, the Intertrust Corporate Services Provider and the Substitute Administrator Facilitator as from time to time modified in accordance with the provisions contained in this Trust Deed.

"Deferred Interest" has the meaning ascribed thereto in Condition 4.

"Definitive Class A Notes" means the notes in definitive registered form to be issued in respect of each class of the Class A Notes or the Class A Notes of a particular class, as the context may require, pursuant to, and in the circumstances specified in, Clause 3.2 and includes any replacements for the Definitive Class A Notes of that class issued pursuant to Condition 11.

"Definitive Class B Notes" means the notes in definitive registered form to be issued in respect of each class of the Class B Notes or the Class B Notes of a particular class, as the context may require, pursuant to, and in the circumstances specified in, Clause 3.2 and includes any replacements for the Definitive Class B Notes issued pursuant to Condition 11.

"Definitive Class C Notes" means the notes in definitive registered form to be issued in respect of each class of the Class C Notes or the Class C Notes of a particular class, as the context may require, pursuant to, and in the circumstances specified in, Clause 3.2 and includes any replacements for the Definitive Class C Notes issued pursuant to Condition 11.

"Definitive Class D Notes" means the notes in definitive registered form to be issued in respect of each class of the Class D Notes or the Class D Notes of a particular class, as the context may require, pursuant to, and in the circumstances specified in, Clause 3.2 and includes any replacements for the Definitive Class D Notes issued pursuant to Condition 11.

"Definitive Class S Notes" means the notes in definitive registered form to be issued in respect of each class of the Class S Notes or the Class S Notes of a particular class, as the context may require, pursuant to, and in the circumstances specified in, Clause 3.2 and includes any replacements for the Definitive Class S Notes issued pursuant to Condition 11.

"Definitive Class Z Notes" means the notes in definitive registered form to be issued in respect of each class of the Class Z Notes or the Class Z Notes of a particular class, as the context may require, pursuant to, and in the circumstances specified in, Clause 3.2 and includes any replacements for the Definitive Class Z Notes issued pursuant to Condition 11.

"Definitive Notes" means the Definitive Class A Notes, Definitive Class B Notes, the Definitive Class C Notes, the Definitive Class D Notes, the Definitive Class Z Notes and the Definitive Class S Notes or any of them (if any).

"Definitive Residual Certificates" means any of the Residual Certificates in definitive registered form.

"Distribution Compliance Period" means the period ending 40 days after the later of the commencement of the offering of the Notes and the Closing Date.

"Electronic Consent" means consent given by way of electronic consents communicated through the electronic communications system of the relevant clearing system(s) to the Principal Paying Agent or another specified agent and/or the Trustee in accordance with the operating rules and procedures of the relevant clearing system(s).

"Enforcement Notice" has the meaning ascribed thereto in Condition 9.

"ERISA" means the United States Employee Retirement Income Security Act of 1974, as amended.

"Euroclear" means Euroclear Bank S.A./N.V. or any successor in business thereto.

"Event of Default" means any of the events described in Condition 9 (*Events of Default*) for as long as the Notes remain outstanding, or, after the Notes have been redeemed in full, any of the events described in the Residual Certificates Condition 8 (*Events of Default*).

"Extraordinary Resolution" has the meaning set out in paragraph 20 of Schedule 3 (*Provisions for Meetings of Noteholders and Residual Certificateholders*).

"Global Notes" has the meaning ascribed thereto in Condition 1(b) and comprises:

- (a) a **"Global Class A Note"** in respect of the Class A Notes;
- (b) a **"Global Class B Note"** in respect of the Class B Notes;
- (c) a **"Global Class C Note"** in respect of the Class C Notes;
- (d) a **"Global Class D Note"** in respect of the Class D Notes;

- (e) a "**Global Class Z Note**" in respect of the Class Z Notes;
- (f) a "**Global Class S Note**" in respect of the Class S Notes;

"**Global Residual Certificate**" means, in respect of any class of Residual Certificates, the global residual certificate in registered form representing such class of Residual Certificates in, or substantially in, the form set out in Schedule 5 (*Form of Global Residual Certificate*) to the Trust Deed.

"**Hedge Agreement**" means each Basis Hedge Agreement.

"**Hedge Provider**" means each Basis Hedge Provider.

"**Initial Basis Hedge Agreement**" means each ISDA Master Agreement entered into between the Issuer, an Initial Basis Hedge Provider and the Trustee dated on or about the Closing Date in relation to the Notes together with the schedule, each confirmation and each Approved Credit Support Document or other credit support documents relating thereto.

"**Initial Basis Hedge Provider**" means Lloyds Bank plc.

"**Initial Principal Amount**" means the initial face principal amount of that Note upon issue of the relevant Global Note relating to that Note.

"**Insurance Contracts**" has the meaning ascribed thereto in the Deed of Charge.

"**Interest Period**" has the meaning ascribed thereto in Condition 4.

"**Lending Guidelines**" has the meaning ascribed thereto in the Mortgage Sale Agreement.

"**Monthly Payment**" has the meaning ascribed thereto in the Administration Agreement.

"**Mortgage Sale Agreement**" means the agreement dated on or about the date of this Trust Deed between the Sellers, the Warehouser, the Administrators, the Issuer and the Trustee, whereby the Issuer acquired or is to acquire the Mortgages, as from time to time supplemented or modified.

"**Mortgages**" has the meaning ascribed thereto in the Mortgage Sale Agreement.

"**Most Senior Class**" has the meaning ascribed thereto in the Conditions for so long as the Notes remain outstanding, or, after the Notes have been redeemed in full, the Residual Certificates Conditions.

"**Noteholders**" means the Class A Noteholders and/or Class B Noteholders and/or the Class C Noteholders and/or the Class D Noteholders and/or the Class Z Noteholders and/or the Class S Noteholders and/or the Class S VFN Holder or any of them.

"**Notes**" means the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class Z Notes, the Class S Notes and the Class S VFN or any of them, as the case may be.

"NSS" or "New Safekeeping Structure" means a structure where a Global Note which is registered in the name of a nominee of the Common Safekeeper for Euroclear and/or Clearstream, Luxembourg and the relevant Global Note will be deposited on or about the Closing Date with the Common Safekeeper.

"offshore transaction" has the meaning ascribed to such term in Regulation S.

"outstanding" means:

in relation to the Notes, all the Notes issued other than:

- (a) those Notes which have been redeemed pursuant to Condition 5 or otherwise pursuant to this Trust Deed;
- (b) those Notes in respect of which the date for redemption in full in accordance with the Conditions has occurred and the redemption moneys for which (including all interest payable thereon) have been duly paid to the Trustee or to the Principal Paying Agent in the manner provided in the Agency Agreement (and, where appropriate, notice to that effect has been given to the Noteholders in accordance with Condition 12) and remain available for payment;
- (c) those Notes which have been cancelled in accordance with Condition 5;
- (d) those Definitive Notes which have become void under Condition 8;
- (e) those mutilated or defaced Definitive Notes which have been surrendered and cancelled and in respect of which replacements have been issued pursuant to Condition 11;
- (f) (for the purpose only of ascertaining the amount of Definitive Notes outstanding and without prejudice to the status for any other purpose of the relevant Definitive Notes) those Definitive Notes which are alleged to have been lost, stolen or destroyed and in respect of which replacements have been issued pursuant to Condition 11;
- (g) the Global Notes to the extent that they shall have been exchanged for the Definitive Notes, pursuant to the provisions contained therein and in this Trust Deed;

provided that for each of the following purposes, namely:

- (h) the right to attend and vote at any meeting of the Noteholders;
- (i) the determination of how many and which Notes are for the time being outstanding for the purposes of Clause 9.1 and Clause 20, Conditions 9, 10, 13 and 14 and paragraphs 2, 5, 6 and 9 of Schedule 3 (*Provisions for Meetings of Noteholders and Residual Certificateholders*);
- (j) any discretion, power or authority contained in this Trust Deed which the Trustee is required, expressly or impliedly, to exercise in or by reference to the interests of any of the Noteholders; and

- (k) the determination by the Trustee whether any of the events specified in Condition 9 is materially prejudicial to the interests of the Noteholders,

those Class A Notes, Class B Notes and Class C Notes (if any) which are held by or on behalf of or for the benefit of the Issuer, the Issue Services Provider, PML, PFPLC, Paragon Bank or any of their subsidiaries or holding companies or other subsidiaries of such holding companies (the "**Relevant Persons**"), shall (unless and until ceasing to be so held) be deemed not to remain outstanding, except where one or more Relevant Person holds all the Notes of any Class and there is no other Class of Notes ranking *pari passu* with, or more junior to such Notes, which is not wholly beneficially owned by one or more Relevant Persons and provided that, in respect of any Class of Notes, in relation to a matter (a) relating to a Basic Terms Modification or (b) relating to a meeting of Noteholders which has been convened by any Noteholder that is not a Relevant Person, any Notes or the Notes which are for the time being held by or on behalf of or for the benefit of a Relevant Person, in each case as beneficial owner, shall be deemed to remain outstanding or in issue, as applicable; and

in relation to the Residual Certificates, all the Residual Certificates issued other than:

- (a) those Residual Certificates which have been cancelled in accordance with Residual Certificates Condition 4 (*Residual Payments*);
- (b) those Definitive Residual Certificates which have become void under Residual Certificates Condition 7 (*Prescription*);
- (c) those mutilated or defaced Definitive Residual Certificates which have been surrendered and cancelled and in respect of which replacements have been issued pursuant to Residual Certificates Condition 10 (*Replacement of the Residual Certificates*);
- (d) (for the purpose only of ascertaining the amount of Definitive Residual Certificates outstanding and without prejudice to the status for any other purpose of the relevant Definitive Residual Certificates) those Definitive Residual Certificates which are alleged to have been lost, stolen or destroyed and in respect of which replacements have been issued pursuant to Residual Certificates Condition 10 (*Replacement of the Residual Certificates*);
- (e) the Global Residual Certificates to the extent that they shall have been exchanged for the Definitive Residual Certificates, pursuant to the provisions contained therein and in this Trust Deed.

"Paying Agents" means the persons (including where the context permits the Principal Paying Agent but excluding the Class S VFN Registrar) initially appointed as Paying Agent by the Issuer pursuant to the Agency Agreement and/or such other or further paying agents in respect of the Notes (other than the Class S VFN) as may (with the prior written approval of, and on terms previously approved in writing by, the Trustee) from time to time be appointed by the Issuer pursuant to the Agency Agreement and/or such other or further Specified Offices, (in the former case being within the same city as those for which they are substituted) as may from time to time be nominated, in each case by the Issuer pursuant to the Agency Agreement and

(except in the case of the initial Paying Agents) notice of whose appointment or of which nomination has been given to the Noteholders pursuant to Clause 13(m) in accordance with Condition 12.

"Paragon Bank Allocation" means, on each Principal Determination Date, a fraction, the numerator of which is the aggregate Current Balance of all Mortgages in the Mortgage Portfolio originated by Paragon Bank and the denominator of which is aggregate Current Balance of all Mortgages in the Mortgage Portfolio.

"Permitted Basis Hedge Agreement" means each interest rate hedging agreement entered into by the Issuer with a Permitted Basis Hedge Provider in order to hedge its payment obligations under Notes.

"Permitted Basis Hedge Provider" means a bank or financial institution which has entered into hedging arrangements with the Issuer and which on the date of entering into such arrangements:

- (a) has a rating for its long-term or short-term debt obligations sufficient to maintain the then ratings of the Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes (unless such arrangements are guaranteed by a guarantor of appropriate credit rating or other arrangements are entered into at the time which are sufficient to maintain the then ratings of the Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes); and
- (b) has entered into a deed supplemental to this Deed in form and substance satisfactory to the Trustee agreeing to be bound by the terms of the Deed of Charge on the same terms as the Initial Basis Hedge Providers.

"PFPLC" means Paragon Finance PLC, a company incorporated in England and Wales with registered number 1917566 whose registered office is at 51 Homer Road, Solihull, West Midlands B91 3QJ.

"PML" means Paragon Mortgages (2010) Limited, a company incorporated in England and Wales with registered number 6595834 whose registered office is at 51 Homer Road, Solihull, West Midlands B91 3QJ.

"PML Allocation" means, on each Principal Determination Date, a fraction, the numerator of which is the aggregate Current Balance of all Mortgages in the Mortgage Portfolio originated by PML and the denominator of which is the aggregate Current Balance of all Mortgages in the Mortgage Portfolio.

"Principal Amount Outstanding" has the meaning ascribed thereto in Condition 5(c)(i).

"Principal Liability Outstanding" has the meaning ascribed thereto in Condition 5(c)(i).

"Principal Paying Agent" means Citibank, N.A., London Branch at its office at Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB, or such other Principal Paying Agent in respect of the Notes (other than the Class S VFN) 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 13(m) in accordance with Condition 12.

"Property" has the meaning ascribed thereto in the Mortgage Sale Agreement.

"Rating Agencies" means Fitch Ratings Ltd ("**Fitch**") of 30 North Colonnade, London, E14 5GN and Moody's Investors Service Limited ("**Moody's**") of One Canada Square, Canary Wharf, London E14 5FA.

"RC1a Payment Amount" means for each RC1a Residual Certificate, on each Interest Payment Date (or, in respect of the Enforcement Priority of Payments, on any relevant day), the RC1a Payment for that date, divided by 100.

"RC1a Payments" means, on each Interest Payment Date (or, in respect of the Enforcement Priority of Payments, on any relevant day), an amount equal to the product of the PML Allocation and the amount available for payment to the Holders of the RC1 Residual Certificates in accordance with the relevant Payments Priority.

"RC1b Payment Amount" means for each RC1b Residual Certificate, on each Interest Payment Date (or, in respect of the Enforcement Priority of Payments, on any relevant day), the RC1b Payment for that date, divided by 100.

"RC1b Payments" means, on each Interest Payment Date (or, in respect of the Enforcement Priority of Payments, on any relevant day), an amount equal to the product of the Paragon Bank Allocation and the amount available for payment to the Holders of the RC1 Residual Certificates in accordance with the relevant Payments Priority.

"RC1 Payment Amounts" means the RC1a Payment Amount and the RC1b Payment Amount.

"RC1 Payments" means the RC1a Payments and the RC1b Payments.

"RC2a Payment Amount" means for each RC2a Residual Certificate, on each Interest Payment Date (or, in respect of the Enforcement Priority of Payments, on any relevant day), the RC2a Payment for that date, divided by 100.

"RC2a Payments" means, on each Interest Payment Date (or, in respect of the Enforcement Priority of Payments, on any relevant day), an amount equal to the product of the PML Allocation and the amount available for payment to the Holders of the RC2 Residual Certificates in accordance with the relevant Payments Priority.

"RC2b Payment Amount" means for each RC2b Residual Certificate, on each Interest Payment Date (or, in respect of the Enforcement Priority of Payments, on any relevant day), the RC2b Payment for that date, divided by 100.

"RC2b Payments" means, on each Interest Payment Date (or, in respect of the Enforcement Priority of Payments, on any relevant day), an amount equal to the product of the Paragon Bank Allocation and the amount available for payment to the Holders of the RC2 Residual Certificates in accordance with the relevant Payments Priority.

"RC2 Payment Amounts" means the RC2a Payment Amount and the RC2b Payment Amount.

"Reference Agent" means Citibank, N.A., London Branch at its office at Citigroup Centre, 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 13(m) in accordance with Condition 12.

"Reference Banks" the principal London office of four major banks in the London inter-bank market or, as the case may be, the European Inter-bank Market which the Issuer (as approved by the Trustee) may appoint from time to time.

"Registrar" means Citibank, N.A., London Branch.

"Regulation S" means Regulation S under the Securities Act.

"Relevant Documents" has the meaning ascribed thereto in Condition 3.

"repay", **"redeem"** and **"pay"** shall each include both the others and **"repaid"**, **"repayable"** and **"repayment"**, **"redeemed"**, **"redeemable"** and **"redemption"** and **"paid"**, **"payable"** and **"payment"** shall be construed accordingly.

"Residual Certificate Book-Entry Interest" means a beneficial interest in a Global Residual Certificate representing the Residual Certificates shown on records maintained in book-entry form by Euroclear or Clearstream, Luxembourg, as the case may be.

"Residual Certificates" means the RC1a Residual Certificates, the RC1b Residual Certificates, the RC2a Residual Certificates and the RC2b Residual Certificates.

"Residual Certificates Conditions" means the conditions applicable to each class of the Residual Certificates in the form set out in Schedule 6 (*Terms and Conditions of the Residual Certificates*) (but, so long as the Residual Certificates of a particular class are represented by the Global Residual Certificates of that class, with the deletion therefrom of those provisions which are applicable only to the Definitive Notes of that class), as the same may from time to time be modified in accordance with this Trust Deed and any reference in this Trust Deed to a particular numbered Residual Certificates Condition shall be construed accordingly.

"Residual Payment" means the RC1 Payments and the RC2 Payments.

"Secured Amounts" has the meaning ascribed thereto in the Deed of Charge.

"**Secured Parties**" has the meaning ascribed thereto in the Deed of Charge.

"**Securities Act**" means the United States Securities Act of 1933, as amended.

"**Security**" means the Charged Property as that term is defined in the Deed of Charge.

"**Similar Benefit Plan Law**" means any federal, state or local law substantially similar to Section 406 of ERISA or Section 4975 of the U.S. Revenue Code.

"**Substitute Administrator**" means Homeloan Management Limited, a company incorporated under the laws of England and Wales (registered number 2214839) whose registered office is at The Pavilions, Bridgewater Road, Bristol BS13 8AE.

"**Substitute Administrator Agreement**" means the Substitute Administrator Agreement dated on or about the date of this Trust Deed between, among others, the Administrator, the Issuer, the Trustee and the Substitute Administrator, as from time to time varied, supplemented or modified in accordance with its terms and this Trust Deed.

"**Substitute Administrator Facilitator**" means Intertrust Management Limited in its capacity as substitute administrator facilitator and any successor thereto or replacement thereto in such capacity.

"**Substitute Administrator Facilitator Agreement**" means an agreement dated on or about the date of this Agreement between the Issuer, the Trustee and the Substitute Administrator Facilitator.

"**The Stock Exchange**" means the London Stock Exchange plc.

"**Transaction Account**" has the meaning ascribed thereto in the Administration Agreement.

"**Trust Corporation**" means a corporation entitled by rules made under the Public Trustee Act 1906 to act as a custodian trustee or entitled pursuant to any other comparable legislation applicable to a trustee in any other jurisdiction to carry out the functions of a custodian trustee and shall be deemed to include Citicorp Trustee Company Limited.

"**Trustee Acts**" means both the Trustee Act 1925 and the Trustee Act 2000 of England and Wales.

"**U.S. person**" has the meaning ascribed to such term in Regulation S.

"**U.S. Revenue Code**" means the United States Internal Revenue Code of 1986, as amended.

"**VAT**" means:

- (a) any tax imposed in compliance with the council directive of 28 November 2006 on the common system of value added tax (EC Directive 2006/112); and

- (b) any other tax of a similar nature, whether imposed in a member state of the European Union in substitution for, or levied in addition to, such tax referred to in (a), or elsewhere.

"**Warehouser**" has the meaning given to it in the Mortgage Sale Agreement.

words denoting the singular number only shall include the plural number also and *vice versa*;

words denoting one gender only shall include the other genders; and

words denoting persons only shall include firms and corporations and *vice versa*.

- 1.2 All references in this Trust Deed to "pounds", "sterling", "pounds sterling", "GBP" or the sign "£" shall be construed as references to the lawful currency of the United Kingdom.
- 1.3 All references in this Trust Deed to any provision of any statute shall be deemed also to refer to any statutory modification or re-enactment thereof or any statutory instrument, order or regulation made thereunder or under such re-enactment.
- 1.4 Unless the context otherwise requires words or expressions contained in this Trust Deed shall bear the same meanings as in the Companies Act 2006.
- 1.5 Unless the context otherwise requires, in this Trust Deed references to Schedules, Clauses, sub-clauses, paragraphs and sub-paragraphs shall be construed as references to the Schedules to this Trust Deed and to the Clauses, sub-clauses, paragraphs and sub-paragraphs of this Trust Deed respectively and, unless otherwise stated, references to sub-clauses are references to sub-clauses of the Clause in which the reference appears.
- 1.6 References in this Trust Deed to any action, remedy or method of judicial proceeding for the enforcement of the rights of creditors shall be deemed to include, in respect of any jurisdiction other than England and Wales, references to such action, remedy or method of judicial proceeding for the enforcement of the rights of creditors available or appropriate in such jurisdiction as shall most nearly approximate to such action, remedy or method of judicial proceeding described or referred to in this Trust Deed.
- 1.7 Any reference to and the definition of any document (including this Trust Deed) shall be deemed to be a reference to such document as from time to time amended, supplemented, modified or replaced (in whole or in part), but disregarding any amendment, supplement, variation or replacement taking place in breach of the terms of this Trust Deed.
- 1.8 Any reference in this Trust Deed to any party or person includes any person deriving title therefrom and any of their respective successors or assigns.
- 1.9 Terms not defined herein but defined in the Conditions shall, unless the context otherwise requires, bear the same meaning herein.
- 1.10 For the purposes of this Trust Deed and the Conditions, a Mortgage shall be "more than three months in arrears" at any time if at such time amounts totalling in aggregate

more than three times the then current Monthly Payment due from the Borrower under such Mortgage have not been paid and/or have been capitalised within the twelve months immediately preceding such time.

1.11 For the purposes of this Trust Deed, the Conditions and the Residual Certificates Conditions, a Mortgage shall be "more than two months in arrears" at any time if at such time amounts totalling in aggregate more than two times the then current Monthly Payment due from the Borrower under such Mortgage have not been paid and/or have been capitalised within the twelve months immediately preceding such time.

2. AMOUNT OF THE NOTES AND RESIDUAL CERTIFICATES; COVENANT TO REPAY NOTES AND RESIDUAL CERTIFICATES AND PAY INTEREST ON THE NOTES AND RESIDUAL PAYMENT AMOUNTS ON THE RESIDUAL CERTIFICATES; TRUSTEE'S REQUIREMENTS FOLLOWING AN EVENT OF DEFAULT

2.1 The aggregate principal amount of:

- (a) the Class A Notes is limited to £600,000,000;
- (b) the Class B Notes is limited to £33,500,000;
- (c) the Class C Notes is limited to £30,000,000;
- (d) the Class D Notes is limited to £24,700,000;
- (e) the Class Z Notes is limited to £17,648,000; and
- (f) the Class S Notes is limited to £10,923,000.

2.2 The Issuer hereby covenants with the Trustee that it will:

- (a) in accordance with the terms of the Notes (including the Conditions) and this Trust Deed, on the due date for the final maturity thereof as specified in such Conditions, or on each such earlier date as the Notes, or any of them or any part thereof, may become repayable thereunder (whether in full or in part), pay or procure to be paid unconditionally to or to the order of the Trustee, for immediate value the principal amount of such Notes repayable or in the case of a partial payment of such Notes, the principal amount payable thereon, subject to and in accordance with the terms of such Notes (including the Conditions), on that date and shall, subject to the terms of such Notes (including the Conditions), in the meantime and until such payment as well after as before any judgment or other order of a court of competent jurisdiction pay or procure to be paid unconditionally to or to the order of the Trustee as aforesaid (a) Normal Interest on the Principal Amount Outstanding of the Notes then outstanding and any interest, Overdue Interest, Deferred Interest, Default Interest or Additional Interest at the respective rates calculated from time to time in accordance with and on the dates provided for in the Conditions and (b) principal payable at such times and in such amounts as may be determined in accordance with Condition 5; and

- (b) in accordance with the Residual Certificates (including the Residual Certificates Conditions) and this Trust Deed, on each Interest Payment Date commencing on the first Interest Payment Date, pay or procure to be paid unconditionally to or to the order of the Trustee for immediate value the relevant Residual Payment Amounts (if any) to each Residual Certificateholder (both before and after any judgment or other order of a court of competent jurisdiction),

provided that:

- (c) every payment of principal or interest in respect of the Notes (including, for the avoidance of doubt any Deferred Interest and/or Additional Interest) to or to the account of the Principal Paying Agent and/or the Class S VFN Registrar (as the case may be) in the manner provided in the Agency Agreement shall operate in satisfaction *pro tanto* of the relative covenant in relation to such Notes by the Issuer in this Clause 2 contained except to the extent that there is default in the subsequent payment thereof by the Principal Paying Agent to or to the order of the relevant Noteholder in accordance with the provisions of the relevant Global Note or Definitive Note;
- (d) every payment of the Residual Payment Amount to or to the account of the Principal Paying Agent in the manner provided in the Agency Agreement shall operate in satisfaction *pro tanto* of the relative covenant by the Issuer in this Clause 2 except to the extent that there is default in the subsequent payment thereof in accordance with the Residual Certificates Conditions to the Certificateholders;
- (e) (in the case of Definitive Notes) in the case of any payment of principal made to the Trustee or the Principal Paying Agent after the due date or on or after accelerated maturity following an Event of Default, interest shall continue to accrue on such principal at the rate aforesaid up to and including the date (being not later than 30 days after the day on which the whole of such principal together with an amount equal to the interest which has accrued and is to accrue up to and including that date, has been received by the Trustee or the Principal Paying Agent) which the Trustee determines to be the date on and after which payment is to be made to the relevant Noteholders in respect thereof as stated in a notice given to the relevant Noteholders in accordance with Condition 12, **provided that** payment is in fact made;
- (f) (in the case of Definitive Notes) in any case where payment of the whole or any part of the principal amount due in respect of any Note is improperly withheld or refused (other than in circumstances contemplated by Clause 2.2(e)) interest shall accrue on that principal amount or part thereof payment of which has been so withheld or refused at the rate aforesaid from the date of such withholding or refusal until the date on which notice is given in accordance with Condition 12 as the case may be that the full amount in pounds sterling payable in respect of such Note is available for payments **provided that** payment is in fact made;
- (g) (in the case of any of the Global Notes) in the case of any payment of principal made to the Trustee or the Principal Paying Agent after the due date or on or

after accelerated maturity following an Event of Default or in any other case where payment of the whole or any part of the principal amount due in respect thereof is not made to or to the order of the relevant Noteholder in accordance with the provisions of the relevant Global Note on the due date therefor, interest shall continue to accrue on such principal amount at the rate aforesaid up to and including the date on which the whole of such principal amount, together with an amount equal to the interest which has accrued up to and including that date, has been paid to or to the order of the relevant Noteholder;

- (h) (in the case of any Definitive Notes) in any case where payment of the whole or any part of the amount of interest (including for the avoidance of doubt, Deferred Interest and/or Additional Interest and other interest on interest) due in respect of any Definitive Note is improperly withheld or refused (other than because the due day is not a Local Business Day as defined in Condition 6) interest shall accrue on that whole amount or part thereof, as the case may be, payment of which has been so withheld or refused at the rate aforesaid from the date of such withholding or refusal until the date on which notice is given in accordance with Condition 12 that the full amount (together with the sum accrued pursuant to this Clause 2.2(h)) payable in respect of such interest is available for payment, **provided that** payment is in fact made; and
- (i) (in the case of any of the Global Notes) in the case of any payment made to the Trustee or the Principal Paying Agent in any other case where payment of the whole or any part of the amount of interest (including for the avoidance of doubt, Deferred Interest and/or Additional Interest and other interest on interest) due in respect of the relevant Global Note is not made to or to the order of the relevant Noteholder in accordance with the provisions of the relevant Global Note and this Clause 2 on the due date therefor, interest shall accrue on that whole amount or part thereof, as the case may be, at the rate aforesaid up to and including the date on which the whole of such amount, together with an amount equal to the interest which has accrued pursuant to this Clause 2.2(i), has been paid to or to the order of the relevant Noteholder.

2.3 At any time after an Event of Default (or any condition, event or act which, with the giving of notice and/or the lapse of time and/or the issue of a certificate would constitute an Event of Default) in respect of the Notes or the Residual Certificates (as applicable) shall have occurred or at any time after Definitive Notes or Definitive Residual Certificates have not been issued when so required in accordance with the provisions of this Trust Deed, the Trustee may:

- (a) by notice in writing to the Issuer, the Registrar, the Class S VFN Registrar, the Principal Paying Agent, the other Paying Agent(s) and the Reference Agent require the Registrar, the Class S VFN Registrar, the Principal Paying Agent, the other Paying Agent(s) and the Reference Agent pursuant to the Agency Agreement:
 - (i) to act thereafter as Registrar, Class S VFN Registrar, Principal Paying Agent and Paying Agent(s) and Reference Agent respectively of the Trustee in relation to payments to be made by or on behalf of the Trustee under the provisions of this Trust Deed *mutatis mutandis* on the terms provided in the Agency Agreement (save that the Trustee's

liability under any provisions thereof for the indemnification of the Registrar, the Class S VFN Registrar, the Paying Agents and the Reference Agent shall be limited to that amount for the time being held by the Trustee on the relative trusts of this Trust Deed which is available to be applied by the Trustee for such purpose) and thereafter to hold all Definitive Notes and Definitive Residual Certificates and all sums, documents and records held by them in respect of the Notes and the Residual Certificates on behalf of the Trustee; or

- (ii) to deliver up all Definitive Notes and Definitive Residual Certificates and all sums, documents and records held by them in respect of such Notes and Residual Certificates to the Trustee or as the Trustee shall direct in such notice **provided that** such notice shall be deemed not to apply to any documents or records which the Registrar, Class S VFN Registrar, Paying Agent or Reference Agent (as the case may be) is obliged not to release by any law or regulation; and
- (b) by notice in writing to the Issuer require it to make all subsequent payments in respect of the Notes and the Residual Certificates to or to the order of the Trustee and not to the Principal Paying Agent and/or the Class S VFN Registrar, with effect from the issue of any such notice to the Issuer and until such notice is withdrawn, proviso (a) to Clause 2.2 shall cease to have effect.

3. **FORM OF, ISSUE OF AND DUTIES AND TAXES ON, GLOBAL NOTES; ISSUE OF DEFINITIVE NOTES**

3.1 Issue of Global Notes

- (a) The Notes of each class (other than the Class S VFN) will be issued initially in global fully registered form without interest coupons, deposited with (i) the Common Depositary as custodian for, and registered in the name of, or a nominee of, the Common Depositary or (ii) in the case of the Class A Notes, with the Common Safekeeper, for the respective accounts of Euroclear and Clearstream, Luxembourg.

The Global Notes shall be exchangeable to the extent provided in Clauses 3.8 and 3.9.

- (b) Each Global Note shall be typewritten, printed, lithographed or engraved or produced by any combination of these methods (with or without steel engraved borders), substantially in the form set out in Schedule 1 (*Form of Global Notes*).
- (c) The Issuer shall procure that, prior to the issue and delivery of each Global Note, each such Global Note will be:
 - (i) signed on behalf of the Issuer by a director of the Issuer or a duly authorised person designated by the Issuer;
 - (ii) authenticated manually or by facsimile by or by an authorised signatory on behalf of the Registrar on the Closing Date; and

- (iii) in the case of the Global Class A Note, effectuated by the Common Safekeeper acting on the instructions of the Registrar,

and no Global Note shall be valid for any purpose unless and until so signed and authenticated on the Closing Date in respect thereof. A Global Note so executed, authenticated and (in the case of the Global Class A Note) effectuated shall be a binding and valid obligation of the Issuer, notwithstanding that such duly authorised person no longer holds that office at the time the Registrar authenticated the relevant Global Notes. Each Note (other than the Class S VFN) shall be dated the date of its authentication.

The Issuer may use on any of the Global Notes the facsimile signature of any person who is a director of the Issuer on the date such signature is affixed notwithstanding the fact that when such Global Notes shall be delivered such person may have ceased to be a director.

- (d) The Issuer shall procure that, prior to the issue and delivery of each Note (other than the Class S VFN), each Note and Global Note shall not be valid for any purpose unless and until so authenticated and (in the case of the Global Class A Note) effectuated.
- (e) The terms of the Notes set forth in Schedule 1 (*Form of Global Notes*) are part of the terms of this Trust Deed and are incorporated into this Trust Deed by reference.
- (f) Title to the Notes (other than the Class S VFN) shall only pass by and upon the registration in the Register in respect thereof in accordance with the provisions of the Agency Agreement.
- (g) Until it (or part thereof) has been exchanged pursuant to this Trust Deed, each Global Note (or part thereof) shall in all respects be entitled to the same benefits as a Definitive Note as the case may be and each Global Note shall be subject to the provisions of this Trust Deed except that the relevant Noteholder thereof shall be the only person entitled to receive payments of principal and interest as set out therein.
- (h) The procedures as regards the exchange, authentication, effectuation, delivery, surrender, cancellation and presentation of the Global Notes, and the procedures as regards marking down of the Global Notes (or part thereof), and any other matters to be carried out by the relevant parties upon such exchange (in whole or part) shall be made in accordance with the provisions of the relevant Global Notes, the Agency Agreement and the rules and procedures of Euroclear and Clearstream, Luxembourg, as applicable, for the time being. If any Note (other than the Class S VFN) is mutilated, defaced, lost, stolen or destroyed, such Note shall, upon evidence of such mutilation, defacement, loss, theft or destruction being given to the Issuer and the Trustee, become void and the Issuer shall procure that immediately after the Registrar is provided with such evidence the Registrar shall deliver to the registered Holder thereof a duly executed and authenticated replacement Global Note or Definitive Note, as the case may be in accordance with Condition 11 and the Agency Agreement.

- (i) The Issuer may in its sole discretion demand that the Holder of any interest in a Global Note held by a U.S. person at the time of acquisition of such interest, if such acquisition occurred prior to the first Business Day that is 40 days after the later of the commencement of the offering of the Notes and the Closing Date, in each case, sell such interest to a Holder that is permitted to hold such interest in accordance with the terms of this Deed and, if the Holder does not comply with such demand within 30 days of such demand, the Issuer may sell such Holder's interest in such Notes.

3.2 Issue of Definitive Notes

- (a) If:
 - (i) either Euroclear and Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announces an intention permanently to cease business; or
 - (ii) as a result of any amendment to, or change in, the laws or regulations of the United Kingdom (or of any political sub-division thereof) or of any authority therein or thereof having power to tax or in the interpretation by such an authority or a court of, or in the administration of, such laws or regulations which becomes effective on or after the Closing Date, the Issuer or any Paying Agent is or will be required to make any deduction or withholding from any payment in respect of the Notes (other than the Class S VFN) which would not be required were the relevant Notes (other than the Class S VFN) in definitive physical form,

then the Issuer shall (at the Issuer's expense and subject to Clause 3.2(c)), within 30 days of the occurrence of the relevant event, but in any event not prior to the expiry of the Distribution Compliance Period, issue Definitive Notes in exchange for the whole (or the remaining part(s) outstanding) of the relevant Global Note.

- (b) The procedures to be carried out by the relevant parties upon such exchange shall be made in accordance with the provisions of the relevant terms of the relevant Global Note in respect of which exchange is to be made, this Trust Deed and the Agency Agreement and the relevant rules and procedures of Euroclear and Clearstream, Luxembourg, as applicable, for the time being. For the avoidance of doubt, if Definitive Notes are issued, the beneficial interests represented by a Global Note shall be exchanged by the Issuer for Definitive Notes of the class of Notes represented by that Global Note.
- (c) Notwithstanding the foregoing provisions of this Clause 3.2, the Issuer shall not be obliged to issue Definitive Notes until the later of (a) the first Business Day following the expiry of the Distribution Compliance Period, and (b) 30 days after the occurrence of the relevant event or request. All such Definitive Notes shall be held by the Principal Paying Agent and shall not be delivered to the relevant Noteholders until the same are requested to be so delivered. The

records in the Register in relation to each Global Note shall be marked-down in respect of those Definitive Notes which are so delivered, as appropriate.

- 3.3 The Issuer shall notify the Trustee forthwith upon the occurrence of any of the events referred to in Clauses 3.2(a)(i) or 3.2(a)(ii) and shall, unless the Trustee agrees otherwise, promptly give notice thereof and of its obligations to issue Definitive Notes to the relevant Noteholders in accordance with Condition 12 as the case may be.
- 3.4 If Definitive Notes are issued, such Definitive Notes shall be payable or distributable to the relevant Noteholder in the form set out in Schedule 2 (*Form of Definitive Note*), and the Definitive Notes shall be issued in the denominations specified in Condition 1(c), as applicable, (each serially numbered) and shall be endorsed with the relevant Conditions. Title to the Definitive Notes shall pass by and upon the registration in the Register in respect thereof in accordance with the provisions of the Agency Agreement.
- 3.5 If Definitive Notes are issued, such Definitive Notes shall be issued only in registered form and signed manually or in facsimile by two of the directors of the Issuer. The Issuer may use the facsimile signature of any person who at the date of printing of the Definitive Notes is a Director of the Issuer notwithstanding that at the time of issue of any of the Definitive Notes he may have ceased for any reason to be the holder of such office and the Definitive Notes so executed shall be binding and valid obligations of the Issuer. The Issuer shall procure that, prior to their issue, the Definitive Notes will be authenticated by an authorised signatory of the Registrar and none of the Definitive Notes appertaining thereto shall be valid for any purpose unless and until so authenticated.
- 3.6 The Issuer will pay any stamp and other duties and taxes payable in the United Kingdom, Belgium, Luxembourg on or in connection with (i) the execution of this Trust Deed (ii) the constitution and original issue and delivery of the Notes and (iii) any action taken by the Trustee or (where permitted under this Trust Deed so to do), any Noteholder to enforce the provisions of the Notes or this Trust Deed.
- 3.7 If the Issuer becomes obliged to issue, or procure the issue of, Definitive Notes pursuant to Clause 3.2(a)(ii) but fails to do so within 30 days of the occurrence of the relevant event described in Clause 3.2(a)(ii) then the Issuer shall indemnify the Trustee and the relevant Noteholders, and keep them indemnified against any loss or damage incurred by any of them if the amount received by the Trustee or the relevant Noteholders is less than the amount that would have been received had Definitive Notes been issued. If and for so long as the Issuer discharges its obligations under this indemnity, the breach by the Issuer of the provisions of Clause 3.2(a)(ii) shall be deemed to be cured *ab initio*.
- 3.8 So long as a Global Note remains outstanding and is held by or on behalf of the Common Depositary or, as the case may be, the Common Safekeeper, transfers of such Global Note, in whole or in part, shall only be made in accordance with this Clause 3.8 and Clause 3.9 below. Any purported transfer of a Note not in accordance with this Clause 3.8 and Clause 3.9 below shall be null and void and shall not be given effect for any purpose. If Definitive Notes have been issued pursuant to Clause 3.2(a) and a holder of an interest in a Global Note, or Definitive Note, as the case may be, wishes to exchange its interest in such Note (other than the Class S VFN) for an

interest in a Global Note or Definitive Note, as the case may be, or to transfer its interest in such Note to a person who wishes to take delivery thereof in the form of an interest in a Global Note or Definitive Note, such holder, subject to the rules and procedures of Euroclear, Clearstream, Luxembourg, as the case may be, may exchange or transfer such interest for an equivalent beneficial interest in a Global Note or Definitive Note, as the case may be. Any such transfers or exchanges may only be made in accordance with the terms of this Trust Deed and the Notes.

3.9 Each person who becomes a Beneficial Noteholder of Notes represented by an interest in a Global Note or a Definitive Note will be deemed or, in the case of a Definitive Note, required to have represented, warranted and agreed, as follows:

- (a) In connection with the purchase of the Notes:
 - (i) none of the Issuer or the Joint Lead Managers is acting as a fiduciary or financial or investment adviser for such Beneficial Noteholder;
 - (ii) such Beneficial Noteholder is not relying (for purposes of making any investment decision or otherwise) upon any advice, counsel or representations (whether written or oral) of the Issuer or the Joint Lead Managers other than any statements in a current offering circular for such Notes;
 - (iii) such Beneficial Noteholder has consulted with its own legal, regulatory, tax, business, investment, financial and accounting advisers to the extent it has deemed necessary and has made its own investment decisions (including decisions regarding the suitability of any transaction pursuant to the Trust Deed) based upon its own judgment and upon any advice from such advisers as it has deemed necessary and not upon any view expressed by the Issuer or the Joint Lead Managers;
 - (iv) such Beneficial Noteholder is not a U.S. person and is acquiring the Notes in reliance on the safe harbour from the registration requirements of the Securities Act provided by Regulation S; and
 - (v) such Beneficial Noteholder is acquiring its interest in the Notes for its own account for investment purposes and not for distribution in violation of the Securities Act, and such Beneficial Noteholder is able to bear the economic risk of an investment in the Notes and has such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of purchasing the Notes.
- (b) On each day from the date on which such Beneficial Noteholder acquires such Note through and including the date on which such Beneficial Noteholder disposes of its interests in such Note, in connection with the purchase of the Notes, either:
 - (i) Such Beneficial Noteholder is not a Benefit Plan, an entity whose underlying assets include the assets of any Benefit Plan, or a plan that is subject to any Similar Benefit Plan Law; or

- (ii) Such Beneficial Noteholder's purchase, holding and disposition of such Note will, if it would otherwise be a prohibited transaction, satisfy the requirements for exemptive relief under Prohibited Transaction Class Exemptions 96–23, 95–60, 91–38, 90–1, 84–14 for purposes of ERISA, or any similar exemption (or, in the case of a plan subject to Similar Benefit Plan Law, will not result in a non-exempt violation of such Similar Benefit Plan Law).
- (c) Such Beneficial Noteholder understands that the Notes are being offered only in a transaction not involving any public offering in the United States within the meaning of the Securities Act, the Notes have not been and will not be registered under the Securities Act, and, if in the future such Beneficial Noteholder decides to offer, resell, pledge or otherwise transfer the Notes, such Notes may be offered, resold, pledged or otherwise transferred only in accordance with the provisions of this Trust Deed and the legend on such Notes. Such Beneficial Noteholder acknowledges that no representation has been made as to the availability of any exemption under the Securities Act or any state securities laws for resale of the Notes.
- (d) Such Beneficial Noteholder is aware that, except as otherwise provided in this Trust Deed, Notes being sold to it, if any, in reliance on Regulation S will be represented by one or more permanent Global Notes, and that beneficial interests therein may be held only through Euroclear or Clearstream, Luxembourg.
- (e) Such Beneficial Noteholder will provide notice to each person to whom it proposes to transfer any interest in the Notes of the transfer restrictions and representations set forth in this Clause 3.9 and the Schedules referenced in this Clause 3.9.
- (f) Such Beneficial Noteholder understands that the Issuer will treat the Notes as indebtedness for U.S. federal income tax purposes. Such Beneficial Noteholder agrees to treat its interest in the Notes for U.S. federal income tax purposes as indebtedness.

3.10 Issue of the Class S VFN:

- (a) The Class S VFN issued on the Closing Date pursuant to these presents shall be in registered dematerialised form. The Class S VFN has a minimum denomination of £100,000 and may be issued and redeemed in integral multiples of £1. No certificate evidencing entitlement to the Class S VFN will be issued.
- (b) The Issuer shall at all times cause to be kept and maintained at the office of the Class S VFN Registrar a register in respect of the Class S VFN in electronic or hard copy form which shall, without limitation, (i) record the identity of the person being the registered holder of the Class S VFN from time to time, the holder's address, the Class S VFN's Principal Amount Outstanding and any other relevant information in respect thereof and (ii) register transfers of the Class S VFN.

- (c) Without prejudice to Clause 3.10(b) above, upon deposit of the funds received in relation to the funding under the Class S VFN pursuant to the Subscription Agreement and the Transaction Documents and the payment of any amount pursuant to a Further Class S VFN Funding, the Issuer (or PML as Administrator on its behalf) shall promptly:
 - (i) notify the Class S VFN Registrar of such purchase or increase; and
 - (ii) procure the updating of the Class S VFN Register to reflect such purchase or increase.
- (d) Without prejudice to Clause 3.10(b) above, the Issuer shall procure the updating of the Class S VFN Register upon any repayment or prepayment of the Class S VFN.
- (e) Title to the Class S VFN shall only pass by and upon registration of the transfer in the Class S VFN Register provided that no transferee shall be registered as a new Class S VFN Holder (as the case may be) unless (i) the prior written consent of the Issuer has been obtained and (ii) such transferee has certified to, *inter alios*, the Class S VFN Registrar that it is (A) a person falling within paragraph 3 of Schedule 2A to the Insolvency Act 1986, (B) independent of the Issuer within the meaning of regulation 2(1) of the Taxation of Securitisation Companies Regulations 2006 and (C) a Qualifying Noteholder by way of a Tax Certificate.
- (f) The entries in the Class S VFN Register shall be conclusive evidence of title to the Class S VFN in the absence of manifest error, and the Issuer, the Trustee and the Class S VFN Registrar shall be entitled to treat the registered holder whose identity is recorded in the Class S VFN Register as the holder of the Class S VFN, and except as ordered by a court of competent jurisdiction or as required by application of law, notwithstanding notice to the contrary or anything to the contrary contained herein (but subject to any annotation of the Class S VFN Register in respect of the beneficial interest of a Class S VFN Holder) unless such person is designated a nominee for another person when at its election such other person may be treated as the said holder.
- (g) The Issuer shall procure that the Class S VFN Register shall be available for inspection by the Trustee or any Class S VFN Holder, or any third party on behalf of any of them, at any reasonable time upon reasonable prior notice to the Issuer and the Class S VFN Registrar. No transfer or assignment of the Class S VFN otherwise permitted hereunder shall be effective unless and until it has been duly recorded in the Class S VFN Register as provided in Clause 3.10(f) above.
- (h) Any notice for a Further Class S VFN Funding to be delivered by the Issuer (or PML as Administrator on its behalf) to the Class S VFN Holder shall be substantially in the form of Schedule 7 (*Form of Class S VFN Notice of Increase*) (a "**Notice of Increase**") in accordance with Condition 18 and/or Condition 19 (as the case may be).
- (i) As at the Closing Date, the Class S VFN Holder will be PFPLC.

4. FORM AND ISSUE OF RESIDUAL CERTIFICATES

- 4.1 Each Class of Residual Certificates shall be represented by a Global Residual Certificate which the Issuer shall deposit with the Common Safekeeper and register in the name of a nominee for the Common Safekeeper as nominee for Euroclear and Clearstream, Luxembourg.
- 4.2 Each Global Residual Certificate to be issued on the Closing Date shall be printed or typed in or substantially in the form set out in Schedule 5 (*Form of Global Residual Certificate*), and may be a facsimile. The Global Residual Certificate shall be signed manually or in facsimile by a person duly authorised by the Issuer on behalf of the Issuer and shall be authenticated, upon its delivery to the Common Safekeeper, by or on behalf of the Registrar. The Global Residual Certificate so executed and authenticated shall be valid evidence of binding and valid obligations of the Issuer. Title to the Residual Certificates evidenced thereby shall only pass by registration of such transfer in the Register.
- 4.3 If the Issuer becomes obliged to do so pursuant to the Residual Certificates Conditions, the Issuer shall issue Definitive Residual Certificates in exchange for the Global Residual Certificates, in accordance with the provisions thereof.
- 4.4 If the Issuer has become obliged to issue Definitive Residual Certificates, these presents and the other Transaction Documents will be amended in such manner as the Trustee approves to take account of the issue of Definitive Residual Certificates.

5. COVENANT OF COMPLIANCE

The Issuer hereby covenants with the Trustee that it will comply with and perform and observe all the provisions of this Trust Deed which are expressed to be binding on it. The Conditions shall be binding on the Issuer, the Trustee and the Noteholders and the Residual Certificates Conditions shall be binding on the Issuer, the Trustee and the Certificateholders. The Trustee shall be entitled to enforce the obligations of the Issuer under the Notes and the Conditions as if the same were set out and contained in this Trust Deed which shall be read and construed as one document with the Notes and the Residual Certificates. The provisions contained in Schedule 3 (*Provisions for Meetings of Noteholders and Residual Certificateholders*) shall have effect in the same manner as if herein set forth.

6. CANCELLATION OF NOTES

- 6.1 The Issuer shall procure that all Notes (i) which have been redeemed in full or (ii) (in the case of Definitive Notes) which, being mutilated or defaced, have been surrendered and replaced pursuant to Condition 11 shall forthwith be cancelled by or on behalf of the Issuer and a certificate stating (a) the aggregate principal amount of the Definitive Notes which have been redeemed in full and the aggregate amounts of principal and interest paid in respect of the Global Notes (b) the serial numbers of such Definitive Notes and (c) the aggregate principal amounts of Definitive Notes which have been so surrendered and replaced and the serial numbers of such Definitive Notes shall be given to the Trustee by or on behalf of the Issuer as soon as possible and in any event within four months after the date of such redemption, payment, replacement or exchange (as the case may be). The Trustee may accept

such certificate as conclusive evidence of repayment, purchase or replacement *pro tanto* of the Notes or payment of interest thereon respectively and of cancellation of the relative Notes.

- 6.2 The Issuer shall procure (i) in respect of the Notes, that the Registrar shall keep a full and complete record of all Notes and of their redemption by the Issuer, payment, exchange or cancellation (as the case may be) and of all replacement Notes issued in substitution for lost, stolen, mutilated, defaced or destroyed Definitive Notes and in respect of the Class S VFN, that the Class S VFN Registrar shall keep a full and complete record of the Class S VFN and of its redemption in whole or in part by or on behalf of the Issuer, cancellation and payment of interest (as the case may be); and (ii) such records shall be made available to the Trustee at all reasonable times.

7. CANCELLATION OF CERTIFICATES

- 7.1 The Issuer shall procure that all Residual Certificates (i) cancelled pursuant to Residual Certificates Condition 4(e) (*Termination of Payments and cancellation of Residual Certificates*) or (ii) which, being mutilated or defaced, have been surrendered and replaced pursuant to Residual Certificates Condition 10 (*Replacement of Residual Certificates*) shall forthwith be cancelled by or on behalf of the Issuer and a certificate stating the number of Residual Certificates that have been surrendered or replaced shall be given to the Trustee by or on behalf of the Issuer as soon as possible and in any event within one month after the end of each calendar quarter during which any such surrender or replacement takes place. The Trustee may accept such certificate as conclusive evidence of any such surrender or replacement of or in respect of the Residual Certificates and, where applicable, of cancellation of the relative Residual Certificates.

- 7.2 The Issuer shall procure (i) that the Registrar shall keep a full and complete record of the Residual Certificates and of any Residual Payments Amounts made to the Certificateholders by or on behalf of the Issuer, and of all replacement Residual Certificates issued in substitution for lost, stolen, mutilated, defaced or destroyed Residual Certificates and (ii) that such records shall be made available to the Trustee at all reasonable times.

8. ENFORCEMENT

- 8.1 At any time after the Notes and/or the Residual Certificates, or any of them, shall have become due and repayable in full in accordance with the Conditions and shall not have been repaid, but subject to the provisions of Clauses 8.4 and 9 and Conditions 9 and 10 and/or Residual Certificates Conditions 8 and 9, the Trustee may at its discretion and without further notice take such steps and/or institute such proceedings as it may think fit against the Issuer and/or such steps as it may think fit to enforce the Security and to enforce repayment of the Notes and/or the Residual Certificates together with accrued interest and any other moneys payable pursuant to this Trust Deed provided that the Trustee shall be bound by the terms of the Deed of Charge in determining the priority in which any moneys received by it shall be applied.

- 8.2 Should the Trustee take legal proceedings against the Issuer to enforce any of the provisions of the Notes and/or the Residual Certificates, or any of them or this Trust

Deed, proof therein that, as regards any Note and/or the Residual Certificate, the Issuer has made default in paying any principal or interest due in respect of such Note shall (unless the contrary be proved) be sufficient evidence that the Issuer has made the like default as regards all other Notes and/or the Residual Certificates in respect of which the relevant payment is then due.

8.3 The rates of interest payable in respect of each class of the Notes in the event of the Notes having become due and repayable in full and not having been repaid shall be calculated at three-monthly intervals commencing on the expiry of the Interest Period during which the Notes become so due and repayable *mutatis mutandis* in accordance with the provisions of Condition 4 except that no notices need be given in respect thereof.

8.4

(a) If the Security has become enforceable otherwise than by reason of a default in payment of any amount due on the Notes and/or the Residual Certificates, the Trustee will not be entitled to dispose of the Security unless either a sufficient amount would be realised to allow discharge in full of all amounts owing to the Noteholders (other than to the Class S Noteholders and Class S VFN Holder) and Residual Certificateholders and any other amounts payable by the Issuer ranking in priority thereto or *pari passu* therewith or the Trustee is of the opinion, reached after considering at any time and from time to time the advice of an investment bank or other financial adviser selected by the Trustee, that the cash flow prospectively receivable by the Issuer will not (or that there is a significant risk that it will not) be sufficient, having regard to any other relevant actual, contingent or prospective liabilities of the Issuer, to discharge in full in due course all amounts owing to the Noteholders (other than to the Class S Noteholders and Class S VFN Holder) and Residual Certificateholders and any other amounts payable by the Issuer ranking in priority thereto or *pari passu* therewith.

(b) The Trustee will not be liable for any decline in the value, nor any loss realised upon any sale or other dispositions made pursuant to the Deed of Charge, of any Security or any other property which is charged to the Trustee by any other person in respect of or relating to the obligations of the Issuer or any third party in respect of the Issuer or the Notes or the Residual Certificates or relating in any way to the property contained in the Security. Without prejudice to the foregoing, and without limitation, the Trustee shall not be liable for any such decline or loss directly or indirectly arising from its acting, or failing to act, as a consequence of an opinion reached by it in good faith based on advice received by it in accordance with Clause 8.4(a) above.

9. PROCEEDINGS

9.1 The Trustee shall not be bound to take any such proceedings or steps as are mentioned in Clause 8.1 or any other proceedings pursuant to or in connection with this Trust Deed, the Notes, the Residual Certificates or any of them, or to give any notice pursuant to Condition 9 or Residual Certificates Condition 8 unless:

- (a) in the case of the giving of an Enforcement Notice, it has been directed in accordance with Condition 9 or Residual Certificates Condition 8 by the requisite holders of the Most Senior Class outstanding or it has been directed by an Extraordinary Resolution of the holders of the Most Senior Class outstanding (**provided that** in the case of the occurrence of any of the events mentioned in Condition 9(iii) or Residual Certificates Condition 8(iii), only if the Trustee has certified in writing to the Issuer that such event is, in its opinion, materially prejudicial to the interests of the holders of the Most Senior Class and, in the case of the event mentioned in Condition 9(i) in relation to any payment of interest on the Class A Notes, Class B Notes, Class C Notes, Class D Notes, Class Z Notes, Class S Notes and/or Class S VFN, as the case may be, only if the Trustee has issued a certificate (based on information provided to it by the Administrator or the Substitute Administrator) to the effect that the Issuer had, on the due date for payment of the amount of interest in question, sufficient cash to pay, in accordance with the provisions of the Deed of Charge, such interest (after payment of all sums which it is permitted under the Deed of Charge to pay in priority thereto or *pari passu* therewith)); and
- (b) in all other cases, it has been directed to do so in writing by the holders of at least one-quarter of the aggregate of the Principal Amount Outstanding of the Most Senior Class of Notes then outstanding or it has been so directed by an Extraordinary Resolution of the holders of the Most Senior Class outstanding, or if there are no Notes outstanding, it has been directed to do so in writing by the holders of at least one-quarter of the aggregate outstanding Residual Certificates of the Most Senior Class of Certificates outstanding or it has been so directed by an Extraordinary Resolution of the holders of the Most Senior Class of Certificates outstanding; and
- (c) then only if it shall be indemnified and/or secured and/or prefunded to its satisfaction against all action, proceedings, claims and demands to which it may thereby render itself liable and all costs, charges, damages and expenses which it may incur by so doing.

9.2 Only the Trustee may enforce (i) the Security created in favour of the Trustee by, and contained in or granted pursuant to, the Deed of Charge or any other security or (ii) the provisions of this Trust Deed, the Notes (including the Conditions) and the Residual Certificates (including the Residual Certificates Conditions) and no Noteholder and no Holder of a Global Note and no Residual Certificateholder and no Holder of a Global Residual Certificate and no Secured Party shall be entitled to enforce such security or to proceed directly against the Issuer to enforce the performance of any of the provisions of this Trust Deed or of the Notes (including the Conditions) or of the Residual Certificates (including the Residual Certificates Conditions) unless the Trustee having become bound as aforesaid to take steps or proceedings fails to do so within a reasonable period and such failure shall be continuing, and then only if and to the extent that such Holder or other person is able to do so under applicable law.

9.3 For the purpose of Conditions 5(c) and 5(d), the Trustee shall not be satisfied that the Issuer will be in a position to discharge the liabilities as therein referred to unless, *inter alia*, either (i) the Issuer will have available to it sufficient cash in the

Transaction Account and/or in Authorised Investments which will mature on or before the relevant Interest Payment Date (as defined in the Conditions) after making any other payments or provisions having priority in order of application under the applicable provisions of the Deed of Charge or (ii) the Issuer has entered into a legally binding contract with an entity with (a) a short term issuer default rating by Fitch of at least F1; and (b) a long term issuer default rating by Fitch of at least A; and (c) long term unsecured debt, rated at least A3 by Moody's to provide sufficient cash on or before the relevant Interest Payment Date to enable the Issuer to discharge its liabilities as aforesaid.

10. NOTICE OF PAYMENT

The Trustee shall give notice to the relevant Noteholders in accordance with Condition 12 of the day fixed for any payment to them under clause 8.2 of the Deed of Charge. Such payment may be made in accordance with Condition 6 (in the case of Definitive Notes) or to the order of the Noteholder (in the case of the relevant Global Notes) and such payment so made or made by the Trustee to the Principal Paying Agent for such purposes shall be a good discharge to the Trustee.

11. INVESTMENT BY TRUSTEE

11.1 If the amount of the moneys at any time available for the payment of principal and interest in respect of the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class Z Notes, the Class S Notes or the Class S VFN, as the case may be, under clause 8.2 of the Deed of Charge shall be less than 10 per cent. of the aggregate Principal Liability Outstanding of the Notes then outstanding, the Trustee may at its discretion invest such moneys in any Authorised Investments with power from time to time at its discretion to vary such investments and such investments with the resulting income therefrom may be accumulated until the accumulations together with any other funds for the time being under the control of the Trustee and available for such purpose shall amount to a sum being not less than 10 per cent. of the aggregate Principal Liability Outstanding of the Notes then outstanding and then such accumulations and funds shall be applied in the manner provided in clause 8.2 of the Deed of Charge.

11.2 Any moneys which under the trusts of this Trust Deed ought to or may be invested by the Trustee may be invested in the name or under the control of the Trustee in any Authorised Investments and the Trustee may at any time or times vary any such Authorised Investments into other Authorised Investments and shall not be responsible for any loss due to depreciation in value, or otherwise resulting from any such Authorised Investments.

12. PARTIAL PAYMENTS

In the case of Definitive Notes, upon any payment under clause 8.2 of the Deed of Charge (other than payment in full against surrender of a Definitive Note), the Trustee shall cause the Registrar and/or the Class S VFN Registrar to make appropriate annotations in the Register or the Class S VFN Register (as applicable).

13. COVENANTS BY THE ISSUER

So long as any of the Notes remains outstanding and any of the Residual Certificates remains in issue the Issuer shall:

- (a) at all times carry on and conduct its affairs in a proper and efficient manner;
- (b) give to the Trustee such information and evidence as it shall require and in such form as it shall require (including but without prejudice to the generality of the foregoing the procurement by the Issuer of all such certificates called for by the Trustee pursuant to Clause 15.1(c) and Clause 15.1(cc) below) for the purpose of the discharge of the duties, trusts, powers, authorities and discretions vested in it under this Trust Deed, any other Relevant Document, or by operation of law;
- (c) cause to be prepared and certified by the Auditors in respect of each financial year, accounts in such form as will comply with the requirements for the time being of the Companies Act 2006, The Stock Exchange and the Administration Agreement;
- (d) at all times keep proper books of account and allow the Trustee and any person appointed by the Trustee to whom the Issuer shall have no reasonable objection free access to such books of account at all reasonable times during normal business hours;
- (e) send to the Trustee (in addition to any copies to which it may be entitled as a holder of any securities of the Issuer) four copies of every balance sheet, profit and loss account, report, circular and notice of general meeting and every other document issued or sent to its shareholders together with any of the foregoing, and every document issued or sent to holders of securities other than its shareholders (including the Noteholders and/or the Residual Certificateholders) as soon as practicable after the issue or publication thereof;
- (f) annually, or if sooner, upon becoming aware thereof, give notice in writing to the Trustee of the occurrence of any Event of Default or any condition, event or act which with the giving of notice and/or the lapse of time and/or the issue of a certificate would constitute an Event of Default;
- (g) give to the Trustee (a) within seven days after demand by the Trustee therefor and (b) (without the necessity for any such demand) promptly after the publication of its audited accounts in respect of each financial period commencing with the financial period ending on 30 September 2018 and in any event not later than 180 days after the end of each such financial period a certificate of the Issuer signed by two directors of the Issuer to the effect that as at a date not more than seven days before delivering such certificate (the "**relevant date**") there did not exist and had not existed since the relevant date of the previous certificate (or in the case of the first such certificate the date hereof) any Event of Default or any condition, event or act which with the giving of notice and/or the lapse of time and/or the issue of a certificate would constitute an Event of Default (or if such exists or existed specifying the same) and that during the period from and including the relevant date of the last such

certificate (or in the case of the first such certificate the date hereof) to and including the relevant date of such certificate the Issuer has complied with all its obligations contained in this Trust Deed and in each of the other Relevant Documents or (if such is not the case) specifying the respects in which it has not complied;

- (h) at all times execute and do all such further documents, acts and things as may be necessary at any time or times in the opinion of the Trustee to give effect to this Trust Deed and each of the other Relevant Documents;
- (i) at all times maintain a Registrar, Class S VFN Registrar, Reference Agent and Paying Agents and use reasonable endeavours to appoint Reference Banks or, as the case may be, additional or other Reference Banks pursuant to Conditions 4(d)(ii)(C) or 4(d)(ii)(D), in each case if the Reference Screen is not available, in accordance with Conditions 4 and 6 or use reasonable endeavours to replace the Applicable Base Rate with an Alternative Base Rate in accordance with Clause 22 (*Base Rate Modification*);
- (j) procure the Principal Paying Agent or the Class S VFN Registrar (as applicable) to notify the Trustee forthwith in the event that the Principal Paying Agent or the Class S VFN Registrar (as applicable) does not, on or before the due date for any payment in respect of the Notes and/or the Residual Certificates (or any of them), receive unconditionally pursuant to the Agency Agreement payment of the full amount of the moneys payable in accordance with the Conditions and the Residual Certificates Conditions on such due date in respect of all such Notes and Residual Certificates (where the revenue is available to pay the Residual Certificateholders in accordance with the Revenue Priority of Payments);
- (k) in the case of Definitive Notes and/or the Class S VFN, in the event of the unconditional payment to the Principal Paying Agent or the Class S VFN Registrar (as applicable) of any sum due in respect of the Notes (or any of them) being made after the due date for payment thereof forthwith give or procure to be given Notice to the Noteholders in accordance with Condition 12, that such payment has been made;
- (l) use reasonable endeavours to:
 - (i) make or cause to be made an application to the Financial Conduct Authority, in its capacity as UK Listing Authority (the "**U.K. Listing Authority**") for the Notes to be admitted to the official list maintained by the U.K. Listing Authority (the "**Official List**") and an application to the regulated market of the London Stock Exchange for the Notes to be admitted to trading on the Regulated Market of the Stock Exchange; and
 - (ii) maintain such admission of the Notes to the Official List and trading on the Regulated Market of the Stock Exchange (including compliance with the continuing obligations applicable to the Issuer by virtue of the admission of the Notes thereto),

or, if it is unable to do so having used reasonable endeavours, use reasonable endeavours to obtain and maintain a quotation or listing of the Notes on such other stock exchange or exchanges or securities market or markets which is a recognised stock exchange for the purposes of section 987 Income Tax Act 2007 as the Issuer may (with the prior written approval of the Trustee) decide and shall also use reasonable endeavours to procure that there will at all times be furnished to such other stock exchange or securities market such information as the relevant stock exchange or securities market may require to be furnished in accordance with its requirements and shall also upon obtaining a quotation or listing of the Notes on such other stock exchange or exchanges or securities market or markets enter into a deed supplemental to this Trust Deed to effect such consequential amendments to this Trust Deed as the Trustee may require or as shall be requisite to comply with the requirements of any such stock exchange or securities market;

- (m) give notice to the Noteholders and the Residual Certificateholders and to the Rating Agencies in accordance with Condition 12 and Residual Certificates Condition 11 (as the case may be) of any appointment, resignation or removal of the Registrar, the Class S VFN Registrar, the Reference Agent or any Reference Bank or Paying Agent (other than the appointment of the initial Registrar, Class S VFN Registrar, Reference Agent and Paying Agent) after having obtained the approval of the Trustee thereto or change of any Paying Agent's Specified Office and (except as provided by the Agency Agreement) at least 30 days prior to such event taking effect; **provided that** so long as any of the Notes remains outstanding, in the case of the termination of the appointment of the Registrar, the Class S VFN Registrar, the Reference Agent or the Principal Paying Agent, no such termination shall take effect until a new Registrar, Class S VFN Registrar, Reference Agent or Principal Paying Agent (in the City of London) has been appointed on terms approved by the Trustee;
- (n) obtain the prior written approval of the Trustee to, and promptly give to the Trustee, or ensure that the Trustee receives, four copies of the form of every notice given to the Noteholders and/or the Residual Certificateholders in accordance with Condition 12 and/or Residual Certificates Condition 11 (as the case may be);
- (o) comply with and perform all its obligations under the Agency Agreement and use its best endeavours to procure that the Registrar, Class S VFN Registrar, Reference Agent and the Paying Agents comply with and perform all their respective obligations thereunder and not make any amendment or modification thereto without the prior written approval of the Trustee;
- (p) in order to enable the Trustee to ascertain the number of Notes and Residual Certificates for the time being outstanding for any of the purposes referred to in the proviso to the definition of "outstanding" contained in Clause 1 (*Definitions and Interpretation*), deliver to the Trustee forthwith upon being so requested in writing by the Trustee a certificate in writing signed by two directors of the Issuer setting out separately in relation to the Notes (and distinguishing between the Principal Amount Outstanding of each class of the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class S Notes, the Class S VFN and the Class Z Notes respectively) which are

at the date of such certificate beneficially held by or for the Relevant Persons to the best of the Issuer's knowledge;

- (q) at all times comply with and perform all its obligations under this Trust Deed and under the Relevant Documents and use its best endeavours to procure that the other parties thereto, other than the Trustee, comply with and perform all their respective obligations thereunder and not make any amendment or modification thereto or agree to waive or authorise any breach thereof without the prior written approval of the Trustee;
- (r) not at any time approve or agree or consent to any act or thing whatsoever under this Trust Deed without the prior written approval of the Trustee and do, or refrain from doing, any act or thing in relation thereto as the Trustee may require;
- (s) at all times comply with any direction given by the Trustee in relation to the Security;
- (t) promptly give notice to the Noteholders (in accordance with Condition 12) and the Residual Certificateholders (in accordance with Residual Certificates Condition 11) of the exercise by the Trustee of its rights under clause 5.5.1 of the Administration Agreement;
- (u) procure that there will at all times be an administrator of the Mortgages in accordance with the Administration Agreement or Substitute Administrator Agreement;
- (v) at the same time as giving notice to the Class A Noteholders of the aggregate principal payment in respect of Class A Notes to be redeemed pursuant to Condition 5(a) and to the Class B Noteholders, the Class C Noteholders, the Class D Noteholders, the Class Z Noteholders, the Class S Noteholders and the Class S VFN Holder of the Principal Amount Outstanding pursuant to Condition 5(b)(ii), give notice to the Class B Noteholders, the Class C Noteholders, the Class D Noteholders, the Class Z Noteholders, the Class S Noteholders and the Class S VFN Holder of the amount standing to the debit of the Principal Deficiency Ledger as at the relevant Principal Determination Date (as defined in the Administration Agreement);
- (w) not enter into any hedging arrangements pursuant to a Hedge Agreement if to do so would adversely affect any of the then current ratings of the Notes;
- (x) ensure that at all times the Mortgages each have a final maturity date of not later than 30 April 2048;
- (y) ensure that it is at all times solely resident in the United Kingdom for United Kingdom tax purposes and has no branch, business establishment or other fixed establishment outside the United Kingdom and will not be treated as being resident outside the United Kingdom by virtue of the application of section 18 of the Corporation Tax Act 2009;
- (z) ensure that in respect of each accounting period of the Issuer:

- (i) the only amounts retained by the Issuer have been and will be (A) amounts reasonably required to provide for losses or expenses arising from its business or to maintain or enhance its creditworthiness, (B) its profit and (C) amounts retained on the MFA Pre-Funding Reserve Ledger, the Retained Principal Ledger, the Mortgage MRF Discretionary Fund Ledger and the Conversion MRF Discretionary Fund Ledger in accordance with the Administration Agreement; and
 - (ii) in respect of all amounts received by the Issuer pursuant to all Relevant Documents, the Issuer has corresponding obligations to pay out to third parties amounts which are, in aggregate, equal to all such received amounts less an amount equal to the Issuer's profit, any amounts reasonably required to provide for losses or expenses arising from its business or to maintain or enhance creditworthiness and any amounts retained on the MFA Pre-Funding Reserve Ledger, the Retained Principal Ledger, the Mortgage MRF Discretionary Fund Ledger and the Conversion MRF Discretionary Fund Ledger in accordance with the Administration Agreement;
- (aa) ensure that its assets constitute "**financial assets**" as defined in the Taxation of Securitisation Companies Regulation 2006 (SI 2006/3296); and
 - (bb) ensure that each Hedge Agreement will be treated for accounting purposes as derivatives under Financial Reporting Standard 25, issued in December 2004 by the Accounting Standards Board, or any subsequent accounting standard dealing with transactions which are derivatives under Financial Reporting Standard 25, as amended from time to time.

14. REMUNERATION OF TRUSTEE

- 14.1 The Issuer shall pay to the Trustee remuneration for its services as trustee as from the date of this Trust Deed, such remuneration to be at such annual rate as may from time to time be agreed between the Issuer and the Trustee. Such remuneration shall be payable on the Interest Payment Date in August 2018 and thereafter annually in arrear in each year. Such remuneration shall accrue from day to day and be payable up to (and including) the date when, the Notes and the Residual Certificates having become due for redemption in full, the redemption moneys and interest thereon to the date of redemption have been paid to the Principal Paying Agent or the Trustee provided that if payment of the moneys due in respect of any of the Global Notes and Global Residual Certificates or, as the case may be, any Definitive Note or Definitive Residual Certificate is improperly withheld or refused, remuneration will commence again to accrue. The Issuer shall in addition pay to the Trustee, subject to the receipt of a valid VAT invoice, an amount equal to the amount of any VAT chargeable in respect of its remuneration under this Trust Deed.
- 14.2 In the event of the Trustee giving a notice under Condition 9, Residual Certificates Condition 8 or considering it expedient or necessary or being requested by the Issuer to undertake duties which the Trustee and the Issuer agree to be of an exceptional nature or otherwise outside the scope of the normal duties of the Trustee under this Trust Deed the Issuer shall pay to the Trustee such additional remuneration as shall be agreed between them.

- 14.3 In any event of the Trustee and the Issuer failing to agree:
- (a) (in the case to which Clause 14.1 above applies) upon the amount of such remuneration; or
 - (b) (in a case to which Clause 14.2 above applies) upon whether such duties shall be of an exceptional nature or otherwise outside the scope of the normal duties of the Trustee under this Trust Deed, or upon such additional remuneration,

such matters shall be determined by an independent expert (acting as an expert and not as an arbitrator) selected by the Trustee and approved by the Issuer or, failing such approval, nominated (on the application of the Trustee) by the President for the time being of the Law Society of England and Wales (the expense involved in such nomination and the fees of such independent expert being payable by the Issuer) and the determination of any such independent expert shall be final and binding upon the Trustee and the Issuer.

- 14.4 The Issuer shall also reimburse, pay or discharge all costs, charges, liabilities and expenses covenanted to be reimbursed, paid or discharged by the Issuer in clause 12 of the Deed of Charge and any stamp, issue, registration, documentary and other similar taxes or duties paid by the Trustee in connection with any legal proceedings brought or contemplated by the Trustee for enforcing the security created in favour of the Trustee by, and contained in or granted pursuant to, the Deed of Charge or against the Issuer or any other person for enforcing any obligation under this Trust Deed, or the Notes or the Residual Certificates or any Relevant Document.
- 14.5 Without prejudice to the right of indemnity by law given to trustees, the Issuer hereby covenants to indemnify and keep indemnified the Trustee and every attorney, receiver, manager, agent, delegate or other person appointed by it under this Trust Deed from and against all liabilities, losses, damages, costs, expenses, actions, proceedings, claims and demands (other than tax suffered by such person on their net income, profits or gains) incurred by or made against it or him in the execution or purported execution of the trusts of this Trust Deed or of their powers or in respect of any matter or thing done or omitted in any way relating to this Trust Deed including by virtue of being a party to any Relevant Document to which it is a party.
- 14.6 All sums payable by the Issuer under Clauses 14.4 and 14.5 above shall be payable by the Issuer on demand and carry interest at the rate of 2 per cent. per annum above the base rate from time to time of Barclays Bank PLC from the date of the same being demanded. Any amounts payable pursuant to Clauses 14.1 and 14.2 above shall carry interest at the aforesaid rate from the due date thereof to the date of actual payment.
- 14.7 Unless otherwise specifically stated in any discharge relating to this Trust Deed the provisions of this Clause 14 shall continue in full force and effect notwithstanding such discharge.
- 14.8 The Trustee's fees and expenses will be paid in accordance with clauses 6 and 8 of the Deed of Charge.

15. TERMS OF APPOINTMENT

15.1 By way of supplement to the Trustee Acts it is expressly declared as follows:

- (a) The Trustee may in relation to this Trust Deed act on the advice or opinion of, or a certificate or any information obtained from, any lawyer, valuer, accountant, banker, broker, credit-rating agency, lead manager or other expert whether obtained by the Issuer, the Trustee, the Administrator or otherwise and whether or not the liability of such person is limited by a monetary cap or otherwise, and shall not be responsible for any loss occasioned by so acting.
- (b) Any such advice, opinion or information may be sent or obtained by letter, telex, telegram, electronic mail, facsimile transmission or cable and the Trustee shall not be liable for acting on any advice, opinion or information purporting to be conveyed by any such letter, telex, telegram, electronic mail, facsimile transmission or cable although the same shall contain some error or shall not be authentic.
- (c) The Trustee may call for and shall be at liberty to accept as sufficient evidence of any fact or matter or the expediency of any transaction or thing a certificate signed by two directors of the Issuer and the Trustee shall not be bound in any such case to call for further evidence or be responsible for any loss that may be occasioned by the Trustee acting on such certificate.
- (d) The Trustee shall be at liberty to hold or to place this Trust Deed and any other documents relating to this Trust Deed in any part of the world with any banker or banking company or company whose business includes undertaking the safe custody of documents or lawyer or firm of lawyers considered by the Trustee to be of good repute or, in the case of the mortgage deeds, charges, insurance policies and other matters referred to in the Administration Agreement (including in clause 17 thereof), with the Administrator or otherwise as permitted by such agreement and the Trustee shall not be responsible for or required to insure against any loss incurred in connection with any such deposit and may pay all sums required to be paid on account of or in respect of any such deposit.
- (e) The Trustee shall not be responsible for the application of the proceeds of the issue of any of the Notes by the Issuer or the exchange of any Global Note for any other Global Note or Definitive Note or the exchange of any Global Residual Certificate for any other Global Residual Certificate or Definitive Residual Certificate, as the case may be.
- (f) The Trustee shall not be bound to give notice to any person of the execution of this Trust Deed or any of the Relevant Documents or any transaction contemplated hereby or thereby or to take any steps to ascertain whether any Event of Default (or any condition, event or act which with the giving of notice and/or the lapse of time and/or the issue of a certificate would constitute an Event of Default) has happened and, until it shall have actual knowledge or express notice to the contrary, the Trustee shall be entitled to assume that no Event of Default or such condition, event or act has happened and that the Issuer and each other party to any Relevant Document is observing and

performing all the obligations on its part contained in the Notes and/or the Residual Certificates and under this Trust Deed or, as the case may be, the Deed of Charge and/or any Relevant Document to which it is a party.

- (g) Save as expressly otherwise provided in this Trust Deed or the Relevant Documents, the Trustee shall have absolute and uncontrolled discretion as to the exercise of the discretions vested in the Trustee by this Trust Deed and the Relevant Documents (the exercise of which as between the Trustee and the Noteholders and other Secured Parties shall be conclusive and binding on the Noteholders and other Secured Parties) but whenever the Trustee is under the provisions of this Trust Deed or the Relevant Documents bound to act at the request or direction of the Noteholders, or any of them, or any other Secured Party, the Trustee shall nevertheless not be so bound unless first indemnified and/or secured and/or prefunded to its satisfaction against all actions, proceedings, claims and demands to which it may render itself liable and all costs, charges, damages, expenses and liabilities which it may incur by so doing.
- (h) The Trustee shall not be liable for acting upon any resolution purporting to have been passed at any meeting of the Class A Noteholders, the Class B Noteholders, the Class C Noteholders, the Class D Noteholders, the Class Z Noteholders, the Class S Noteholders, the Class S VFN Holder, the RC1 Residual Certificateholders and/or the RC2 Residual Certificateholders in respect whereof minutes have been made and signed or any resolution passed by way of Electronic Consents received through the relevant clearing systems, even though subsequent to its acting it may be found that there was some defect in the constitution of the meeting or the passing of the resolution (or, in the case of any resolution passed by way of Electronic Consents received through the relevant clearing systems, it was approved by the requisite number of Noteholders) or that for any reason the resolution was not valid or binding upon the Class A Noteholders, the Class B Noteholders, the Class C Noteholders, the Class D Noteholders, the Class Z Noteholders, the Class S Noteholders, the Class S VFN Holder, the RC1 Residual Certificateholders and/or the RC2 Residual Certificateholders.
- (i) The Trustee shall not be liable to the Issuer or any Noteholder or any other Secured Party by reason of having accepted as valid or not having rejected any Definitive Note or any Definitive Residual Certificate purporting to be such and subsequently found to be forged or not authentic and the Trustee may call for and shall be at liberty to accept and place full reliance on as sufficient evidence of the facts stated therein a certificate or letter of confirmation certified as true and accurate and signed on behalf of Euroclear, Clearstream, Luxembourg or any common depositary for them or such person as the Trustee considers appropriate, or any form of record made by any of them to the effect that at any particular time or through any particular period any particular person is, was, or will be, shown in its records as entitled to a particular number of Notes or Residual Certificates.
- (j) Any consent or approval given by the Trustee for the purpose of this Trust Deed, the Conditions, the Residual Certificates Conditions and any Relevant Document may be given on such terms and subject to such conditions (if any)

as the Trustee thinks fit and notwithstanding anything to the contrary contained in this Trust Deed, any Relevant Document, the Conditions or the Residual Certificates Conditions may be given retrospectively.

- (k) The Trustee shall not (unless and to the extent ordered so to do by a court of competent jurisdiction) be required to disclose to any Noteholder or any Residual Certificateholders or any Secured Party any confidential financial, price sensitive or other information made available to the Trustee by the Issuer or any other person in connection with the trusts of this Trust Deed and no Noteholder or Residual Certificateholder or any Secured Party shall be entitled to take any action to obtain from the Trustee any such information.
- (l) Where it is necessary or desirable for any purpose in connection with this Trust Deed to convert any sum from one currency to another it shall (unless otherwise provided by this Trust Deed or required by law) be converted at such rate or rates, in accordance with such method and as at such date for the determination of such rate of exchange, as may be agreed by the Trustee in consultation with the Issuer as relevant and any rate, method and date so agreed shall be binding on the Issuer, the Noteholders, the Residual Certificateholders and the Secured Parties.
- (m) The Trustee may certify whether or not any of the events set out in paragraph (iii) of Condition 9 or paragraph (iii) of Residual Certificates Condition 8 or any breach under clause 21.1.2 of the Administration Agreement is in its opinion materially prejudicial to the interests of the relevant Noteholders and may certify, in relation to the event set out in paragraph (i) of Condition 9 in relation to any payment of interest on the Notes that the Issuer had, on the due date for payment of the amount of interest in question, sufficient cash to pay, in accordance with the provisions of the Deed of Charge, such interest (after payment of all sums which are permitted under the Deed of Charge to be paid in priority thereto or *pari passu* therewith) and any such certificate shall be conclusive and binding upon the Issuer, the Noteholders, the Residual Certificateholders and the Secured Parties. The Trustee shall have no liability to the Issuer, any Noteholder, any Residual Certificateholder or the Secured Parties or any other person in relation to any such certificate or in relation to any delay or omission in providing such certificate. In giving any certificate relating to paragraph (i) of Condition 9, the Trustee may rely on any determination made by any independent accountants of recognised standing in England and Wales and any such determination shall be conclusive and binding on the Issuer and the Holders of the Notes.
- (n) The Trustee shall not be bound to take any steps to ascertain whether any event, condition or act, the happening of which would cause a right or remedy to become exercisable by the Trustee under this Trust Deed or by the Issuer or the Trustee under any of the Relevant Documents has happened (including without limitation any event specified in clause 21 of the Administration Agreement) or to monitor or supervise the observance and performance by the Issuer or any of the other parties thereto of their respective obligations thereunder and, until it shall have actual knowledge or express notice to the contrary the Trustee shall be entitled to assume that no such event, condition

or act has happened and that the Issuer and each of the other parties thereto are observing and performing all their respective obligations thereunder.

- (o) The Trustee shall not be responsible for recitals, statements, warranties or representations of any party contained in any Relevant Document or in any Mortgage or other document entered into in connection therewith and shall assume the accuracy and correctness thereof or for the execution, legality, effectiveness, adequacy, genuineness, validity or enforceability or admissibility in evidence of any such agreement or other document or any security thereby constituted and the Trustee may accept without enquiry, requisition or objection such title as the Issuer may have to the Security or any part thereof or as any other person may have to any other security charged from time to time to the Trustee and shall not be bound to investigate or make any enquiry in the title of the Issuer to the Security or any part thereof or the title of any other person to any other security charged from time to time to the Trustee whether or not any default or failure is or was known to the Trustee or might be, or might have been, discovered upon examination inquiry or investigation and whether or not capable of remedy. Notwithstanding the generality of the foregoing each Noteholder, each Residual Certificateholder and each Secured Party shall be solely responsible for making its own independent appraisal of and investigation into the financial condition, creditworthiness, condition, affairs, status and nature of the Issuer and the Trustee shall not at any time have any responsibility for the same and each Noteholder, each Residual Certificateholder and each Secured Party shall not rely on the Trustee in respect thereof.
- (p) The Trustee shall not be liable for any failure, omission or defect in registering or filing or procuring registration or filing of or otherwise protecting or perfecting the Security or any other security or failure to call for delivery of documents of title to the Security or any other security or to require any further assurances in relation to any property or assets comprised in the Security or any other security.
- (q) The Trustee shall not be obliged (whether or not directed to do so by the Noteholders and/or the Residual Certificateholders) to perfect legal title to any Mortgage in its name if, in its opinion, such perfection would or might result in the Trustee becoming liable to or incurring any obligation to any Borrower under a Mortgage and, in its opinion, there is or would be insufficient cash to discharge, in accordance with the provisions of the Deed of Charge, such liability or obligations as and when they arise. Notwithstanding the generality of the foregoing, the Trustee shall have no responsibility or liability for the payment of any fees for the registration of the Mortgages with the Land Registry in England and Wales or for any legal, administrative or other fees, costs and expenses (including, but not limited to, any proper disbursements and any VAT) relating thereto.
- (r) The Trustee shall, as regards all the powers, trusts, authorities, duties and discretions vested in it by this Trust Deed, the Relevant Documents, the Notes (including the Conditions) or the Residual Certificates (including the Residual Certificates Conditions), except where expressly provided otherwise have regard to the interests of the Class A Noteholders, the Class B Noteholders,

the Class C Noteholders, the Class D Noteholders, the Class Z Noteholders, the Class S Noteholders, the Class S VFN Holder, the RC1 Residual Certificateholders and the RC2 Residual Certificateholders **provided that** where the Trustee is required by this Trust Deed, the Relevant Documents or the Notes (including the Conditions) to have regard to the interests of the Class A Noteholders, the Class B Noteholders, the Class C Noteholders, the Class D Noteholders, the Class Z Noteholders, the Class S Noteholders, the Class S VFN Holder, the RC1 Residual Certificateholders and the RC2 Residual Certificateholders and:

- (i) where, in the opinion of the Trustee, there is a conflict between the interests of the Class A Noteholders and the interests of the Class B Noteholders and/or the Class C Noteholders and/or the Class D Noteholders and/or the Class Z Noteholders and/or the Class S Noteholders and/or the Class S VFN Holder and/or the RC1 Residual Certificateholders and/or the RC2 Residual Certificateholders, the Trustee shall, notwithstanding anything to the contrary contained in this Trust Deed, the Relevant Documents, the Notes (including the Conditions) or the Residual Certificates (including the Residual Certificates Conditions), have regard only to the interests of the Class A Noteholders; the Class B Noteholders, the Class C Noteholders, the Class D Noteholders, the Class Z Noteholders, the Class S Noteholders, the Class S VFN Holder, the RC1 Residual Certificates and/or the RC2 Residual Certificateholders shall not have any claim against the Trustee for so doing;
- (ii) where, in the opinion of the Trustee, there is a conflict between the interests of the Class B Noteholders and the interests of the Class C Noteholders and/or the Class D Noteholders and/or the Class Z Noteholders and/or the Class S Noteholders and/or the Class S VFN Holder and/or the RC1 Residual Certificateholders and/or the RC2 Residual Certificateholders, the Trustee shall, notwithstanding anything to the contrary contained in this Trust Deed, the Relevant Documents, the Notes (including the Conditions) or the Residual Certificates (including the Residual Certificates Conditions), have regard only to the interests of the Class B Noteholders; and the Class C Noteholders, the Class D Noteholders, the Class Z Noteholders, the Class S Noteholders, the Class S VFN Holder, the RC1 Residual Certificateholders and/or the RC2 Residual Certificateholders shall not have any claim against the Trustee for so doing;
- (iii) where, in the opinion of the Trustee, there is a conflict between the interests of the Class C Noteholders and the interests of the Class D Noteholders and/or the Class Z Noteholders and/or the Class S Noteholders and/or the Class S VFN Holder and/or the RC1 Residual Certificateholders and/or the RC2 Residual Certificateholders, the Trustee shall, notwithstanding anything to the contrary contained in this Trust Deed, the Relevant Documents, the Notes (including the Conditions) or the Residual Certificates (including the Residual Certificates Conditions), have regard only to the interests of the Class

C Noteholders; and the Class D Noteholders, the Class Z Noteholders, the Class S Noteholders, the Class S VFN Holder, the RC1 Residual Certificateholders and/or the RC2 Residual Certificateholders shall not have any claim against the Trustee for so doing;

- (iv) where, in the opinion of the Trustee, there is a conflict between the interests of the Class D Noteholders and the interests of the Class Z Noteholders and/or the Class S Noteholders and/or the Class S VFN Holder and/or the RC1 Residual Certificateholders and/or the RC2 Residual Certificateholders, the Trustee shall, notwithstanding anything to the contrary contained in this Trust Deed, the Relevant Documents, the Notes (including the Conditions) or the Residual Certificates (including the Residual Certificates Conditions), have regard only to the interests of the Class D Noteholders; and the Class Z Noteholders, the Class S Noteholders, the Class S VFN Holder, the RC1 Residual Certificateholders and/or the RC2 Residual Certificateholders shall not have any claim against the Trustee for so doing;
- (v) where, in the opinion of the Trustee, there is a conflict between the interests of the Class Z Noteholders and the interests of the Class S Noteholders and/or the Class S VFN Holder and/or the RC1 Residual Certificateholders and/or the RC2 Residual Certificateholders, the Trustee shall, notwithstanding anything to the contrary contained in this Trust Deed, the Relevant Documents, the Notes (including the Conditions) or the Residual Certificates (including the Residual Certificates Conditions), have regard only to the interests of the Class Z Noteholders; and the Class S Noteholders, the Class S VFN Holder, the RC1 Residual Certificateholders and/or the RC2 Residual Certificateholders shall not have any claim against the Trustee for so doing;
- (vi) where, in the opinion of the Trustee, there is a conflict between the interests of the Class S Noteholders and the interests of the Class S VFN Holder and/or the RC1 Residual Certificateholders and/or the RC2 Residual Certificateholders, the Trustee shall, notwithstanding anything to the contrary contained in this Trust Deed, the Relevant Documents, the Notes (including the Conditions) or the Residual Certificates (including the Residual Certificates Conditions), have regard only to the interests of the Class S Noteholders; and the Class S VFN Holder, the RC1 Residual Certificateholders and/or the RC2 Residual Certificateholders shall not have any claim against the Trustee for so doing;
- (vii) where, in the opinion of the Trustee, there is a conflict between the interests of the Class S VFN Holder and the interests of the RC1 Residual Certificateholders and/or the RC2 Residual Certificateholders, the Trustee shall, notwithstanding anything to the contrary contained in this Trust Deed, the Relevant Documents, the Notes (including the Conditions) or the Residual Certificates (including the Residual Certificates Conditions), have regard only to the interests of the Class

S VFN Holder; and the RC1 Residual Certificateholders and/or the RC2 Residual Certificateholders shall not have any claim against the Trustee for so doing;

- (viii) so long as there are no Notes outstanding and where, in the opinion of the Trustee, there is a conflict between the interests of the RC1 Residual Certificateholders and the RC2 Residual Certificateholders, the Trustee shall, notwithstanding anything to the contrary contained in this Trust Deed, the Relevant Documents, the Notes (including the Conditions) or the Residual Certificates (including the Residual Certificates Conditions), have regard only (a) (prior to the Step-Up Date) to have regard only to the interests of the RC1 Residual Certificateholders and the RC2 Residual Certificateholders shall not have any claim against the Trustee for so doing and (b) (following the Step-Up Date) to have regard only to the interests of the RC2 Residual Certificateholders and the RC1 Residual Certificateholders shall not have any claim against the Trustee for so doing;
- (ix) so long as any of the Notes and/or Residual Certificates are outstanding the Trustee shall, as regards all the rights, powers, trusts, authorities, duties and discretions vested in it by this Trust Deed the Relevant Documents, the Conditions, the Residual Certificates Conditions, except where expressly provided otherwise, have no regard to the interests of any other Secured Parties and no Secured Parties shall have any claim against the Trustee for so doing.

In all circumstances where the Trustee shall have regard to the interests of the RC1 Residual Certificateholders, the Trustee will treat the RC1a Residual Certificates and the RC1b Residual Certificates as one Class of Residual Certificates and will seek instructions or resolutions of the holders of the RC1a Residual Certificates and the RC1b Residual Certificates together as one Class. In such circumstances, the Trustee will have no regard to conflicts as between the RC1a Residual Certificates and the RC1b Residual Certificates and will rely solely on the instructions or resolutions of the RC1 Residual Certificateholders.

In all circumstances where the Trustee shall have regard to the interests of the RC2 Residual Certificateholders, the Trustee will treat the RC2a Residual Certificates and the RC2b Residual Certificates as one Class of Residual Certificates and will seek instructions or resolutions of the holders of the RC2a Residual Certificates and the RC2b Residual Certificates together as one Class. In such circumstances, the Trustee will have no regard to conflicts as between the RC2a Residual Certificates and the RC2b Residual Certificates and will rely solely on the instructions or resolutions of the RC2 Residual Certificateholders.

- (s) The Trustee will not be required to comply with any request or direction from the holders of the Residual Certificates or any Class of them (whether pursuant to Residual Certificates Condition 8 or 9 or otherwise) if the Issuer shall have certified in writing to the Trustee (upon which certificate the Trustee may rely without any duty or obligation to investigate or verify if the same is correct)

that no further amounts are payable to the holders of the Residual Certificates in accordance with the Residual Certificates Condition 4(e).

- (t) Without prejudice to the provisions of the Administration Agreement, the Deed of Charge and any other Relevant Document the Trustee shall not be under any obligation to insure any of the Security (or any other security) or any deeds or documents of title or other evidence in respect thereof and shall not be responsible for any loss, expense or liability which may be suffered as a result of the lack of or inadequacy of any such insurance.
- (u) The Trustee shall not be responsible for any loss, expense or liability occasioned to the Security or any other security or in respect of all or any of the moneys which are subject to the Collection Account Declarations of Trust however caused by any act or omission of the Issuer or the Administrator or the Issue Services Provider or the Seller or any other person (including any bank, broker, depository, warehouseman or other intermediary or any clearing system or the operator thereof) acting in accordance with or contrary to the terms of any of the Relevant Documents or otherwise, unless such loss is occasioned by the wilful neglect or misconduct or fraud of the Trustee.
- (v) The Trustee shall have no responsibility whatsoever to the Issuer or any Noteholder or any Residual Certificateholder or any Secured Party as regards any deficiency or additional payment, as the case may be, which might arise because the Trustee or the Issuer is subject to any tax in respect of the Security or any other security.
- (w) The Trustee shall not be liable for any error of judgment made in good faith by any officer or employee of the Trustee assigned by the Trustee to administer its corporate trust matters unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts.
- (x) Notwithstanding any provision of this Trust Deed or any Relevant Document the Trustee shall be under no obligation to do anything which may be illegal or contrary to applicable law or regulation or expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not assured to it and, without prejudice to the generality of the foregoing, nothing contained in this Trust Deed shall impose any obligation on the Trustee to make any further advance to a Borrower or to maintain, protect or preserve any moneys standing to the credit of the Transaction Account or which are subject to the Collection Account Declarations of Trust. Notwithstanding anything else herein contained, the Trustee may refrain without liability from doing anything that would or might in its reasonable opinion be contrary to any law of any state or jurisdiction (including but not limited to the United States of America or any jurisdiction forming a part of it and England & Wales) or any directive or regulation of any agency of any such state or jurisdiction or which would or might otherwise render it liable to any person or cause it to act in a manner which might prejudice its interests and may without liability do anything which is, in

its reasonable opinion, necessary to comply with any such law, directive or regulation.

- (y) The Trustee as between itself, the Noteholders, the Residual Certificateholders and other Secured Parties shall have full power to determine all questions and doubts arising in relation to any of the provisions of this Trust Deed, and every such determination, whether made upon a question actually raised or implied in the acts or proceedings of the Trustee, shall be conclusive and shall bind the Issuer, the Noteholders, the Residual Certificateholders and other Secured Parties.
- (z) The Trustee may determine whether or not a default in the performance by the Issuer of any obligation under the provisions of this Trust Deed or contained in the Notes or the Residual Certificates or any of the Relevant Documents is capable of remedy and, if the Trustee shall certify that any such default is, in its opinion, not capable of remedy, such certificate shall be conclusive and binding upon the Issuer, the Noteholders, the Residual Certificateholders and other Secured Parties.
- (aa) Notwithstanding the generality of Clauses 15.1(n), (o) or (w) above, the Trustee shall not be responsible for the genuineness, validity, effectiveness or suitability of any of the Relevant Documents or any of the Mortgages or other documents entered into in connection therewith or any of the Insurance Contracts or any other document or any obligation or rights created or purported to be created thereby or pursuant thereto or any security or the priority thereof constituted or purported to be constituted thereby or pursuant thereto, nor shall it be responsible or liable to any person because of any invalidity of any provision of such documents or the unenforceability thereof, whether arising from statute, law or decision of any court and (without prejudice to the generality of the foregoing) the Trustee shall not have any responsibility for or have any duty to make any investigation in respect of or in any way be liable whatsoever for:
 - (i) the nature, status, creditworthiness or solvency of any Borrower or any other person or entity who has at any time provided any security or support whether by way of guarantee, charge or otherwise in respect of any advance made to any Borrower;
 - (ii) the execution, legality, validity, adequacy, admissibility in evidence or enforceability of any Mortgage or other document entered into in connection therewith;
 - (iii) the title, ownership, value, sufficiency or existence of any Property or any Insurance Contract;
 - (iv) the registration, filing, protection or perfection of any Mortgage or the priority of the security thereby created whether in respect of any initial advance or any subsequent advance or any other sums or liabilities;
 - (v) the scope or accuracy of any representations, warranties or statements made by or on behalf of any Borrower in any application for any

advance or the Insurance Contracts or in any Mortgage or in any document entered into in connection therewith;

- (vi) the performance or observance by any Borrower or any other person of any provisions of any Mortgage or in any document entered into in connection therewith or the fulfilment or satisfaction of any conditions contained therein or relating thereto or as to the existence or occurrence at any time of any default, event of default or similar event contained therein or any waiver or consent which has at any time been granted in relation to any of the foregoing;
- (vii) the existence, accuracy or sufficiency of any legal or other opinions, searches, reports, certificates, valuations or investigations delivered or obtained or required to be delivered or obtained at any time in connection with any Mortgage;
- (viii) the title of the Issuer to any Mortgage;
- (ix) the suitability, adequacy or sufficiency of any Lending Guidelines or compliance therewith or the legality or ability or enforceability thereof or the priority of the Security in relation thereto;
- (x) the compliance of the provisions and contents of and the manner and formalities applicable to the execution of the Mortgages and any documents connected therewith or the making of any advance intended to be secured thereby, with any applicable laws or regulations (including without prejudice to the generality of the foregoing, the Consumer Credit Act 1974 (as amended by the Consumer Credit Act 2006));
- (xi) the failure by the Seller or the Administrator or any other person or by the Issuer to obtain or comply with any licence, consent or other authority in connection with the origination, sale, purchase or administration of any of the Mortgages or the making of any advances in connection therewith or the failure to effect or procure registration of or to give notice to any person in relation to or otherwise protect the security created or purported to be created by or pursuant to any of the Mortgages or other documents entered into in connection therewith;
- (xii) the failure to call for delivery of documents of title to or require any transfers, legal mortgages, charges or other further assurances in relation to any of the assets the subject matter of any of the Relevant Documents or any other document;
- (xiii) any accounts, books, records or files maintained by the Administrator or the Seller or any other person in respect of any of the Mortgages; or
- (xiv) any other matter or thing relating to or in any way connected with any Mortgage or any document entered into in connection therewith whether or not similar to the foregoing.

- (bb) The Trustee shall not be liable or responsible for any loss, cost, damages, expenses or inconvenience which may result from anything done or omitted to be done by it in accordance with the provisions of this Trust Deed, any Relevant Documents or any other document or as a consequence of or in connection with it being held or treated as, or being deemed to be, a creditor, for the purposes of the Consumer Credit Act 1974 (as amended by the Consumer Credit Act 2006), in respect of any of the Mortgages.
- (cc) The Trustee shall be entitled to call for and to rely upon a certificate or any letter of confirmation or explanation reasonably believed by it to be genuine, of the Issuer, the Administrator, the Issue Services Provider, the Seller, the Reference Banks or any of them, the Registrar, the Class S VFN Registrar, the Reference Agent or any Paying Agent or the Rating Agencies or any other credit rating agency in respect of every matter and circumstance for which a certificate is expressly provided for under this Trust Deed or in respect of the ratings of the Notes or the Conditions or the Residual Certificates Conditions and to call for and to rely upon a certificate of the Administrator reasonably believed by it to be genuine as to any other fact or matter *prima facie* within the knowledge of the Administrator as sufficient evidence thereof and the Trustee shall not be bound in any such case to call for further evidence or be responsible for any loss, liability, costs, damages, expenses or inconvenience that may be occasioned by its failing so to do.
- (dd) In connection with any proposed modification, waiver, authorisation or determination permitted by the terms of this Trust Deed, the Trustee shall not have regard to the consequences thereof for individual Noteholders or individual Residual Certificateholders or any Secured Parties resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to, the jurisdiction of any particular territory.
- (ee) The Trustee shall have no responsibility for the maintenance of any ratings of the Notes by the Rating Agencies or any other credit rating agency or any other person.
- (ff) For the avoidance of doubt, to the extent that any Notes or Residual Certificates are represented by a Global Note or Global Residual Certificate (as applicable), the Trustee shall be entitled to rely on a certificate from Euroclear or Clearstream, Luxembourg in determining whether a person (other than in respect of the Class S VFN) is a "**Noteholder**" or "**Residual Certificateholder**" for the purposes of this Trust Deed, the Conditions and the Residual Certificates Conditions.
- (gg) The Trustee shall have no liability whatsoever for any loss, cost, damage or expenses directly or indirectly suffered or incurred by the Issuer, any Noteholder, any Residual Certificateholder, any other Secured Parties or any other person as a result of the delivery by the Trustee of a certificate, or the omission by it to deliver a certificate, to the Issuer as to material prejudice pursuant to Condition 9 and/or Residual Certificates Condition 8 on the basis of an opinion formed by it in good faith.

- (hh) The Trustee shall be under no obligation to monitor or supervise the functions of the Administrator from time to time under the terms of the Administration Agreement or those of any other person under any other Relevant Document, including but not limited to the Collection Account Declarations of Trust shall be entitled, in the absence of actual knowledge of a breach of duty or obligation, to assume that the Administrator is properly performing its obligations in accordance with the provisions of the Administration Agreement or that such other person is properly performing its obligations in accordance with each other Relevant Document, including but not limited to the Administrator.
- (ii) The Trustee acknowledges that the Administrator is responsible, pursuant to the Administration Agreement, for determining, (A) in respect of the Notes, the amount of (i) the Available Redemption Funds (as defined in the Conditions), (ii) the Principal Payment (as defined in the Conditions), the Principal Amount Outstanding, the Principal Liability Outstanding (as defined in the Conditions) and the Pool Factor (as defined in the Conditions) and (iii) the actual amount of interest on the Notes in relation to any Interest Payment Date and (B) in respect of the Residual Certificates, the Residual Payment Amounts (as defined in the Residual Certificates Conditions) and the Trustee shall have no responsibility to recalculate any such amounts notwithstanding a manifest error therein. However, if the Administrator does not at any time for any reason determine the amount of (a) the Available Redemption Funds (b) the Principal Payment, the Principal Amount Outstanding, the Principal Liability Outstanding and the Pool Factor, (c) the actual amount of interest on each Class of Notes and if the Trustee shall calculate the same (being under no obligation to do so) and (d) the Residual Payment Amounts, such amount shall be deemed to have been calculated by the Administrator pursuant to the Administration Agreement and the Trustee shall have no liability in respect thereof other than as a result of the negligence, bad faith or wilful default of the Trustee.
- (jj) The Trustee shall not be responsible to the Noteholders, the Residual Certificateholders or the Issuer for the performance or the failure to perform any action, the making of or failure to make any determination or the exercise or failure to exercise any discretion in any capacity other than as Trustee for the Noteholders and the Residual Certificateholders pursuant to this Trust Deed and the Trustee shall not, in performing its obligations and exercising its rights and discretions pursuant to this Trust Deed, be required to take into account any other capacity in which it may act in connection with the issues of the Notes and/or the Residual Certificates or otherwise, nor shall anything in this Trust Deed prevent the Trustee from acting in any such other capacity.
- (kk) The Trustee may accept advice, opinions and/or certificates from auditors or other professional advisers to the Trustee, the Issuer, the Administrator or others, subject to the terms of any engagement letter or other terms provided by the auditors or other professional advisers and which the auditors or other professional advisers think fit. The Trustee is under no express or implied obligation to seek to negotiate or amend any such engagement letter or other terms but shall be entitled to accept them as proposed. and for the avoidance

of doubt, the Trustee shall be entitled to refuse to enter into or accept any such engagement letter or terms if it would or might result in the Trustee incurring personal liability thereunder.

- (ll) The Trustee is under no obligation to review the information or documents or reports or files or discs which the Mortgage Sale Agreement or the Administration Agreement or other Relevant Documents provide for to be delivered to it and, without prejudice to the provisions of Clause 15.1(n) above, the Trustee shall not be under any obligation to monitor that any of the same are delivered when the same should be delivered.
- (mm) The Trustee shall not be responsible for the monitoring of, compliance with, or for investigating any matter which is the subject of (i) the covenant given by PFPLC to the Trustee in the CRR deed of covenant dated on or about the date hereof and made between the Trustee, the Issuer, and PFPLC (the "**CRR Deed of Covenant**") in relation to PFPLC's holding of a material net economic interest pursuant to Article 405(1)(a) of Regulation (EU) No.575/2013 (as amended) (the "**CRR**"), Article 51(1)(a) of Regulation (EU) No.231/2013, referred to as the Alternative Investment Fund Managers Regulation ("**AIFMR**") and Article 254(2)(a) of Regulation (EU) 2015/35 (Solvency II) (the "**Solvency II Regulation**") (which in each case does not take into account any corresponding national measures) and (ii) the covenant given by PFPLC to the Trustee in the CRR Deed of Covenant in relation to PFPLC's compliance with Article 409 of the CRR (which does not take into account any implementing rules of the CRR in a relevant jurisdiction) (the "**Covenants**"). The Trustee shall not be under any obligation to take any action in relation to PFPLC's non-compliance with their respective Covenants unless and until it receives actual written notice from any party to a Relevant Document confirming a breach of any of the Covenants, in which event the only obligation of the Trustee shall be to forthwith notify the Issuer (who shall notify the Noteholders, the Residual Certificateholders and the other Secured Creditors of the same) and, subject to its being indemnified and/or secured and/or prefunded to its satisfaction, to take such further action as it is directed to take in connection with such breach in accordance with Clause 15.1(nn) below.
- (nn) The Trustee shall be entitled to seek and obtain the express direction by an Extraordinary Resolution of the holders of the Most Senior Class of outstanding Notes or a direction in writing made by holders of not less than 25 per cent. of the aggregate Principal Amount Outstanding of the Most Senior Class of outstanding Notes in respect to the exercise of any of its powers, discretions, rights or authorities vested in it under any Relevant Document, or if there are no Notes outstanding, by an Extraordinary Resolution of the holders of the Most Senior Class of outstanding Residual Certificates or a direction in writing made by holders of not less than 25 per cent. of the Most Senior Class of Residual Certificates then outstanding, and any such direction shall be binding on the Noteholders, the Residual Certificateholders and the other Secured Creditors.

16. **TRUSTEE'S LIABILITY FOR NEGLIGENCE**

The duty of care that applies to a trustee under section 1 of the Trustee Act 2000 shall not apply to the Trustee. Subject thereto, if the Trustee fails to show the degree of care and diligence required of it as trustee having regard to the provisions hereof conferring on it powers, authorities and discretions, nothing in this Trust Deed shall relieve or indemnify it against any liability which would otherwise attach to it in respect of any negligence, default, breach of duty or breach of trust of which it may be guilty.

17. **DELEGATION BY TRUSTEE**

The Trustee may whenever it thinks fit delegate by power of attorney or otherwise to any person or persons or fluctuating body of persons (whether being a joint trustee of this Trust Deed or not) for any period (whether exceeding one year or not) or indefinitely all or any of the trusts, powers and authorities vested in the Trustee by this Trust Deed and such delegation may be made upon such terms and subject to such conditions including power to sub-delegate and subject to such regulations as the Trustee may in the interests of the Noteholders and Residual Certificateholders think fit and **provided that** the Trustee shall have exercised reasonable care in the selection of such delegate the Trustee shall not be in any way responsible for any loss incurred by reason of any misconduct or default on the part of any such delegate or sub-delegate. The Trustee shall within a reasonable time prior to any such delegation or any renewal, extension or termination thereof give notice thereof to the Issuer and to the Rating Agencies.

18. **EMPLOYMENT OF AGENT BY TRUSTEE**

18.1 The Trustee may in the conduct of the trusts of this Trust Deed instead of acting personally, employ and pay an agent, whether being a lawyer or other professional person, to transact or concur in transacting any business and to do or concur in doing all acts required to be done in connection with the trusts of this Trust Deed and provided that the Trustee shall have exercised reasonable care in the selection of such agent, the Trustee shall not in any way be responsible for any loss incurred by reason of any misconduct or default on the part of any such agent appointed by it under this Trust Deed.

18.2 Any trustee of this Trust Deed being a lawyer, accountant, broker or other person engaged in any profession or business shall be entitled to charge and be paid all usual professional and other charges for business transacted and acts done by him or his firm in connection with the trusts of this Trust Deed and also his reasonable charges in addition to disbursements for all other work and business done and all time spent by him or his firm in connection with matters arising in connection with this Trust Deed.

19. **TRUSTEE CONTRACTING WITH ISSUER**

Neither the Trustee nor any director or officer of a corporation acting as a trustee under this Trust Deed shall by reason of its or his fiduciary position be in any way precluded from entering into or being interested in any contract or financial or other transaction or arrangement with the Issuer or any other party to any of the Relevant

Documents or any person or body corporate associated with the Issuer including without prejudice to the generality of this provision any contract, transaction or arrangement of a banking or insurance nature or any contract, transaction or arrangement in relation to the making of loans or the provision of financial facilities to or the purchase, placing or underwriting of or subscribing or procuring subscriptions for or otherwise acquiring holding or dealing with the Notes or the Residual Certificates or any of them, or any other bonds, stocks, shares, debenture stock, debentures, notes or other securities of the Issuer or any other party to any of the Relevant Documents or any person or body corporate associated as aforesaid or from accepting or holding the trusteeship of any other trust deed constituting or securing any other securities issued by or relating to the Issuer or any other party to any of the Relevant Documents or any such person or body corporate so associated or any other office of profit under the Issuer or any other party to any of the Relevant Documents or any such person or body corporate so associated and shall be entitled to retain and shall not be in any way liable to account for any profit made or share of brokerage or commission or remuneration or other benefit received thereby or in connection therewith.

20. WAIVER; AUTHORISATION; DETERMINATION; MODIFICATION

- 20.1 The Trustee may without prejudice to its rights in respect of any subsequent breach, condition, event or act from time to time and at any time but only if and in so far as in its opinion the interests of any of the Noteholders shall not be materially prejudiced thereby waive or authorise on such terms and subject to such conditions as to it shall seem fit and proper any breach or proposed breach by the Issuer of any of the covenants or provisions contained in this Trust Deed or in the Notes (including the Conditions) or in the Residual Certificates (including the Residual Certificates Conditions) or any other Relevant Document or determine that any condition, event or act which constitutes, or which with the giving of notice and/or the lapse of time and/or the issue of a certificate would constitute, but for such determination, an Event of Default shall not, or shall not subject to specified conditions, be treated as such for the purposes of this Trust Deed provided that the Trustee shall not exercise any powers conferred on it by this Clause in contravention of any express direction given by Extraordinary Resolution or by a request under Condition 9 (being, in the case of a direction or request of the Class B Noteholders or the Class C Noteholders or the Class D Noteholders or the Class Z Noteholders or the Class S Noteholders or the Class S VFN Holder, a request or direction which is binding on the Trustee in accordance with Clause 9.1), or if there are no Notes outstanding by Extraordinary Resolution or by a request under Residual Certificates Condition 8 (being, in the case of a direction or request of the RC1 Residual Certificateholders or the RC2 Residual Certificateholders a request or direction which is binding on the Trustee in accordance with Clause 9.1) but so that no such direction or request shall affect any waiver, authorisation or determination previously given or made. Any such waiver, authorisation or determination shall be binding on the Noteholders, Residual Certificateholders and each Secured Party and if, but only if, the Trustee shall so require, shall be notified by the Issuer to the Noteholders in accordance with Condition 12 and to the Residual Certificateholders in accordance with Residual Certificates Condition 11 as soon as practicable thereafter.

20.2 The Trustee may without the consent of the Noteholders or the Residual Certificateholders at any time and from time to time concur with the Issuer in making any modification:

- (a) to this Trust Deed or the Conditions or the Residual Certificates Conditions (other than the proviso to paragraph 5 of Schedule 3 (*Provisions for Meetings of Noteholders and Residual Certificateholders*) or any provision of this Trust Deed or the Conditions or the Residual Certificates Conditions referred to in that proviso and this Clause 20.2) or any other Relevant Document which in the opinion of the Trustee it may be proper to make **provided that** the Trustee is of the opinion that such modification will not be materially prejudicial to the interests of the relevant Noteholders or the Residual Certificateholders; or
- (b) to this Trust Deed or the Conditions or the Residual Certificates Conditions or any Relevant Documents if in the opinion of the Trustee such modification is of a formal, minor or technical nature or to correct a manifest error.

Any such modification shall be binding upon the Noteholders, the Residual Certificateholders and each Secured Party, provided for the avoidance of doubt that no such modification of any Relevant Document will be effective without the prior consent of each party to such Relevant Document and, unless the Trustee agrees otherwise, shall be notified to the Noteholders in accordance with Condition 12 and to the Residual Certificateholders in accordance with Residual Certificates Condition 11 as soon as practicable thereafter. In addition so long as the Notes are rated by the Rating Agencies, any such modification shall be notified in writing by the Trustee to the Rating Agencies as soon as reasonably practicable thereafter.

21. **ADDITIONAL RIGHT OF MODIFICATION**

Notwithstanding any of the provisions of Clause 20 (*Waiver; Authorisation; Determination; Modification*), the Trustee shall be obliged, without any consent or sanction of the Noteholders, Residual Certificateholders, or, subject to Clause 21 (h)(C) below, any of the other Secured Creditors, to concur with the Issuer in making any modification (other than in respect of a Basic Terms Modification) to the Conditions, the Residual Certificates Conditions or any other Relevant Document to which it is a party or in relation to which it holds security that the Issuer considers necessary:

- (a) for the purpose of complying with, or implementing or reflecting, any change in the criteria of one or more of the Rating Agencies which may be applicable from time to time, provided that:
 - (i) the Issuer (or PML as Administrator on its behalf) certifies in writing to the Trustee that such modification is necessary to comply with such criteria or, as the case may be, is solely to implement and reflect such criteria; and
 - (ii) in the case of any modification to a Relevant Document proposed by any of the Basis Hedge Providers or PML as Administrator in order (x) to remain eligible to perform its role in such capacity in conformity with such criteria and/or (y) to avoid taking action which it would

otherwise be required to take to enable it to continue performing such role (including, without limitation, posting collateral or advancing funds):

- (A) the relevant Basis Hedge Provider or PML as Administrator, as the case may be, certifies in writing to the Issuer or the Trustee that such modification is necessary for the purposes described in Clauses 21(a)(ii)(x) and/or 21 (y) above (and in the case of a certification provided to the Issuer, the Issuer shall certify to the Trustee that it has received the same from the relevant Basis Hedge Provider or the Administrator, as the case may be);
 - (B) either:
 - (I) the relevant Basis Hedge Provider or PML as Administrator, as the case may be, obtains from each of the Rating Agencies written confirmation (or certifies in writing to the Issuer and the Trustee that 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 such modification would not result in a downgrade, withdrawal or suspension of the then current ratings assigned to any Class of 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, delivers a copy of each such confirmation to the Issuer and the Trustee; or
 - (II) the Issuer (or PML as Administrator on its behalf) certifies in writing to the Trustee that the Rating Agencies have been informed of the proposed modification and none 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); and
 - (C) the relevant Basis Hedge Provider or PML as Administrator, as the case may be, pays all costs and expenses (including legal fees) incurred by the Issuer and the Trustee in connection with such modification;
- (b) in order to enable the Issuer and/or the Basis Hedge Providers to comply with:
- (i) any obligation which applies to it under Articles 9, 10 and 11 of Regulation (EU) 648/2012 of the European Parliament and of the Council on OTC derivatives, central counterparties and trade repositories dated 4 July 2012 (including, without limitation, any associated regulatory technical standards and advice, guidance or recommendations from relevant supervisory regulators) ("**EMIR**"); or
 - (ii) any other obligation which applies to it under EMIR,

provided that the Issuer (or PML as Administrator on its behalf) or the relevant Basis Hedge Provider, as appropriate, certifies to the Trustee in writing that such modification is required solely for the purpose of enabling it to satisfy such obligation and has been drafted solely to such effect;

- (c) for the purpose of complying with any changes in the requirements of Article 405 of Regulation (EU) No. 575/2013 (the "**CRR**"), Article 17 of the Alternative Investment Fund Managers Directive ("**AIFMD**"), Article 254 of Regulation (EU) 2015/35 (the "**Solvency II Regulation**") and Article 51 of Regulation (EU) No 231/2013 (the "**AIFMR**") or Section 15G of the Securities Exchange Act of 1934, as added by section 941 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, after the Closing Date, including as a result of the adoption of Regulatory Technical Standards in relation to the CRR, the AIFMR, the Solvency II Regulation or any other risk retention legislation or regulations or official guidance in relation thereto, provided that the Issuer (or PML as Administrator on its behalf) certifies to the Trustee in writing that such modification is required solely for such purpose and has been drafted solely to such effect;
- (d) for the purpose of enabling the Notes (other than the Class S VFN) to be (or to remain) listed on the London Stock Exchange, provided that the Issuer (or PML as Administrator on its behalf) certifies to the Trustee in writing that such modification is required solely for such purpose and has been drafted solely to such effect;
- (e) for the purposes of enabling the Issuer or any other person that is party to a Relevant Document (a "**Transaction Party**") to comply with Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986 (the "**Code**"), any current or future regulations or official interpretations thereof, any agreement entered into pursuant to Section 1471(b) of the Code, or any fiscal or regulatory legislation, rules or practices adopted pursuant to any intergovernmental agreement entered into in connection with the implementation of such Sections of the Code ("**FATCA**") (or any voluntary agreement entered into with a taxing authority in relation thereto), provided that the Issuer (or PML as Administrator on its behalf) or the relevant Transaction Party, as applicable, certifies to the Trustee in writing that such modification is required solely for such purpose and has been drafted solely to such effect;
- (f) for the purpose of complying with any changes in the requirements of the CRA Regulation after the Closing Date, including as a result of the adoption of Regulatory Technical Standards in relation to the CRA Regulation or regulations or official guidance in relation thereto, provided that the Issuer (or an Administrator on its behalf) certifies to the Trustee in writing that such modification is required solely for such purpose and has been drafted solely to such effect;
- (g) for the purposes of enabling the Issuer (or PML as Administrator on its behalf) to transfer (i) the Transaction Account from the Account Bank to HSBC Bank plc, Barclays Bank PLC or Wells Fargo Bank N.A.; (ii) the PML Collection Account from the Collection Account Bank to HSBC Bank plc, or (iii) the PB

Collection Account from the PB Collection Account Bank to HSBC Bank plc or Barclays Bank PLC provided that in each case the Issuer (or PML as Administrator on its behalf) certifies to the Trustee in writing that such modification is required solely for such purpose and has been drafted solely to such effect and that the conditions stipulated in clause 6.5.3 of the Administration Agreement have been satisfied;

(h) (the certificate to be provided by the Issuer (or PML as Administrator on its behalf), the relevant Basis Hedge Provider or the relevant Transaction Party, as the case may be, pursuant to Clauses 21(a) to (g) above being a "**Modification Certificate**"), provided that:

- (A) at least 30 calendar days' prior written notice of any such proposed modification has been given to the Trustee;
- (B) the Modification Certificate in relation to such modification shall be provided to the Trustee both at the time the Trustee is notified of the proposed modification and on the date that such modification takes effect; and
- (C) the consent of each Secured Creditor (other than any Noteholder or Residual Certificateholder) which is party to the Relevant Document has been obtained,

and provided further that, other than in the case of a modification pursuant to Clauses 21(b)(i), (ii) or (g) above:

- (D) other than in the case of a modification pursuant to Clause 21(a)(ii), either:
 - (1) (I) the Issuer (or PML as Administrator on its behalf) obtains from each of the Rating Agencies written confirmation (or certifies in the Modification Certificate that 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 such modification would not 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); or
 - (2) (II) the Issuer (or PML as Administrator on its behalf) certifies in the Modification Certificate that it has informed the Rating Agencies of the proposed modification and none 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);

- (E) (I) the Issuer has provided at least 30 calendar days' notice to the Noteholders and Residual Certificateholders of each Class of the proposed modification in accordance with Condition 12 (*Notices*) and/or Residual Certificates Condition 11 (*Notices*) and by publication on Bloomberg on the "Company News" screen relating to the Notes and the Residual Certificates, and (II) Noteholders representing at least 10 per cent. of the aggregate Principal Amount Outstanding of the Most Senior Class of Notes, or if there are no Notes outstanding, Residual Certificateholders representing 10 per cent. of the number of the Most Senior Class of Residual Certificates, then outstanding, have not contacted 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 or Residual Certificates (as the case may be) may be held) within such notification period notifying the Principal Paying Agent or the Issuer that such Noteholders or Residual Certificateholders (as the case may be) do not consent to the modification;

If (other than in the case of a modification pursuant to Clauses 21(b)(i), (ii) or (g) above) Noteholders representing at least 10 per cent. of the aggregate Principal Amount Outstanding of the Most Senior Class of Notes then outstanding, or if there are no Notes outstanding, Residual Certificateholders representing 10 per cent. of the number of the Most Senior Class of Residual Certificates, 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 above 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 or Residual Certificates (as applicable) then outstanding, is passed in favour of such modification in accordance with Clause 20 (*Waiver; Authorisation; Determination; Modification*).

Objections made in writing other than through the applicable clearing system must be accompanied by evidence to the Trustee's satisfaction (having regard to prevailing market practices) of the relevant Noteholder's holding of the Notes.

Other than where specifically provided in this Clause 21 or any Relevant Document:

- (a) when implementing any modification pursuant to this Clause 21 (save to the extent the Trustee considers that the proposed modification would constitute a Basic Terms Modification), the Trustee shall not consider the interests of the Noteholders, Residual Certificateholders, any other Secured Creditor or any other person and shall act and rely solely and without further investigation on any certificate or evidence provided to it by the Issuer or the relevant Transaction Party, as the case may be, pursuant to this Clause 21 and shall not be liable to the Noteholders, Residual Certificateholders, any other Secured Creditor or any other person for so acting or relying, irrespective of whether any such modification is or may be materially prejudicial to the interests of any such person; and

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

Any such modification shall be binding on all Noteholders and Residual Certificateholders and shall be notified by the Issuer as soon as reasonably practicable to:

- (c) so long as any of the Notes rated by the Rating Agencies remains outstanding, each Rating Agency;
- (d) the Secured Creditors; and
- (e) the Noteholders in accordance with Condition 12 (*Notices*) and the Residual Certificateholders in accordance with Residual Certificates Condition 11 (*Notices*).

22. BASE RATE MODIFICATION

22.1 Notwithstanding any of the provisions of Clause 20 (*Waiver; Authorisation; Determination; Modification*), the Trustee shall be obliged, without any consent or sanction of the Noteholders, Residual Certificateholders or any of the other Secured Creditors, 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 LIBOR in respect of all Classes of Notes but not only some Classes of Notes (the "**Applicable Base Rate**") to an alternative base rate (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 22 (*Base Rate Modification*) (for the avoidance of doubt, this may include changing the base rate referred to in any interest rate hedging agreement, for the purpose of aligning any such hedging agreement with the proposed Base Rate Modification pursuant to Clause 22.3(d) below, the Mortgage Margin Reserve Fund, the Conversion Margin Reserve Fund and the Rate of Interest Maintenance Adjustment) (a "**Base Rate Modification**"), **provided that** the Issuer, or, as the case may be, PML as Administrator on behalf of the Issuer, certifies to the Trustee in writing (such certificate, a "**Base Rate Modification Certificate**") that:

- (a) 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 22.3 below and that Noteholders representing at least 10 per cent. of the aggregate Principal Amount Outstanding of the Most Senior Class of Notes then outstanding 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

- (b) the Issuer has obtained the consent of any of the other Secured Creditors whose consent is required to be obtained in order to make the Base Rate Modification; and
- (c) the Sellers or PML as Administrator have agreed to pay, or to put the Issuer in funds to pay, all fees, costs and expenses (including legal fees and costs associated with any amendments to hedging agreements) incurred by the Issuer and the Trustee or any other party to any Relevant Documents in connection with the Base Rate Modification; and
- (d) the Base Rate Modification is being undertaken due to any one or more of the following (and not for any other reason):
 - (i) 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
 - (ii) the insolvency or cessation of business of the administrator of the Applicable Base Rate (in circumstances where no successor administrator has been appointed); or
 - (iii) 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
 - (iv) 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
 - (v) 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
 - (vi) 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
 - (vii) the reasonable expectation of PML as Administrator that any of the events specified in sub-paragraphs (i), (ii) or (vi) will occur or exist

within six months of the proposed effective date of such Base Rate Modification; or

- (viii) 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
- (e) the Alternative Base Rate is any one or more of the following:
- (i) a base rate published, endorsed, approved or recognised by (the administrator of the Applicable Base Rate, the supervisor of the administrator of the Alternative Base Rate or other relevant authority) or any stock exchange on which the Notes (other than the Class S VFN) are listed (or any relevant committee or other body established, sponsored or approved by any of the foregoing); or
 - (ii) the Sterling Over Night Index Average or the Broad Treasuries Repo Financing Rate (or any rate which is derived from, based upon or otherwise similar to either of the foregoing); or
 - (iii) 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
 - (iv) 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
 - (v) such other base rate as PML as Administrator reasonably determines.

22.2 The Issuer, or PML as 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.

22.3 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:

- (a) 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

- (b) confirmation of the sub-clause(s) of Clause 22.1(d) above under which the Base Rate Modification is being proposed; and
- (c) confirmation of which Alternative Base Rate is proposed to be adopted pursuant to Clause 22.1(e) above; and
- (d) details of any consequential modifications that the Issuer has agreed will be made to any hedging agreement to which it is a party for the purpose of aligning any such hedging agreement 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 where commercially appropriate so that the transaction is hedged 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 (i) no modifications are proposed to be made to hedging agreements; and/or (ii) modifications will be made to hedging agreements but will not result in the transaction being similarly hedged; and/or (iii) modifications to any hedging agreement 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
- (e) details of any consequential modifications that the Issuer has agreed to any calculations and/or determinations in respect of (i) the Mortgage Margin Reserve Fund or Conversion Margin Reserve Fund or similar such covenant or (ii) to any Mortgage Conditions in respect of the Mortgages in relation to the interest rate(s) on the underlying portfolio of assets for the purpose of aligning any such rates in such covenants or conditions with the proposed Base Rate Modification, if the proposed Base Rate Modification takes effect. The Issuer shall use reasonable endeavours to agree modifications to the calculations and/or determinations in respect of the Mortgage Margin Reserve Fund or Conversion Margin Reserve Fund or similar such covenant or to any Mortgage Conditions in respect of the Mortgages where commercially appropriate to maintain an equivalent level of protection as provided by the Mortgage Margin Reserve Fund and Conversion Margin Reserve Fund or similar such covenant or to any Mortgage Conditions in respect of the Mortgages prior to the proposed Base Rate Modification and that such modifications shall take effect within 30 calendar days following the Base Rate Modification taking effect. If (i) no modifications are proposed to be made to any calculations and/or determinations in respect of the Mortgage Margin Reserve Fund or Conversion Margin Reserve Fund or similar such covenant or to any Mortgage Conditions in respect of the Mortgages; and/or (ii) modifications will be made to any calculations and/or determinations in respect of the Mortgage Margin Reserve Fund or Conversion Margin Reserve Fund or similar such covenant or to any Mortgage Conditions in respect of the Mortgages but will not result in an equivalent level of protection; and/or (iii) modifications to any calculations

and/or determinations in respect of the Mortgage Margin Reserve Fund or Conversion Margin Reserve Fund or similar such covenant or to any Mortgage Conditions in respect of the Mortgages 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

- (f) 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:
- (i) 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
 - (ii) in the event that 22.3(f)(i) above does not apply, the Issuer shall use reasonable endeavours to propose an alternative Rate of Interest Maintenance Adjustment as reasonably determined by PML as Administrator 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
 - (iii) 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 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

- (iv) 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
- (g) confirmation that either:
 - (i) the Issuer, or, as the case may be, PML as 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 Rated Notes by such Rating Agency and would not result in any Rating Agency placing any Rated 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
 - (ii) 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).]

22.4 If Noteholders representing at least 10 per cent. of the aggregate Principal Amount Outstanding of the Most Senior Class of Notes then outstanding 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 22.3(a) above 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 or Residual Certificates (as applicable) then outstanding, is passed in favour of such modification in accordance with Clause 20 (*Waiver; Authorisation; Determination; Modification*) 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 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.

22.5 Other than where specifically provided in this Clause 22 or any Relevant Document:

- (a) when implementing any modification pursuant to this Clause 22, the Trustee shall not consider the interests of the Noteholders, any other Secured Creditor or any other person and shall act and rely solely and without further investigation, on any Base Rate Modification Certificate or evidence provided

to it by the Issuer (or PML as Administrator on behalf of the Issuer) or the relevant Transaction Party, as the case may be, pursuant to this Clause 22 and shall not be liable to the Noteholders. any other Secured Creditor or any other person for so acting or relying, irrespective of whether any such modification is or may be materially prejudicial to the interests of any such person; and

- (b) 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.

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

- (a) so long as any of the Notes rated by the Rating Agencies remains outstanding. Each Rating Agency;
- (b) the Secured Creditors; and
- (c) the Noteholders in accordance with Condition 12 (*Notices*) and the Residual Certificateholders in accordance with Residual Certificates Condition 11 (*Notices*).

22.7 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 22.]

23. **HOLDER DEEMED ABSOLUTE OWNER; CLEARING SYSTEM CERTIFICATES**

23.1 The Issuer, the Trustee, the Registrar and any Paying Agent may deem and treat the Holder of any Definitive Note as the absolute owner of such Definitive Note (whether or not such Definitive Note shall be overdue and notwithstanding any notation or notice of ownership or writing thereon or any notice of previous loss or theft thereof) for all purposes and the Issuer, the Trustee, the Registrar and the Paying Agents shall not be affected by any notice to the contrary. So long as the Notes (other than the Class S VFN) and/or the Residual Certificates, or any of them, are represented by a Global Note and/or Global Residual Certificate (as applicable), the Issuer, the Trustee, the Registrar and any Paying Agent may deem and treat the person for the time being shown in the records of Euroclear or Clearstream, Luxembourg as the Holder of any Note (other than the Class S VFN) or any Residual Certificate as the absolute owner of such Note or Residual Certificate and the Issuer, the Trustee, the Registrar and the Paying Agents shall not be affected by any notice to the contrary. All payments made to any such person (or in the case of a Global Note to or to the order of the Noteholder, or in the case of a Global Residual Certificate, to or to the order of the Residual Certificateholder) shall be valid and, to the extent of the sums so paid, effective to

satisfy and discharge the liability for the moneys payable upon such Notes or Residual Certificates.

- 23.2 The Issuer and the Trustee may call for and shall be at liberty to accept and place full reliance on as sufficient evidence thereof a certificate or letter or confirmation signed on behalf of Euroclear or Clearstream, Luxembourg or any form of record made by either of them to the effect that at any particular time or throughout any particular period any particular person is, was, or will be, shown in its records as entitled to a particular interest in a Global Note or Residual Certificate.

24. **NEW TRUSTEE; SEPARATE AND CO-TRUSTEES**

- 24.1 The power to appoint a new trustee of this Trust Deed shall be vested in the Issuer but no person shall be appointed who shall not previously have been approved by an Extraordinary Resolution of the Class A Noteholders or, if none of the Class A Notes remains outstanding, the Class B Noteholders or, if none of the Class A Notes or the Class B Notes remains outstanding, the Class C Noteholders or, if none of the Class A Notes or the Class B Notes or the Class C Notes remain outstanding, the Class D Noteholders or, if none of the Class A Notes or Class B Notes or Class C Notes or Class D Notes remains outstanding, the Class Z Noteholders or, if none of the Class A Notes or Class B Notes or Class C Notes or Class D Notes or Class Z Notes remains outstanding, the Class S Noteholders or, if none of the Class A Notes or Class B Notes or Class C Notes or Class D Notes or Class Z Notes or Class S Notes remains outstanding, the Class S VFN Holder or, if none of the Notes remains outstanding, (i) prior to the Step-Up Date the RC1 Residual Certificateholders and (ii) following the Step-Up Date, the RC2 Residual Certificateholders. One or more persons may hold office as trustee or trustees of this Trust Deed but such trustee or trustees shall be or include a Trust Corporation. Whenever there shall be more than two trustees of this Trust Deed the majority of such trustees shall be competent to execute and exercise all the duties, powers, trusts, authorities and discretions vested in the Trustee by this Trust Deed provided that a Trust Corporation shall be included in such majority.
- 24.2 Notwithstanding the provisions of Clause 24.1 above, the Trustee may, upon giving prior notice to the Issuer (but without the consent of the Issuer or the Noteholders or the Residual Certificateholders), appoint any person established or resident in any jurisdiction (whether a Trust Corporation or not) to act either as a separate trustee or as a co-trustee jointly with the Trustee (i) if the Trustee considers such appointment to be in the interests of the Noteholders and the Residual Certificateholders or (ii) for the purposes of conforming to any legal requirements, restrictions or conditions in any jurisdiction in which any particular act or acts is or are to be performed or (iii) for the purposes of obtaining a judgment in any jurisdiction or the enforcement in any jurisdiction of either a judgment already obtained or any of the provisions of this Trust Deed against the Issuer. The Issuer hereby irrevocably appoints the Trustee to be its attorney in its name and on its behalf to execute any such instrument of appointment. Such a person shall (subject always to the provisions of this Trust Deed) have such trusts, powers, authorities and discretions (not exceeding those conferred on the Trustee by this Trust Deed) and such duties and obligations as shall be conferred or imposed by the instrument of appointment. The Trustee shall have power in like manner to remove any such person. Such reasonable remuneration as the Trustee may pay to any such person, together with any attributable costs, charges and expenses properly incurred by it in performing its function as such separate

trustee or co-trustee shall for the purposes of this Trust Deed be treated as costs, charges and expenses incurred by the Trustee.

- 24.3 Any appointment of a new trustee and/or any retirement or removal of an existing trustee of this Trust Deed shall as soon as practicable thereafter be notified by the Issuer to the Registrar, the Class S VFN Registrar, the Principal Paying Agent, the Noteholders and the Residual Certificateholders and by the existing trustee to the Rating Agencies.

25. **TRUSTEE'S RETIREMENT AND REMOVAL**

A trustee of this Trust Deed may retire at any time on giving not less than three months' prior written notice to the Issuer without assigning any reason and without being responsible for any costs occasioned by such retirement. The Class A Noteholders shall have the power exercisable by Extraordinary Resolution to remove any trustee or trustees for the time being of this Trust Deed or, if none of the Class A Notes remain outstanding, the Class B Noteholders shall have the power exercisable by Extraordinary Resolution to remove any trustee or trustees for the time being of this Trust Deed or, if none of the Class A Notes or the Class B Notes remains outstanding, the Class C Noteholders shall have the power exercisable by Extraordinary Resolution to remove any trustee or trustees for the time being of this Trust Deed or, if none of the Class A Notes or Class B Notes or Class C Notes remains outstanding, the Class D Noteholders shall have the power exercisable by Extraordinary Resolution to remove any trustee or trustees for the time being of this Trust Deed or, if none of the Class A Notes or Class B Notes or Class C Notes or Class D Notes remains outstanding, the Class Z Noteholders shall have the power exercisable by Extraordinary Resolution to remove any trustee or trustees for the time being of this Trust Deed or, if none of the Class A Notes or Class B Notes or Class C Notes or Class D Notes or Class Z Notes remains outstanding, the Class S Noteholders shall have the power exercisable by Extraordinary Resolution to remove any trustee or trustees for the time being of this Trust Deed or, if none of the Class A Notes or Class B Notes or Class C Notes or Class D Notes or Class Z Notes or Class S Notes remains outstanding, the Class S VFN Holder shall have the power exercisable by Extraordinary Resolution to remove any trustee or trustees for the time being of this Trust Deed or, if none of the Notes remains outstanding, (i) prior to the Step-Up Date the RC1 Residual Certificateholders and (ii) following the Step-Up Date, the RC2 Residual Certificateholders shall have the power exercisable by Extraordinary Resolution to remove any trustee or trustees for the time being of this Trust Deed. The Issuer undertakes that in the event of the only trustee hereof which is a Trust Corporation giving notice under this Clause 25 or being removed by Extraordinary Resolution it will use its best endeavours to procure a new trustee of this Trust Deed being a Trust Corporation to be appointed as soon as reasonably practicable thereafter. The retirement or removal of any such trustee shall not become effective until a successor trustee being a Trust Corporation is appointed.

26. **TRUSTEE'S POWERS ADDITIONAL**

The powers conferred upon the Trustee by this Trust Deed shall be in addition to any powers which may from time to time be vested in the Trustee by the general law or as a Holder of any of the Notes and the Residual Certificates.

27. NOTICES

Any notice or demand to the Issuer or the Trustee required to be given, made or served for any purposes under the Notes, or the Residual Certificates, or any of them, or this Trust Deed shall be given, made or served by sending the same by prepaid post (first class if inland, first class airmail if overseas), telegram, cable, telex, email or facsimile transmission or by delivering it by hand as follows:

(a) to the Issuer:

Address: 51 Homer Road,
Solihull,
West Midlands B91 3QJ

Attention: The Company Secretary
Email Address: Company_Secretary@Paragon-group.co.uk
Facsimile No. +44(0) 121 712 2071
Telephone: +44(0) 121 712 2323

with a copy to:

Attention: The Directors
Email Address: directors-uk@intertrustgroup.com
Fax: +44 (0) 207 398 6325

(b) to the Trustee:

Address: Citigroup Centre,
Canada Square,
Canary Wharf,
London E14 5LB

Attention: Agency & Trust
Email Address: abs.mbsadmin@citi.com

or to such other address, telex or facsimile number or marked for the attention of such other person or department as shall have been notified (in accordance with this Clause 27) to the other party hereto and any notice or demand sent by post as aforesaid shall be deemed to have been given, made or served three days in the case of inland post or seven days in the case of overseas post after despatch and any notice or demand sent by telegram, cable, telex, email or facsimile transmission as aforesaid shall be deemed to have been given, made or served 24 hours after the time of despatch **provided that** in the case of a notice or demand given by telegram, cable, telex or facsimile commission such notice or demand shall forthwith be confirmed by post. The failure of the addressee to receive such confirmation shall not invalidate the relevant notice or demand given, made or served by telegram, cable, telex or facsimile commission.

28. EXCLUSION OF THIRD PARTY RIGHTS

The parties to this Trust Deed do not intend that any term of this Trust Deed should be enforced, by virtue of the Contracts (Rights of Third Parties) Act 1999, by any person who is not a party to this Trust Deed.

29. **GOVERNING LAW**

This Trust Deed, the Notes and the Residual Certificates and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law.

30. **TRUSTEE AS AUTHORISED PERSON**

The Trustee represents and warrants that it is an authorised person under Section 19 of the Financial Services and Markets Act 2000 or does not need to be so in order to enforce its rights under the Relevant Documents.

IN WITNESS WHEREOF this Trust Deed has been executed as a deed by the Issuer and the Trustee and entered into the day and year first above written.

**SCHEDULE 1
FORM OF GLOBAL NOTES**

(Global [Class Name] Note)

ISIN Number: [Insert ISIN number]

[Common Code: [Insert Common Code for Global Note]]

This Note has not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act"), any state securities laws in the United States or the securities laws of any other jurisdiction and may not be reoffered, resold, pledged or otherwise transferred except as permitted by this legend. The holder hereof, by its acceptance of this Note, represents, acknowledges and agrees that it will not reoffer, resell, pledge or otherwise transfer this Note except in compliance with the Securities Act and other applicable laws and except to a person that is not a U.S. person (as defined in Regulation S under the Securities Act) outside the United States in compliance with Rule 903 or 904 of Regulation S under the Securities Act and (c) in each case (1) upon delivery of all certifications, opinions and other documents that the Issuer or the Trustee may require and (2) in accordance with any applicable securities law of any state of the United States and any other jurisdiction. Further, no sale or transfer of this Note to a person investing assets of a plan subject to Part 4 of Title 1 of the United States Employee Retirement Income Security Act of 1974, as amended ("ERISA"), or Section 4975 of the United States Internal Revenue Code of 1986, as amended (the "U.S. Revenue Code") or any similar provisions of other law ("Other Similar Law") may be made unless such sale or transfer will satisfy the requirements of a class exemption from the prohibited transaction rules of Section 406 of ERISA and Section 4975 of the U.S. Revenue Code or otherwise will not result in a non-exempt prohibited transaction or other violation of ERISA, the U.S. Revenue Code or Other Similar Law. Transfers of the Notes must be accompanied by appropriate tax and ERISA transfer documentation and are subject to restrictions as provided in the Trust Deed.

This Note is not transferable except in accordance with the restrictions described herein and in the Trust Deed. Any sale or transfer in violation of the foregoing will be of no force and effect, will be void *ab initio*, and will not operate to transfer any rights to the transferee, notwithstanding any instructions to the contrary to the Issuer, the Trustee or any intermediary. Each transferor of this Note agrees to provide notice of the transfer restrictions set forth herein and in the Trust Deed to the transferee.

GLOBAL [Class Name] NOTE

representing up to

[Currency symbol][Initial principal amount in figures]

initial aggregate principal amount of the

Class [Class Name] Mortgage Backed Floating Rate Notes due 2050

issued by

Paragon Mortgages (No.25) PLC

*(Incorporated with limited liability in England and Wales
and registered under number 9777963)*

1. Global Note certificate

This Global [Class Name] Note is a Global Note certificate without interest coupons issued and constituted pursuant to and subject to a trust deed dated [•] 2018 (the "**Trust Deed**") between Paragon Mortgages (No.25) 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.

This Global Note is in respect of a duly authorised issue of Class [Class Name] Mortgage Backed Floating Rate Notes due 2050 of the Issuer, designated as specified in the title of this Global Note, limited to the aggregate principal amount of [Initial principal amount in words] [Currency in words] ([Currency symbol][Initial principal amount in figures]) (the "**Certificated Notes**") and constituted by the Trust Deed.

2. Interpretation

References herein to the Conditions (or to any particular numbered Condition) shall be to the Terms and Conditions of the Notes (or that particular numbered Condition) set out in Schedule 4 (*Terms and Conditions of the Notes*) to the Trust Deed as if the same were incorporated herein.

Terms and expressions defined in the Trust Deed and the Conditions shall bear the same meanings when used herein.

The registered Holder hereof shall be bound by, and deemed to have notice of, all the provisions of the Conditions, this Global Note, the Trust Deed and the Agency Agreement (the "**Note Documents**").

3. Certificate of entitlement of registered Holder

This is to certify that:

[Citivic Nominees Limited as nominee of the Common Depositary] [The nominee of the
Common Safekeeper] for both

Euroclear and Clearstream, Luxembourg

is the person registered in the register maintained by the Registrar in relation to the Notes (the "**Register**") as the duly registered Holder of:

[*Initial principal amount in words*] [*Currency in words*]

([*Currency symbol*][*Initial principal amount in figures*])

in aggregate principal amount of the Notes. This Global Note is evidence of entitlement only and is not a document of title. Entitlements are determined by the Registrar by reference to the Register and only the Holder is entitled to payment in respect of this Global Note.

4. Entitlement to payments

This Global Note evidences the entitlement of the registered Holder to receive, subject to the terms of the Note Documents, the Principal Liability Outstanding indicated in the Register in respect of the Certificated Notes on the Interest Payment Date falling in [•], each Principal Payment in respect of the Certificated Notes on such earlier date as such Principal Payment may become due and repayable in accordance with the Conditions or the Trust Deed, and interest on the Certificated Notes on such date and in such an amount as such interest becomes due and payable in accordance with the Conditions or the Trust Deed. Upon each payment of principal and each payment of interest in respect of the Certificated Notes, the Registrar shall make appropriate notations in the Register.

5. Making of payments

Payments of principal and interest in respect of Notes represented by this Global Note will be made in accordance with the Note Documents. All payments of any amounts payable and paid to the Holder of this Global Note shall be valid and, to the extent of the sums so paid, effectual to satisfy and discharge the liability for the monies payable hereon.

6. Transfer of interests in this Global Note

Transfers of interests in the Notes to which this Global Note relates shall be made in accordance with the Note Documents. Title to the Notes to which this Global Note relates passes only on due registration in the Register maintained by the Registrar and only the duly registered Holder, or if more than one person is so registered, the first-named of such persons is entitled to payment in respect of the Notes to which this Global Note relates.

7. Exchange for Definitive Notes

If the Issuer becomes obliged to issue Definitive Notes pursuant to the Conditions, or Clause 3 (*Form of, Issue of and Duties and Taxes on, Global Notes; Issue of Definitive Notes*) of the Trust Deed, this Global Note will be exchangeable in whole upon the request of the registered Holder of this Global Note for Definitive Notes only on and subject to the terms and conditions set out in the Note Documents.

Whenever this Global Note is to be exchanged for Definitive Notes, such Definitive Notes shall be issued in an aggregate principal amount equal to the principal amount

of this Global Note within five business days of the delivery, by or on behalf of the registered Holder and/or the Clearing System (or its nominee) which holds this Global Note, to the Registrar of such information as is required to complete and deliver such Definitive Notes (including, without limitation, the names and addresses of the persons in whose names the Definitive Notes are to be registered and the principal amount of each such person's holding) against the surrender of this Global Note at the Specified Office (as defined in the Agency Agreement) of the Registrar.

Such exchange shall be effected in accordance with the provisions of the Agency Agreement (including, without limitation, the regulations concerning the transfer and registration of Notes scheduled thereto) and the Trust Deed and, in particular, shall be effected without charge to any registered Holder or the Trustee, but against such indemnity as the Registrar may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such exchange. In this paragraph 7, "**business day**" means a day on which commercial banks are open for business in the city in which the Registrar has its Specified Office.

On an exchange of all Notes represented by this Global Note for Definitive Notes, this Global Note shall be surrendered to the Principal Paying Agent.

If the Issuer fails to meet its obligations to issue Definitive Notes, this shall be without prejudice to the Issuer's obligations with respect to the Notes under the Trust Deed and the Global Note.

8. Authentication

This Global Note shall not become valid for any purpose unless and until the Certificate of Authentication hereon has been signed by or on behalf of the Registrar and if this Global Note is held under the NSS, it shall not become valid for any purpose unless and until it has been effectuated for or on behalf of the Common Safekeeper.

9. Governing Law

This Global Note and any non-contractual obligations arising out of or in connection with it are governed by, and shall be construed in accordance with, the laws of England.

IN WITNESS WHEREOF the Issuer has caused this Global Note to be signed manually or in facsimile by a person duly authorised on its behalf.

Executed for and on behalf of:
acting by:

PARAGON MORTGAGES (NO.25) PLC

By:
Name: [•]
Title: [•]

Issued in London, England on [•] 2018

Certificate of Authentication

This is the Global [*Class Name*] Note in respect of the Class [*Class Name*] Mortgage Backed Floating Rate Notes due 2050 referred to in, and entitled to the benefits of, the above-mentioned Trust Deed.

Executed by:
as Registrar (without warranty, recourse or liability) acting by:

CITIBANK, N.A., LONDON BRANCH

By:
Name: [•]
Title: [•]

[Certificate of Effectuation

Effectuated for and on behalf of
the Common Safekeeper

Without recourse, warranty or liability

By:
[manual signature]
(duly authorised)]

Form of transfer of Global Note

For value received, the registered Holder of this Global Note, being:

hereby transfers:

in principal amount of this Global Note to:

of:

and irrevocably requests and authorises the Registrar to effect the relevant transfer by means of appropriate entries in the register kept by it.

Dated: [____]

Signed by:

By:

Name: [•]

Title: [•]

Notes

- (a) The name of the person by or on whose behalf this form of transfer is signed must correspond with the name of the registered Holder as it appears on the face of this Global Note.
- (b) A representative of such registered Holder should state the capacity in which he signs (e.g. executor).
- (c) The signature of the person effecting a transfer shall conform to any list of duly authorised specimen signatures supplied by the registered Holder or be certified by a recognised bank, notary public or in such other manner as the Registrar may require.
- (d) Any transfer of Notes shall be in an amount equal to an integral multiple of the Authorised Denomination of the relevant class of Notes.

**SCHEDULE 2
FORM OF DEFINITIVE NOTE**

(Definitive Note - Class [Class Name] Notes)

This Note has not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act"), any state securities laws in the United States or the securities laws of any other jurisdiction and may not be reoffered, resold, pledged or otherwise transferred except as permitted by this legend. The holder hereof, by its acceptance of this Note, represents, acknowledges and agrees that it will not reoffer, resell, pledge or otherwise transfer this Note except in compliance with the Securities Act and other applicable laws and except to a person that is not a U.S. person (as defined in Regulation S under the Securities Act) outside the United States in compliance with Rule 903 or 904 of Regulation S under the Securities Act and (c) in each case (1) upon delivery of all certifications, opinions and other documents that the Issuer or the Trustee may require and (2) in accordance with any applicable securities law of any state of the United States and any other jurisdiction. Further, no sale or transfer of this Note to a person investing assets of a plan subject to Part 4 of Title 1 of the United States Employee Retirement Income Security Act of 1974, as amended ("ERISA"), or Section 4975 of the United States Internal Revenue Code of 1986, as amended (the "U.S. Revenue Code") or any similar provisions of other law ("Other Similar Law") may be made unless such sale or transfer will satisfy the requirements of a class exemption from the prohibited transaction rules of Section 406 of ERISA and Section 4975 of the U.S. Revenue Code or otherwise will not result in a non-exempt prohibited transaction or other violation of ERISA, the U.S. Revenue Code or Other Similar Law. Transfers of the Notes must be accompanied by appropriate tax and ERISA transfer documentation and are subject to restrictions as provided in the Trust Deed.

This Note is not transferable except in accordance with the restrictions described herein and in the Trust Deed. Any sale or transfer in violation of the foregoing will be of no force and effect, will be void *ab initio*, and will not operate to transfer any rights to the transferee, notwithstanding any instructions to the contrary to the Issuer, the Trustee or any intermediary. Each transferor of this Note agrees to provide notice of the transfer restrictions set forth herein and in the Trust Deed to the transferee.

Class	Denomination	Common Code	Serial Number
[_____]	[_____]	[_____]	[_____]

DEFINITIVE NOTE

representing up to

[*Currency symbol*][*Initial principal amount in figures*]
initial aggregate principal amount of the
Class [Class Name] Mortgage Backed Floating Rate Notes due 2050

issued by

PARAGON MORTGAGES (NO.25) PLC
*(Incorporated with limited liability in England and Wales
and registered under number 9777963)*

1. Definitive Note certificate

This Definitive [*Class Name*] Note is a Definitive Note certificate without interest coupons is issued and constituted pursuant to and subject to a trust deed dated [•] 2018 (the "**Trust Deed**") between Paragon Mortgages (No.25) 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.

This Definitive Note is in respect of a duly authorised issue of Class [*Class Name*] Mortgage Backed Floating Rate Notes due 2050 of the Issuer, designated as specified in the title of this Definitive Note, limited to the aggregate principal amount of [*Initial principal amount in words*] [*Currency in words*] ([*Currency symbol*][*Initial principal amount in figures*]) (the "**Certificated Notes**") and constituted by the Trust Deed.

2. Interpretation

References herein to the Conditions (or to any particular numbered Condition) shall be to the Terms and Conditions of the Notes (or that particular numbered Condition) endorsed on this Definitive Note.

Terms and expressions defined in the Trust Deed and the Conditions shall bear the same meanings when used herein.

The registered Holder hereof shall be bound by, and deemed to have notice of, all the provisions of the Conditions, this Definitive Note, the Trust Deed and the Agency Agreement (the "**Note Documents**").

3. Registered Holder

This is to certify that:

[_____]

(the "**Registered Holder**") is the person registered in the register maintained by the Registrar in relation to the Notes (the "**Register**") as the duly registered Holder of:

[Initial principal amount in words] [Currency in words]

([Currency symbol][Initial principal amount in figures])

in aggregate principal amount of the Certificated Notes. This Definitive Note is evidence of entitlement only and is not a document of title. Entitlements are determined by the Registrar by reference to the Register and only the Holder is entitled to payment in respect of this Definitive Note.

4. Entitlement to payments

This Definitive Note evidences the entitlement of the Registered Holder to receive, subject to the terms of the Note Documents, the Principal Liability Outstanding indicated in the Register in respect of the Certificated Notes on the Interest Payment Date falling in [•], each Principal Payment in respect of the Certificated Notes on such earlier date as such Principal Payment may become due and repayable in accordance with the Conditions or the Trust Deed, and interest on the Certificated Notes on such date and in such an amount as such interest becomes due and payable in accordance with the Conditions or the Trust Deed. Upon each payment of principal and each payment of interest in respect of the Certificated Notes, the Registrar shall make appropriate notations in the Register.

5. Making of payments

Payments of principal and interest in respect of Notes represented by this Definitive Note will be made in accordance with the Note Documents. All payments of any amounts payable and paid to the Holder of this Definitive Note shall be valid and, to the extent of the sums so paid, effectual to satisfy and discharge the liability for the monies payable hereon.

6. Transfer of interests in this Definitive Note

Transfers of interests in the Notes to which this Definitive Note relates shall be made in accordance with the Note Documents. Title to the Notes to which this Definitive Note relates passes only on due registration in the Register maintained by the Registrar and only the duly registered Holder, or if more than one person is so registered, the first-named of such persons is entitled to payment in respect of the Notes to which this Definitive Note relates.

7. Authentication

This Definitive Note shall not become valid for any purpose unless and until the Certificate of Authentication on this Definitive Note has been signed by or on behalf of the Registrar.

8. Governing Law

This Definitive Note and any non-contractual obligations arising out of or in connection with it are governed by, and shall be construed in accordance with, the laws of England.

IN WITNESS WHEREOF the Issuer has caused this Definitive Note to be signed manually or in facsimile by a person duly authorised on its behalf.

Executed for and on behalf of:
acting by:

PARAGON MORTGAGES (NO.25) PLC

By:

Name: [•]

Title: [•]

Issued in London, England on [•] 2018

Certificate of Authentication

This is a Definitive [*Class Name*] Note in respect of the Class [*Class Name*] Mortgage Backed Floating Rate Notes due 2050 referred to in, and entitled to the benefits of, the above-mentioned Trust Deed.

Executed by:
as Registrar (without warranty, recourse or liability) acting by:

[CITIBANK, N.A., LONDON BRANCH]

By:
Name: [•]
Title: [•]

(Reverse of Note)

TERMS AND CONDITIONS OF THE NOTES

[Will be endorsed in the form set out in Schedule 4 to the Trust Deed]

REGISTRAR

Citibank, N.A., London Branch
Citigroup Centre
Canada Square
Canary Wharf
London E14 5LB

And/or such other or further Registrar and/or Specified Offices as may from time to time be duly appointed by the Issuer and notice of which has been given to the Noteholders.

Form of transfer of Definitive Note

For value received, the registered Holder of this Definitive Note, being:

hereby transfers:

in principal amount of this Definitive Note to:

of:

and irrevocably requests and authorises the Registrar to effect the relevant transfer by means of appropriate entries in the register kept by it.

Dated: [____]

Signed by:

By:

Name: [•]

Title: [•]

Notes

- (a) The name of the person by or on whose behalf this form of transfer is signed must correspond with the name of the registered Holder as it appears on the face of this Definitive Note.
- (b) A representative of such registered Holder should state the capacity in which he signs (e.g. executor).
- (c) The signature of the person effecting a transfer shall conform to any list of duly authorised specimen signatures supplied by the registered Holder or be certified by a recognised bank, notary public or in such other manner as the Registrar may require.
- (d) Any transfer of Notes shall be in an amount equal to an integral multiple of the Authorised Denomination of the relevant class of Notes.

SCHEDULE 3
PROVISIONS FOR MEETINGS OF NOTEHOLDERS AND RESIDUAL
CERTIFICATEHOLDERS

1. As used in this Schedule 3 the following expressions shall have the following meanings unless the context otherwise requires:

"24 hours" shall mean a period of 24 hours including all or part of a day upon which banks are open for business in both the place where the relevant meeting is to be held and in each of the places where the Registrar has its Specified Office (disregarding for this purpose the day upon which such meeting is to be held) and such period shall be extended by one or, to the extent necessary, more periods of 24 hours until there is included as aforesaid all or part of a day upon which banks are open for business as aforesaid.

"48 hours" shall mean a period of 48 hours including all or part of two days upon which banks are open for business in both the place where the relevant meeting is to be held and in each of the places where the Registrar has its Specified Office (disregarding for this purpose the day upon which such meeting is to be held) and such period shall be extended by one or, to the extent necessary, more periods of 24 hours until there is included as aforesaid all or part of two days upon which banks are open for business as aforesaid; and

"Block Voting Instruction" shall mean an English language document issued by the Registrar and dated in which:

- (a) it is certified that Notes and/or Residual Certificates of the relevant class (not being Notes and/or Residual Certificates (as applicable) in respect of which a Form of Proxy has been issued and is outstanding in respect of the meeting specified in such Block Voting Instruction and any such adjourned meeting) have been deposited with the Registrar or (to the satisfaction of the Registrar) are held to its order or under its control or blocked by a depositary holding the same in a manner approved by the Trustee and that no such Notes will cease to be so deposited, held or blocked until the first to occur of:
- (i) the conclusion of the meeting specified in such document or, if applicable, any such adjourned meeting; and
 - (ii) the surrender to the Registrar, not less than 48 hours before the time for which such meeting or any such adjourned meeting is convened, of the receipt issued by the Registrar in respect of each such deposited Note and/or Residual Certificate which is to be released or (as the case may require) the Note or Notes and/or Residual Certificate or Residual Certificates (as applicable) ceasing with the agreement of the Registrar to be held to its order or under its control or blocked and the giving of notice by the Registrar to the Issuer in accordance with paragraph 17 below of the necessary amendment to the Block Voting Instruction;
- (b) it is certified that each Holder of such Notes and/or Residual Certificates has instructed the Registrar or that Euroclear or Clearstream, Luxembourg has advised the Registrar that the Holder of such Notes and/or Residual

Certificates has given instructions, that the vote(s) attributable to the Note(s) and/or Residual Certificate(s) so deposited, held or blocked should be cast in a particular way in relation to the resolution or resolutions to be put to such meeting or any such adjourned meeting and that all such instructions are during the period commencing 48 hours prior to the time for which such meeting or any such adjourned meeting is convened and ending at the conclusion or adjournment thereof neither revocable or capable of amendment;

- (c) the total number and the serial numbers of the Notes and/or Residual Certificates so deposited, held or blocked are listed distinguishing with regard to each such resolution between those in respect of which instructions have been given as aforesaid that the votes attributable thereto should be cast in favour of the resolution and those in respect of which instructions have been so given that the votes attributable thereto should be cast against the resolution; and
- (d) one or more persons named in such document (each hereinafter called "**proxy**") is or are authorised and instructed by the Registrar to cast the votes attributable to the Relevant Notes and/or Relevant Residual Certificates so listed in accordance with the instructions referred to above as set out in such document.

"Form of Proxy" means, in relation to any meeting, a document in the English language available from a Registrar signed by a Noteholder or Residual Certificateholder (as applicable) or, in the case of a corporation, executed under its seal or signed on its behalf by a duly authorised officer and delivered to the relevant Registrar not later than 48 hours before the time fixed for such meeting, appointing a named individual or individuals to vote in respect of the Relevant Notes and/or Relevant Certificates held by such Noteholder and/or Residual Certificateholder;

"Notes" and **"Noteholders"** shall mean:

- (a) in connection with a meeting of Class A Noteholders, "Class A Notes" and "Class A Noteholders" respectively;
- (b) in connection with a meeting of Class B Noteholders, "Class B Notes" and "Class B Noteholders" respectively;
- (c) in connection with a meeting of Class C Noteholders, "Class C Notes" and "Class C Noteholders" respectively;
- (d) in connection with a meeting of Class D Noteholders, "Class D Notes" and "Class D Noteholders" respectively;
- (e) in connection with a meeting of Class S Noteholders, "Class S Notes" and "Class S Noteholders" respectively;
- (f) in connection with a meeting of Class Z Noteholders, "Class Z Notes" and "Class Z Noteholders" respectively; or

- (g) in connection with a meeting of Class S VFN Holder, "Class S VFN" and "Class S VFN Holder" respectively.

"**Residual Certificates**" and "**Residual Certificateholders**" shall mean:

- (a) in connection with a meeting of RC1 Residual Certificateholders, "Class RC1 Residual Certificates" and "Class RC1 Residual Certificateholders" respectively; or
- (b) in connection with a meeting of RC2 Residual Certificateholders, "Class RC2 Residual Certificates" and "Class RC2 Residual Certificateholders" respectively.

The holder of any Form of Proxy or the proxies named in any Block Voting Instruction shall for all purposes in connection with the relevant meeting or adjourned meeting of Noteholders and/or Residual Certificateholders be deemed to be the Holder of the Notes and/or Residual Certificates to which such Form of Proxy or Block Voting Instruction relates and the Registrar or the person holding the same to the order or under the control of the Registrar or the person holding the same blocked as aforesaid shall be deemed for such purposes not to be the Holder of those Notes and/or Residual Certificates.

In respect of any meeting of Holders of one or more classes of Notes and/or Residual Certificates, "**Relevant Noteholders**" means each of the Noteholders entitled to attend and vote at that meeting and "**Relevant Notes**" means those Notes, "**Relevant Residual Certificateholders**" means each of the Residual Certificateholders entitled to attend and vote at that meeting and "**Relevant Residual Certificates**" means those Residual Certificates.

a "**proxy**", in the case of Relevant Notes and/or Relevant Residual Certificates means, in relation to any meeting, a person appointed to vote under a Block Voting Instruction or a Form of Proxy other than any such person whose appointment has been revoked and in relation to whom the relevant Registrar has been notified in writing of such revocation by the time which is 48 hours before the time fixed for such meeting.

2. The Issuer or the Trustee may at any time and the Issuer shall upon a requisition in writing signed by the Holders of not less than 10 per cent. of the Principal Amount Outstanding of the Most Senior Class of Notes then outstanding, or if there are no Notes outstanding, the holders of not less than 10 per cent. of the number of the Most Senior Class of Residual Certificates then outstanding convene a meeting of the Noteholders and Residual Certificateholders and if the Issuer makes default for a period of seven days in convening such a meeting the same may be convened by the Trustee or the requisitionists. Every such meeting shall be held at such place as the Trustee may appoint or approve.
3. At least 21 days' notice (exclusive of the day on which the notice is given and the day on which the meeting is held) specifying the place, day and hour of meeting shall be given by the Trustee (if the meeting is convened by the Trustee) or by the Issuer (if the meeting is convened by the Issuer) to the Relevant Noteholders and/or Relevant Residual Certificateholders prior to any meeting of the Relevant Noteholders and/or

Relevant Residual Certificateholders in the manner provided by Condition 12 and Residual Certificates Condition 11 (as applicable). Such notice shall state generally the nature of the business to be transacted at the meeting thereby convened by and (except for an Extraordinary Resolution) it shall not be necessary to specify in such notice the terms of any resolution to be proposed. Such notice shall include a statement to the effect that Notes and/or Residual Certificates may be deposited with the Registrar or (to their satisfaction) held to their order or under their control or blocked by a depositary holding the same in a manner approved by the Trustee for the purpose of obtaining a Form of Proxy or appointing proxies until 48 hours before the time fixed for the meeting but not thereafter. A copy of the notice shall be sent by post to the Trustee (unless the meeting is convened by the Trustee) and to the Issuer (unless the meeting is convened by the Issuer).

4. Some person (who may but need not be a Noteholder or Residual Certificateholder) nominated in writing by the Trustee shall be entitled to take the chair at every such meeting but if no such nomination is made or if at any meeting the person nominated shall not be present within fifteen minutes after the time appointed for holding the meeting the relevant Noteholders and/or Residual Certificateholders present shall choose one of their number to be Chairman.
5. At any meeting for all business other than voting on an Extraordinary Resolution two or more persons present being Holders of Relevant Notes or Relevant Residual Certificates or being proxies in respect thereof and holding or representing not less than 5 per cent. of the aggregate Principal Amount Outstanding of the Relevant Notes or 5 per cent. of the outstanding Relevant Residual Certificates shall (except for the purposes of passing an Extraordinary Resolution) form a quorum for the transaction of business and no business (other than the choosing of a Chairman) shall be transacted at any meeting unless the requisite quorum be present at the commencement of business.

The quorum at any such meeting for passing an Extraordinary Resolution shall (subject as provided below) be two or more persons present being Holders of Relevant Notes or Relevant Residual Certificates or being proxies in respect thereof and holding or representing greater than 50 per cent. of the aggregate Principal Amount Outstanding of the Relevant Notes or 50 per cent. of the outstanding Relevant Residual Certificates **provided that** at any meeting the business of which includes any of the following matters (each being a "**Basic Terms Modification**" each of which shall only be capable of being effected after having been approved by Extraordinary Resolution (and in the case of business affecting any class of Noteholders and/or Residual Certificateholders an Extraordinary Resolution of a meeting of that class), provided that a Base Rate Modification effected pursuant to, and in accordance with, Condition 15 will not constitute a Basic Terms Modification) namely:

- (a) modification of the date fixed for final maturity of any Note and/or Residual Certificate or modification of the method of calculating the Principal Payment, including any premium, payable on any Note and/or the method of calculating the Residual Payment Amounts payable on any Residual Certificate or modification of the date of payment of any Principal Payment on any Note and/or modification of the date of payment of any Residual Payment Amounts on any Residual Certificate;

- (b) reduction, cancellation or increase of the principal payable on any Note or any alteration of the date or priority of redemption of any Note and/or Residual Certificate;
- (c) 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;
- (d) alteration of the currency in which payments under any Note and/or Residual Certificate are to be made;
- (e) alteration of the majority required to pass an Extraordinary Resolution or the manner in which such majority is constituted;
- (f) the sanctioning of any such scheme or proposal as is described in paragraph 18(i) below;
- (g) alteration of this proviso or the proviso to paragraph 6 below;
- (h) alteration of the priorities of payments set out in clauses 6.1.2, 6.2 and 8.2 of the Deed of Charge; or
- (i) any proposal to effect the exchange, conversion or substitution of the Notes and/or Residual Certificates of any class for, or the conversion of the Notes and/or Residual Certificates into, shares, bonds or other obligations or securities of the Issuer or any other person;

the quorum shall (subject as provided further below) be two or more persons present being Holders of Relevant Notes and/or Residual Certificates or being proxies in respect thereof and holding or representing greater than 75 per cent. of the aggregate Principal Amount Outstanding of the Relevant Notes and/or 75 per cent. of the Relevant Residual Certificates outstanding (as applicable).

A Basic Terms Modification shall be not be effective unless sanctioned by an Extraordinary Resolution duly passed at separate meetings of the Holders of each class of outstanding Notes and Residual Certificates.

6. If within fifteen minutes after the time appointed for any such meeting a quorum is not present the meeting shall, if convened upon the requisition of the Noteholders and Residual Certificateholders, be dissolved. In any other case it shall stand adjourned to the same day in the next week (or if such day is a public holiday the next succeeding business day) at the same time and place (except in the case of a meeting at which an Extraordinary Resolution is to be proposed in which case it shall stand adjourned for such period being not less than 14 days nor more than 42 days, and at such place as may be appointed by the Chairman of the meeting and approved by the Trustee) and at such adjourned meeting two or more persons present being Holders of Relevant Notes and/or Relevant Residual Certificates or being proxies in respect thereof (whatever the aggregate of the Principal Amount Outstanding of the Relevant Notes and/or the aggregate outstanding Relevant Residual Certificates held) shall (subject as

provided below) form a quorum and shall (subject as provided below) have power to pass any Extraordinary Resolution or other resolution and to decide upon all matters which could properly have been dealt with at the meeting from which the adjournment took place had the requisite quorum been present **provided that** at any adjourned meeting the business of which includes any of the matters specified in the proviso to paragraph 5 above, the quorum shall (subject as provided further below) be two or more persons present being Holders of Relevant Notes and/or Relevant Residual Certificates or being proxies in respect thereof and holding or representing not less than 10 per cent. of the Principal Amount Outstanding of the Most Senior Class of Notes then outstanding, or if there are no Notes outstanding, not less than 10 per cent. of the number of the Most Senior Class of Residual Certificates then outstanding.

7. Notice of any adjourned meeting at which an Extraordinary Resolution is to be submitted shall be given in the same manner as notice of an original meeting but as if 10 were substituted for 21 in paragraph 3 above and such notice shall (except in cases where the proviso to paragraph 6 above shall apply when it shall state the relevant quorum) state that the persons present holding Relevant Notes and/or Relevant Residual Certificates or being proxies in respect thereof at the adjourned meeting (whatever the aggregate of the Principal Amount Outstanding of the Relevant Notes and/or Relevant Residual Certificates held) will form a quorum. Subject as aforesaid it shall not be necessary to give any notice of any adjourned meeting.
8. Every resolution submitted to a meeting shall (subject to paragraph 20 below) be decided by a simple majority, in the first instance by a show of hands, then (subject to paragraph 9 below) by a poll and in case of equality of votes the Chairman shall both on a show of hands and on a poll have a casting vote in addition to the vote or votes (if any) to which he may be entitled as a Noteholder (in the case of Definitive Notes), as a Residual Certificateholder or as a proxy.
9. At any meeting (unless a poll is (before or on the declaration of the result of the show of hands) demanded by the Chairman or the Issuer or by two or more persons present being Holders of Relevant Notes and/or Relevant Residual Certificates or being proxies in respect thereof and holding or representing not less than 2 per cent. of the aggregate Principal Amount Outstanding of the Relevant Notes and/or 2 per cent. of the aggregate outstanding Relevant Residual Certificates (as applicable)) a declaration by the Chairman that a resolution has been carried by a particular majority or lost or not carried by a particular majority shall be conclusive evidence of that fact without proof of the number or proportion of the votes recorded in favour or against such resolution.
10. Subject to paragraph 12 below, if at any such meeting a poll is so demanded, it shall be taken in such manner and subject as hereinafter provided either at once or after an adjournment as the Chairman directs and the result of such poll shall be deemed to be the resolution of the meeting at which the poll was demanded as at the date of the taking of the poll. The demand for a poll shall not prevent the continuance of the meeting for the transaction of any business other than the motion on which the poll has been demanded.
11. The Chairman may with the consent of (and shall if directed by) any such meeting adjourn the same from time to time and from place to place but no business shall be

transacted at any adjourned meeting except business which might lawfully (but for lack of required quorum) have been transacted at the meeting from which the adjournment took place.

12. Any poll demanded at any such meeting on the election of a Chairman or on any question of adjournment shall be taken at the meeting without adjournment.
13. The Trustee and its lawyers and any director, officer or employee of a corporation being a trustee of this Trust Deed and any director or officer of the Issuer and the lawyers of the Issuer and any other person authorised in that behalf by the Trustee may attend and speak at any meeting. Save as aforesaid but without prejudice to the proviso to the definition of "outstanding" in Clause 1 (*Definitions and Interpretation*) of this Trust Deed, no person shall be entitled to attend and speak nor shall any person be entitled to vote at any meeting of the Noteholders and/or Residual Certificateholders or join with others in requesting the convening of such a meeting or to exercise the rights conferred on the Noteholders by Conditions 9 and 10 and on the Residual Certificateholders by Residual Certificates Conditions 8 and 9 unless he either produces the Note(s) or Residual Certificate(s) of which he is the Holder or a proxy. Subject to the proviso to the definition of "outstanding" in Clause 1 (*Definitions and Interpretation*) of this Trust Deed, neither the Issuer, the Issue Services Provider, PML, PFPLC nor any of their respective subsidiaries or holding companies or other subsidiaries of such holding companies shall be entitled to vote at any meeting in respect of Notes and/or Residual Certificates held beneficially by it or for its account. Nothing herein contained shall prevent any of the proxies named in any Block Voting Instruction from being a director, officer or representative or otherwise connected with the Issuer.
14. Subject as provided in paragraph 13 hereof at any meeting:
 - (a) on a show of hands every person who is present in person and produces a Definitive Note or a Definitive Residual Certificate or is a proxy in respect thereof shall have one vote; and
 - (b) on a poll every person who is so present shall have one vote in respect of each £1 in principal amount of the Principal Amount Outstanding of the Relevant Notes and/or outstanding Residual Certificates so produced or in respect of which he is a proxy.

Without prejudice to the obligations of the proxies named in any Block Voting Instruction any person entitled to more than one vote need not use all his votes or cast all the votes to which he is entitled in the same way.

15. The proxies named in any Block Voting Instruction need not be Noteholders or Residual Certificateholders.
16. Each Block Voting Instruction together (if so required by the Trustee) with proof satisfactory to the Trustee of its due execution on behalf of the Registrar shall be deposited at such place as the Trustee shall approve not less than 24 hours before the time appointed for holding the meeting or adjourned meeting at which the proxies named in the Block Voting Instruction propose to vote and in default of such deposit the Block Voting Instruction shall not be treated as valid unless the Chairman of the

meeting decides otherwise before such meeting or adjourned meeting proceeds to business. A notarially certified copy of each Block Voting Instruction shall, unless the Trustee otherwise agrees, be deposited with the Trustee before the commencement of the meeting or adjourned meeting but the Trustee shall not thereby be obliged to investigate or be concerned with the validity of or the authority of the proxies named in any such Block Voting Instruction.

17. Any vote cast in accordance with the terms of a Block Voting Instruction shall be valid notwithstanding the previous revocation or amendment of the Block Voting Instruction or of any of the Noteholder's or Residual Certificateholder's instructions pursuant to which it was executed **provided that** no intimation in writing of such revocation or amendment shall have been received from the Registrar by the Issuer at its registered office (or such other place as may have been approved by the Trustee for the purpose) by the time being 24 hours before the time appointed for holding the meeting or adjourned meeting at which the Block Voting Instruction is to be used.
18. A meeting of the Noteholders of the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class Z Notes, the Class S Notes, the Class S VFN, the RC1 Residual Certificates or the RC2 Residual Certificates shall in addition to the powers hereinbefore given have the following powers exercisable by Extraordinary Resolution (subject to the provisions relating to quorum contained in paragraphs 5 and 6 above) only, namely:
 - (a) Power to sanction any compromise or arrangement proposed to be made between the Issuer and the Class A Noteholders, the Class B Noteholders, the Class C Noteholders, the Class D Noteholders, the Class Z Noteholders, the Class S Noteholders, the Class S VFN Holder, the RC1 Residual Certificateholders or the RC2 Residual Certificateholders.
 - (b) Power to sanction any abrogation, modification, compromise or arrangement in respect of the rights of the Class A Noteholders, the Class B Noteholders, the Class C Noteholders, the Class D Noteholders, the Class Z Noteholders, the Class S Noteholders, the Class S VFN Holder, the RC1 Residual Certificateholders or the RC2 Residual Certificateholders, as the case may be, against the Issuer or against any of its property or against any other person whether such rights shall arise under this Trust Deed, any of the Notes or otherwise.
 - (c) Power to assent to any modification of the provisions contained in this Trust Deed, the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class Z Notes, the Class S Notes, the Class S VFN, the RC1 Residual Certificates or the RC2 Residual Certificates, as the case may be, (including the Conditions and the Residual Certificates Conditions) or the provisions of any of the Relevant Documents which shall be proposed by the Issuer or the Trustee.
 - (d) Power to give any authority or sanction which under the provisions of this Trust Deed or the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class Z Notes, the Class S Notes, the Class S VFN, the RC1 Residual Certificates or the RC2 Residual Certificates, as the case may

be, (including the Conditions and the Residual Certificates Conditions) is required to be given by Extraordinary Resolution.

- (e) Power to appoint any persons (whether Noteholders or not) as a committee or committees to represent the interests of the Class A Noteholders, the Class B Noteholders, the Class C Noteholders, the Class D Noteholders, the Class Z Noteholders, the Class S Noteholders, the Class S VFN Holder, the RC1 Residual Certificates or the RC2 Residual Certificates, as the case may be, and to confer upon such committee or committees any powers or discretions which the Class A Noteholders, the Class B Noteholders, the Class C Noteholders, the Class D Noteholders, the Class Z Noteholders, the Class S Noteholders, the Class S VFN Holder, the RC1 Residual Certificates or the RC2 Residual Certificates, as the case may be, could themselves exercise by Extraordinary Resolution.
- (f) Power to approve of a person to be appointed a trustee and power to remove any trustee or trustees for the time being of this Trust Deed.
- (g) Power to discharge or exonerate the Trustee from all liability in respect of any act or omission for which the Trustee may have become responsible under this Trust Deed or under the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class Z Notes, the Class S Notes, the Class S VFN, the RC1 Residual Certificates or the RC2 Residual Certificates.
- (h) Power to authorise the Trustee to concur in and execute and do all such deeds, instruments, acts and things as may be necessary to carry out and give effect to any Extraordinary Resolution.
- (i) Power to sanction any scheme or proposal for the exchange or sale of the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class Z Notes, the Class S Notes, the Class S VFN, the RC1 Residual Certificates or the RC2 Residual Certificates, as the case may be, for, or the conversion of the Class A Notes, the Class B Notes, the Class C Notes the Class D Notes, the Class Z Notes, the Class S Notes, the Class S VFN, the RC1 Residual Certificates or the RC2 Residual Certificates, as the case may be, into, or the cancellation of the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class Z Notes, the Class S Notes, the Class S VFN, the RC1 Residual Certificates or the RC2 Residual Certificates, as the case may be, in consideration of shares, stock, notes, bonds, debentures, debenture stock and/or other obligations and/or securities of the Issuer or of any other company formed or to be formed, or for or into or in consideration of cash, or partly for or into or in consideration of such shares, stock, notes, bonds, debenture stock and/or other obligations and/or securities as aforesaid and partly for or into or in consideration of cash.

provided that no Extraordinary Resolution of the Class B Noteholders, the Class C Noteholders, the Class D Noteholders, the Class Z Noteholders, the Class S Noteholders, the Class S VFN Holder, the RC1 Residual Certificateholders or the RC2 Residual Certificateholders shall be effective unless (a) the Trustee is of the sole opinion that it will not be materially prejudicial to the interests of the Class A Noteholders (if the Class A Notes are still outstanding) (and (i) the Class B

Noteholders in the case of an Extraordinary Resolution of the Class C Noteholders and (ii) the Class B Noteholders and the Class C Noteholders in the case of an Extraordinary Resolution of the Class D Noteholders and (iii) the Class B Noteholders, the Class C Noteholders and the Class D Noteholders in the case of an Extraordinary Resolution of the Class Z Noteholders and (iv) the Class B Noteholders, the Class C Noteholders, the Class D Noteholders and the Class Z Noteholders in the case of an Extraordinary Resolution of the Class S Noteholders and (v) the Class B Noteholders, the Class C Noteholders, the Class D Noteholders, the Class Z Noteholders and the Class S Noteholders in the case of an Extraordinary Resolution of the Class S VFN Holder and (vi) the Class B Noteholders, the Class C Noteholders, the Class D Noteholders, the Class Z Noteholders, the Class S Noteholders and the Class S VFN Holder in the case of an Extraordinary Resolution of the RC1 Residual Certificateholders and (vii) the Class B Noteholders, the Class C Noteholders, the Class D Noteholders, the Class Z Noteholders, the Class S Noteholders, the Class S VFN Holder and the RC1 Residual Certificateholders in the case of an Extraordinary Resolution of the RC2 Residual Certificateholders or (b) it is sanctioned by an Extraordinary Resolution of the Class A Noteholders, (if the Class A Notes are still outstanding) (and (i) the Class B Noteholders in the case of an Extraordinary Resolution of the Class C Noteholders and (ii) the Class B Noteholders and the Class C Noteholders in the case of an Extraordinary Resolution of the Class D Noteholders and (iii) the Class B Noteholders, the Class C Noteholders and the Class D Noteholders in the case of an Extraordinary Resolution of the Class S Noteholders and (iv) the Class B Noteholders, the Class C Noteholders, the Class D Noteholders and the Class Z Noteholders in the case of an Extraordinary Resolution of the Class S Noteholders and (v) the Class B Noteholders, the Class C Noteholders, the Class D Noteholders, the Class Z Noteholders and the Class S Noteholders in the case of an Extraordinary Resolution of the Class S VFN Holder and (vi) the Class B Noteholders, the Class C Noteholders, the Class D Noteholders, the Class Z Noteholders, the Class S Noteholders and the Class S VFN Holder in the case of an Extraordinary Resolution of the RC1 Residual Certificateholders and (vii) the Class B Noteholders, the Class C Noteholders, the Class D Noteholders, the Class Z Noteholders, the Class S Noteholders, the Class S VFN Holder and the RC1 Residual Certificateholders in the case of an Extraordinary Resolution of the RC2 Residual Certificateholders or (c) none of the Class A Notes (and (i) the Class B Notes in the case of an Extraordinary Resolution of the Class C Noteholders and (ii) the Class B Notes and the Class C Notes in the case of an Extraordinary Resolution of the Class D Noteholders and (iii) the Class B Notes, the Class C Notes and the Class D Notes in the case of an Extraordinary Resolution of the Class Z Noteholders and (iv) the Class B Notes, the Class C Notes, the Class D Notes and the Class Z Notes in the case of an Extraordinary Resolution of the Class S Noteholders and (v) the Class B Notes, the Class C Notes, the Class D Notes, the Class Z Notes and the Class S Notes in the case of an Extraordinary Resolution of the Class S VFN Holder and (vi) the Class B Notes, the Class C Notes, the Class D Notes, the Class Z Notes, the Class S Notes and the Class S VFN in the case of an Extraordinary Resolution of the RC1 Residual Certificateholders and (vii) the Class B Notes, the Class C Notes, the Class D Notes, the Class Z Notes, the Class S Notes, the Class S VFN and the RC1 Residual Certificates in the case of an Extraordinary Resolution of the RC2 Residual Certificateholders) remains outstanding.

19. Subject to the provisos to paragraph 18 above, any resolution: (i) passed at a meeting of the Relevant Noteholders and/or Relevant Residual Certificateholders duly convened and held in accordance with this Trust Deed or (ii) subject to paragraph 21 below, passed by way of Electronic Consents given by Noteholders through the relevant clearing systems in accordance with the Trust Deed shall be binding upon all the Relevant Noteholders and/or Relevant Residual Certificateholders whether present or not present at such meeting and whether or not voting irrespective of its effect upon such Relevant Noteholders and/or Relevant Residual Certificateholders; and, in such case, each of such Relevant Noteholders and/or Relevant Residual Certificateholders shall be bound to give effect to such resolution accordingly and the passing of any such resolution shall be conclusive evidence that the circumstances justify the passing thereof. Notice of the result of the voting on any resolution duly considered by the Relevant Noteholders and/or Relevant Residual Certificateholders shall be published in accordance with Condition 12 as the case may be by the Issuer within 14 days of such result being known **provided that** the non-publication of such notice shall not invalidate such resolution.
20. The expression "**Extraordinary Resolution**" when used in this Trust Deed means a resolution passed at a meeting of the Relevant Noteholders and/or Relevant Residual Certificateholders duly convened and held in accordance with the provisions herein contained by a majority consisting of not less than 75 per cent. of the persons voting thereat upon a show of hands or if a poll be duly demanded then by a majority consisting of not less than 75 per cent. of the votes given on such poll.
21. For so long as the Notes are in the form of a Global Note held on behalf of a relevant clearing system and the Residual Certificates are in the form of a Global Residual Certificate held on behalf of a relevant clearing system, then, in respect of any resolution passed by way of Electronic Consent:
 - (a) when a proposal for a resolution to be passed as an Electronic Consent has been made, at least 10 days' notice (exclusive of the day on which the notice is given and of the day on which affirmative consents will be counted) shall be given to the Noteholders and Residual Certificateholders through the relevant clearing system(s). The notice shall specify, in sufficient detail to enable Noteholders and Residual Certificateholders to give their consents in relation to the proposed resolution, the method by which their consents may be given (including, where applicable, blocking of their accounts in the relevant clearing system(s)) and the time and date (the "**Relevant Day**") by which they must be received in order for such consents to be validly given, in each case subject to and in accordance with the operating rules and procedures of the relevant clearing system(s);
 - (b) if, on the Relevant Day on which the consents in respect of an Electronic Consent are first counted, such consents do not represent the required proportion of votes, the resolution shall, if the party proposing such resolution (the "**Proposer**") so determines, be deemed to be defeated. Such determination shall be notified in writing to the other party or parties to the Trust Deed. Alternatively, the Proposer may give a further notice to Noteholders and Residual Certificateholders that the resolution will be proposed again on such date and for such period as shall be agreed with the Trustee (unless the Trustee is the Proposer). Such notice must inform

Noteholders and Residual Certificateholders that insufficient consents were received in relation to the original resolution and the information specified in sub-paragraph 21(a) above. For the purpose of such further notice, references to Relevant Day shall be construed accordingly.

- (c) For the avoidance of doubt, an Electronic Consent may only be used in relation to a resolution proposed by the Issuer or the Trustee (i) which is not then the subject of a meeting that has been validly convened in accordance with these presents, unless that meeting is or shall be cancelled or dissolved or (ii) provided that a written request to convene a meeting in respect of the proposed resolution is not made pursuant to these presents before the Relevant Day.
- 22. Minutes of all resolutions and proceedings at every such meeting as aforesaid shall be made and duly entered in books to be from time to time provided for that purpose by the Issuer and any such Minutes as aforesaid if purporting to be signed by the Chairman of the meeting at which such resolutions were passed or proceedings had shall be conclusive evidence of the matters therein contained and until the contrary is proved every such meeting in respect of the proceedings of which Minutes have been made shall be deemed to have been duly held and convened and all resolutions passed or proceedings had thereat to have been duly passed or had.
 - 23. Subject to all other provisions contained in this Trust Deed the Trustee may without the consent of the Issuer, the Noteholders or the Residual Certificateholders prescribe such further regulations regarding the requisitioning and/or the holding of meetings of Noteholders and/or Residual Certificateholders and attendance and voting thereat as the Trustee may in its sole discretion think fit.
 - 24. References herein to a "**resolution duly passed at a meeting of the Noteholders**" shall include, where the context permits, a resolution in writing signed by or on behalf of all Noteholders and Residual Certificateholders who for the time being are entitled to receive notice of a meeting in accordance with the provisions contained in this Trust Deed. Such resolution in writing may be contained in one document or in several documents in like form each signed by or on behalf of one or more of the Noteholders and/or Residual Certificateholders.
 - 25. So long as the Notes are represented by any Global Note and the Residual Certificates are represented by any Global Residual Certificate, the Holder of a Global Note and/or a Global Residual Certificate shall for the purposes of paragraph 5 be deemed to constitute a quorum and for the purposes of this Schedule 3 be deemed to be holding such principal amount of those Notes and/or Residual Certificates (up to the Principal Amount Outstanding of those Notes) as the Holder of such Global Notes and/or such Global Residual Certificate may specify and able to vote such amount for or against or to abstain from voting in such principal amount as the Holder may specify.

SCHEDULE 4
TERMS AND CONDITIONS OF THE NOTES

[paginated separately – see overleaf]

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the terms and conditions, (the "**Conditions**") which apply to the Notes and, if Definitive Notes were to be issued, will be endorsed on the Notes. While any Notes remain in global form the Conditions govern them, except to the extent that they are appropriate only to Notes in definitive form.

1. **Issue, Form, Denomination and Title**

(a) *Issue of the Notes to Noteholders pursuant to the Trust Deed*

Paragon Mortgages (No.25) PLC (the "**Issuer**") has issued the "**Notes**", which comprise:

- (i) the "**Class A Notes**" which comprise the £600,000,000 Class A Notes;
- (ii) the "**Class B Notes**" which comprise the £33,500,000 Class B Notes;
- (iii) the "**Class C Notes**" which comprise the £30,000,000 Class C Notes;
- (iv) the "**Class D Notes**" which comprise the £24,700,000 Class D Notes;
- (v) the "**Class Z Notes**" which comprise the £17,648,000 Class Z Notes;
- (vi) the "**Class S Notes**" which comprise the £10,923,000 Class S Notes;
- (vii) the "**Class S VFN**" which comprise the £7,952,955 Class S VFN,

pursuant to a trust deed (the "**Trust Deed**") dated on or about 26 April 2018 or such later date agreed between the Issuer and the Joint Lead Managers for the issue of the Notes (the "**Closing Date**") between the Issuer and Citicorp Trustee Company Limited (the "**Trustee**", which expression shall include its successors as trustee under the Trust Deed and any other person or persons from time to time acting as trustee under the Trust Deed) as trustee of the Holders (as defined in Condition 1(d)) for the time being of the Class A Notes (together the "**Class A Noteholders**"), the Holders for the time being of the Class B Notes (together the "**Class B Noteholders**"), the Holders for the time being of the Class C Notes (together the "**Class C Noteholders**"), the Holders for the time being of the Class D Notes (together the "**Class D Noteholders**"), the Holders for the time being of the Class Z Notes (together the "**Class Z Noteholders**") the Holders for the time being of the Class S Notes (together the "**Class S Noteholders**") and the Holder for the time being of the Class S VFN (the "**Class S VFN Holder**") and together with the Class A Noteholders, the Class B Noteholders, the Class C Noteholders, the Class D Noteholders, the Class Z Noteholders and the Class S Noteholders, the "**Noteholders**").

In these Conditions "**class**" shall be a reference to a class of the Notes being each or any of the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class Z Notes, the Class S Notes or the Class S VFN, as the context may require, and "**classes**" shall be construed accordingly.

In these Conditions, "**Rated Notes**" shall mean the Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes.

The Noteholders will be entitled to the benefit of, will be bound by, and will be deemed to have notice of, all the provisions of the Trust Deed and the Deed of Charge (as defined in Condition 2) and will be deemed to have notice of all the provisions of the Relevant Documents (as defined in Condition 3(a)(i)(B)). Expressions defined in those documents and not otherwise defined in these Conditions shall where used in these Conditions have the meanings indicated in the Relevant Documents. Certain provisions of these Conditions are summaries of the Relevant Documents and are subject to their detailed provisions. Copies of the Relevant Documents will be available for inspection at the registered office of the Issuer and at the Specified Office for the time being of the Principal Paying Agent.

(b) ***Form of the Notes***

Notes (other than the Class S VFN) will be represented by one or more permanent global notes in fully registered form without interest coupons (each such global note in relation to a class of those Notes being a "Global Note").

Each Global Note, save for a Global Note to be held under the New Safekeeping Structure ("NSS"), is expected to be deposited with, and registered in the name of, or a nominee of a common depositary (the "Common Depositary") for, Euroclear Bank S.A./N.V., as operator of the Euroclear System ("Euroclear") and Clearstream Banking, *société anonyme*, Luxembourg ("Clearstream, Luxembourg") and together with Euroclear, the "Clearing Systems") on the Closing Date. Global Notes to be held under NSS will be deposited with and registered in the name of, or in the name of a nominee for, the common safekeeper for Euroclear and Clearstream, Luxembourg.

The beneficial interests represented by the Global Note will be exchanged for Notes of the relevant class in definitive registered form (each such Note a "Definitive Note") only upon the occurrence of certain limited circumstances specified in the Global Notes. Upon such an exchange the aggregate principal amount of the Definitive Notes shall be equal to the Principal Liability Outstanding of the Notes at the date on which notice of exchange is given of the corresponding Global Note subject to and in accordance with the detailed provisions of these Conditions, the Agency Agreement, the Trust Deed and the relevant Global Note. If issued, Definitive Notes will be in the relevant denominations set out below, will be serially numbered and will be issued in registered form only.

The Class S VFN will be in dematerialised registered form.

(c) ***Denomination of the Notes***

The Notes (other than the Class S VFN) are issued in minimum denominations of £100,000. Each holding of Notes must be an integral multiple of £1,000 and for not less than the relevant minimum denomination.

The Class S VFN will have a minimum denomination of £100,000 and may be issued and redeemed in integral multiples of £1. No certificate evidencing entitlement to the Class S VFN will be issued. The Class S VFN will be issued on the Closing Date with a nominal principal amount of £7,952,955 and a Principal Amount Outstanding of £7,952,955 will be subscribed for on the Closing Date.

(d) ***Title to the Notes***

The Issuer will cause to be kept at the Specified Office of Citibank, N.A., London Branch as registrar (the "Registrar" which expression shall include its successors as registrar under the Agency Agreement) a register (the "Register") on which shall be entered the names and addresses of the holders of the Notes (other than the Class S VFN) and the particulars of such Notes held by them and all transfers and redemptions of such Notes.

No transfer of a Note (other than the Class S VFN) will be valid unless and until entered on the Register. Transfers and exchanges of beneficial interests in the Global Notes and entries on the Register relating to the Notes will be made subject to any restrictions on transfers set forth on such Notes and the detailed regulations concerning transfers of such Notes contained in the Agency Agreement, the Trust Deed and the relevant legends appearing on the face of the Notes (such regulations and legends being the "Transfer Regulations"). Each transfer or purported transfer of a beneficial interest in a Global Note or a Definitive Note made in violation of the Transfer Regulations shall be void *ab initio* and will not be honoured by the Issuer or the Trustee. The Transfer Regulations may be changed by the Issuer with the prior written approval of the Trustee and the Registrar. A copy of the current Transfer Regulations will be sent by the Registrar to any Holder of a Note who so requests and by the Principal Paying Agent to any Holder of a Note who so requests.

For so long as any Note is represented by a Global Note, transfers and exchanges of beneficial interests in that Global Note and entitlement to payments under that Global Note will be effected

subject to and in accordance with the rules and procedures from time to time of Euroclear and/or Clearstream, Luxembourg.

Beneficial interests in a Global Note may be held only through Euroclear or Clearstream, Luxembourg at any time. Prior to the expiry of a 40 day period following the Closing Date, beneficial interests in a Global Note may not be held by a "U.S. Person" (as defined in Regulation S under the Securities Act).

Title to the Class S VFN shall only pass by and upon registration of the transfer in the Class S VFN Register provided that no transferee shall be registered as a new Class S VFN Holder unless (a) the prior written consent of the Issuer has been obtained and (b) such transferee has certified to, *inter alios*, the Class S VFN Registrar that it is (i) a person falling within paragraph 3 of Schedule 2A to the Insolvency Act 1986, (ii) independent of the Issuer within the meaning of regulation 2(1) of the Taxation of Securitisation Companies Regulations 2006 and (iii) a Qualifying Noteholder. The Issuer shall procure that the register in respect of the Class S VFN (the "Class S VFN Register") is kept by the Class S VFN Registrar.

"Qualifying Noteholder" means:

- (i) a person which is beneficially entitled to interest in respect of the VFN and is:
 - (A) company resident in the United Kingdom for United Kingdom tax purpose; or
 - (B) company not so resident in the United Kingdom which carries on a trade in the United Kingdom through a permanent establishment and which will bring into account payments of interest in respect of the Notes in computing the chargeable profits (for the purposes of section 19 of the Corporation Tax Act 2009 (the "CTA")) of that company; or
 - (C) a partnership each member of which is:
 - (1) a company resident in the United Kingdom; or
 - (2) (a company not so resident in the United Kingdom which carries on a trade in the United Kingdom through a permanent establishment and which will bring into account payments of interest in respect of the Notes in computing the chargeable profits (for the purposes of section 19 of the CTA) the whole of any share of a payment of interest in respect of the Notes that is attributable to it by reason of Part 17 of the CTA; or
- (ii) a person which falls within any of the other descriptions in section 935 or 936 of the Income Tax Act 2007 (ITA 2007) and satisfies any conditions set out therein in order for the interest to be an excepted payment for the purposes of section 930 ITA 2007.

In these Conditions, the "Holder" of a Note at any time means the person in whose name such Note is registered at that time in the Register or Class S VFN Register (as applicable) (or, in the case of a joint holding, the first named person).

In relation to each Note, the Holder will, to the fullest extent permitted by applicable law, be deemed and treated at all times, by all persons and for all purposes (including the making of payments), as the absolute owner of such Note regardless of any notice to the contrary, any notice of ownership, theft or loss, or of any trust or other interest in that Note or of any writing on that Note (other than the endorsed form of transfer).

2. Status and Relationship between the Classes of Notes

The Notes are obligations solely of the Issuer and are not obligations of, or guaranteed by, any other person. The Notes are secured by fixed and floating security over all of the Issuer's assets (the "Security") as more particularly described in a deed of sub-charge and assignment (the "Deed of Charge") dated the Closing Date between the Issuer, the Trustee, Paragon Finance PLC, Paragon Mortgages (2010) Limited, Paragon Bank Plc, Intertrust Management Limited, Homeloan

Management Limited (the "**Substitute Administrator**"), the Issue Services Provider, the Account Bank and the Basis Hedge Provider.

Notes in the same class rank *pari passu* and rateably without any preference or priority among themselves in their right to receive principal and interest. Prior to the Security becoming enforceable the Notes rank according to the priority of payments set out in Clause 6.1.2 of the Deed of Charge (the "**Revenue Priority of Payments**") and Clause 6.2 of the Deed of Charge (the "**Principal Priority of Payments**") and from and after the Security becoming enforceable the Notes rank according to the priority of payments set out in Clause 8.2 of the Deed of Charge (the "**Enforcement Priority of Payments**" and, together with the Revenue Priority of Payments and the Principal Priority of Payments, the "**Payments Priorities**"), in each case according to the terms of the Relevant Documents (as defined in Condition 3(a)(i)(B) and the Notes.

The Trust Deed and the Deed of Charge contain provisions requiring the Trustee to have regard to the interests of all of the Class A Noteholders, the Class B Noteholders, the Class C Noteholders, the Class D Noteholders, the Class Z Noteholders, the Class S Noteholders and the Class S VFN Holder as regards all powers, trusts, authorities, duties and discretions of the Trustee (except where expressly provided otherwise), but requiring the Trustee in any such case (a) to have regard only to the interests of the Class A Noteholders if, in the Trustee's opinion, there is a conflict between the interests of the Class A Noteholders and the interests of the Class B Noteholders, the Class C Noteholders, the Class D Noteholders, the Class Z Noteholders, the Class S Noteholders and/or the Class S VFN Holder (b) (subject to (a)) to have regard only to the interests of the Class B Noteholders if, in the Trustee's opinion, there is a conflict between the interests of the Class B Noteholders the Class C Noteholders, the Class D Noteholders, the Class Z Noteholders, the Class S Noteholders and/or the Class S VFN Holder, (c) (subject to (a) and (b)) to have regard only to the interests of the Class C Noteholders if, in the Trustee's opinion, there is a conflict between the interests of the Class C Noteholders, the Class D Noteholders, the Class Z Noteholders, the Class S Noteholders and/or the Class S VFN Holder, (d) (subject to (a), (b) and (c)) to have regard only to the interests of the Class D Noteholders if, in the Trustee's opinion, there is a conflict between the interests of the Class D Noteholders and the Class Z Noteholders, the Class S Noteholders and/or the Class S VFN Holder, (e) (subject to (a), (b), (c) and (d)) to have regard only to the interests of the Class Z Noteholders if, in the Trustee's opinion, there is a conflict between the interests of the Class Z Noteholders and the Class S Noteholders and/or the Class S VFN Holder, (f) (subject to (a), (b), (c), (d) and (e)) to have regard only to the interests of the Class S Noteholders if, in the Trustee's opinion, there is a conflict between the interests of the Class S Noteholders and the Class S VFN Holder, (g) (subject to (a), (b), (c), (d), (e) and (f)) to have regard only to the interests of the Class S VFN Holder if, in the Trustee's opinion, there is a conflict between the interests of the Class S VFN Holder and the Residual Certificateholders and (h) (subject to (a), (b), (c), (d), (e), (f) and (g)) (i) prior to the Step-Up Date to have regard only to the interests of the RC1 Residual Certificateholders if, in the Trustee's opinion, there is a conflict between the interests of the RC1 Residual Certificateholders and the RC2 Residual Certificateholders and (ii) on and following the Step-Up Date to have regard only to the interests of the RC2 Residual Certificateholders if, in the Trustee's opinion, there is a conflict between the interests of the RC1 Residual Certificateholders and the RC2 Residual Certificateholders.

3. **Covenants of the Issuer**

- (a) So long as any of the Notes remain outstanding (as defined in the Trust Deed), the Issuer shall not, save to the extent permitted by the Relevant Documents or with the prior written consent of the Trustee:
 - (i) carry on any business other than as described in the Prospectus dated 23 April 2018 relating to the issue of the Notes and the Residual Certificates (and then only in relation to the Mortgages and the related activities described therein) and in respect of that business shall not engage in any activity or do anything whatsoever except:
 - (A) own and exercise its rights in respect of the Security and its interests therein and perform its obligations in respect of the Security including, for the avoidance of doubt, funding Mandatory Further Advances and Discretionary Further Advances and purchasing Additional Mortgages;

- (B) preserve and/or exercise and/or enforce any of its rights and perform and observe its obligations under the Mortgage Sale Agreement, the Notes, the Residual Certificates, the Subscription Agreement and the other agreements relating to the issue of the Notes (or any of them), the Residual Certificates (or any of them), the Agency Agreement, the CRR Deed of Covenant, the Trust Deed, the Administration Agreement, the Substitute Administrator Agreement, the Substitute Administrator Facilitator Agreement, the Mortgages, the Deed of Charge, the Collection Account Declarations of Trust, each Basis Hedge Agreement, the Issue Services Fee Letter, any other hedging arrangements entered into by the Issuer from time to time, the Intertrust Corporate Services Agreement, the Paragon Corporate Services Letter, the Insurance Contracts, the other insurances in which the Issuer at any time has an interest, the Cross-collateral Mortgage Rights Deeds, the Account Bank Agreement, the Hedge Collateral Custody Agreement (if applicable), the Deed Poll and all other agreements and documents comprised in the Security for the Notes and the Residual Certificates (all as defined in the Trust Deed, the Deed of Charge or the Mortgage Sale Agreement) (together the "**Relevant Documents**");
 - (C) to the extent permitted by the terms of the Deed of Charge or any of the other Relevant Documents, pay dividends or make other distributions to its members out of profits available for distribution in the manner permitted by applicable law;
 - (D) use, invest or dispose of, or otherwise deal with, or agree or attempt or purport to dispose of, any of its property or assets or grant any option or right to acquire the same in the manner provided in or contemplated by the Relevant Documents or for the purpose of realising sufficient funds to exercise its option to redeem Notes in accordance with their respective terms and conditions; and
 - (E) perform any act incidental to or necessary in connection with (A), (B), (C) or (D) above;
- (ii) incur any indebtedness in respect of borrowed money whatsoever or give any guarantee or indemnity in respect of any indebtedness excluding, for the avoidance of doubt, indebtedness under the Agency Agreement, the Account Bank Agreement, the Hedge Collateral Custody Agreement (if applicable), the Administration Agreement, Deed of Charge, the Trust Deed, the Notes, the Residual Certificates, the Issue Services Fee Letter, the Intertrust Corporate Services Agreement, the Paragon Corporate Services Letter, each Basis Hedge Agreement, the Substitute Administrator Agreement and the Substitute Administrator Facilitator Agreement;
 - (iii) create any mortgage, sub-mortgage, charge, sub-charge, pledge, lien or other security interest whatsoever (other than any which arise by operation of law) over any of its assets;
 - (iv) prejudice its eligibility for its corporation tax liability to be calculated in accordance with regulation 14 of the Taxation of Securitisation Companies Regulation 2006;
 - (v) consolidate or merge with any other person or convey or transfer its properties or assets substantially as an entirety to any person, other than as contemplated by the Deed of Charge, the Trust Deed or the Administration Agreement, unless:
 - (A) the person (if other than the Issuer) formed by or surviving such consolidation or merger or which acquires by conveyance or transfer the properties and assets of the Issuer substantially as an entirety shall be a person incorporated and existing under the laws of England and Wales, whose main objects are the funding, purchase and administration of mortgages, and which shall expressly assume, by a deed supplemental to the Trust Deed, in a form satisfactory to the Trustee, the due and punctual payment of principal and interest on the Notes and the performance and observance of every covenant in the Trust Deed and in these Conditions on the part of the Issuer to be performed or observed;

- (B) immediately after giving effect to such transaction, no Event of Default (as such term is defined in these Conditions) shall have occurred and be continuing;
 - (C) the Trustee is satisfied that the interests of the Noteholders will not be materially prejudiced by such consolidation, merger, conveyance or transfer;
 - (D) the Issuer shall have delivered to the Trustee a legal opinion containing such confirmations in respect of such consolidation, merger, conveyance or transfer and such supplemental deed and other deeds as the Trustee may require; and
 - (E) the then current ratings of the Notes are not adversely affected;
- (vi) permit the validity or effectiveness of the Trust Deed or the Deed of Charge or the priority of the Security created thereby to be amended, terminated, postponed or discharged, or permit any person whose obligations form part of the Security to be released from such obligations;
 - (vii) in a manner which adversely affects the then current ratings of the Notes, have any employees or premises or have any subsidiary; or
 - (viii) have an interest in any bank account, other than the Transaction Account and the Collection Accounts (as defined in the Trust Deed), unless such account or interest is charged to the Trustee on terms acceptable to it.
- (b) So long as any of the Notes remains outstanding the Issuer will procure that there will at all times be one or more persons appointed as administrator of the Mortgages (each an "**Administrator**"). Any appointment of an Administrator is subject to the approval of the Trustee and must be of a person with experience of administration of mortgages in England and Wales. An Administrator will not be permitted to terminate its appointment without, *inter alia*, the prior written consent of the Trustee and the Issuer. The appointment of an Administrator may be terminated by the Trustee or the Issuer if, among other things, such Administrator is in breach of its obligations under the Administration Agreement, which breach, in the opinion of the Trustee, is materially prejudicial to the interests of the Most Senior Class and such breach is not remedied or deemed to be remedied in accordance with the terms of the Administration Agreement. Upon the termination of the appointment of an Administrator, the Substitute Administrator will act as Administrator, pursuant to the terms of the Substitute Administrator Agreement, but will have no liability under the Mortgage Sale Agreement.

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 or, if there are no Class A Notes or Class B Notes then outstanding, the Class C Notes or, if there are no Class A Notes, Class B Notes or Class C Notes then outstanding, the Class D Notes or, if there are no Class A Notes, Class B Notes or Class C Notes or Class D Notes then outstanding, the Class Z Notes or, if there are no Class A Notes, Class B Notes, Class C Notes, Class D Notes or Class Z Notes then outstanding, the Class S Notes, or, if there are no Class A Notes, Class B Notes, Class C Notes, Class D Notes, Class Z Notes or Class S Notes then outstanding, the Class S VFN or, if there are no Class A Notes, Class B Notes, Class C Notes, Class D Notes, Class Z Notes, Class S Notes or Class S VFN then outstanding, prior to the Step-Up Date, the RC1 Residual Certificates and, on and following the Step-Up Date, the RC2 Residual Certificates.

4. **Interest**

(a) ***Interest Payment Dates***

Interest shall accrue on a daily basis on the Principal Liability Outstanding (as defined in Condition 5(b)) of each Note from and including the Closing Date.

Subject to Condition 4(b), such accrued interest in respect of each Note ("**Normal Interest**") is due and payable in arrear on 15 August 2018 and thereafter quarterly on each subsequent 15 November, 15 February, 15 May and 15 August or if any such day is not a Business Day (as defined below), the next succeeding Business Day (each such day an "**Interest Payment Date**").

The period beginning on (and including) the Closing Date and ending on (but excluding) the first Interest Payment Date relating to a Note and each successive period beginning on (and including) an Interest Payment Date relating to that Note and ending on (but excluding) the next Interest Payment Date is called an "**Interest Period**".

Normal Interest shall cease to accrue on any part of the Principal Liability Outstanding of a Note as from (and including) the due date for redemption of such part unless payment of principal due is improperly withheld or refused, whereupon Normal Interest shall continue to accrue on such principal at the Rate of Interest (as defined below) from time to time applicable to the Notes of that class until the moneys in respect thereof have been received by the Trustee or the Principal Paying Agent (as defined in the Trust Deed) and notice to that effect is given in accordance with Condition 12.

In these Conditions, "**Business Day**" means a day which is a London Business Day. "**London Business Day**" means a day (other than Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in London.

(b) ***Deferral of Interest on the Notes, Additional Interest, Default Interest and Allocation of Interest***

(i) On each Interest Payment Date relating to any class of Notes (other than the Class A Notes or, should they be the Most Senior Class of Notes, the other classes of Notes) the Normal Interest which has accrued on each class of Notes (other than the Class A Notes or, should they be the Most Senior Class of Notes, the other classes of Notes) during the Interest Period ending on (but excluding) that Interest Payment Date shall be due and payable on that Interest Payment Date only to the extent of the amount to be applied in payment of that Normal Interest on that Interest Payment Date in accordance with paragraphs (vi)(A), (vii)(A), (viii)(A), (ix)(A), (x)(A) and (xi)(A) below and the remainder of such Normal Interest shall be deferred and from then onwards be treated as Deferred Interest (as defined below) instead of Normal Interest. Payments of Normal Interest due on an Interest Payment Date in respect of the Most Senior Class of Notes will not be deferred.

In these Conditions "**Deferred Interest**" means, on any date in respect of a Class of Note the aggregate amount of accrued interest in respect of that Class of Note which has been deferred under paragraph (i) above and remains outstanding on that date.

(ii) The full amount of Deferred Interest in relation to a Class of Note (other than the Class A Notes) shall be due and payable on the first date upon which the whole Principal Liability Outstanding in respect of that Class of Note becomes due for redemption and, prior to that date, shall be due and payable on each Interest Payment Date only to the extent of the amount to be applied in payment of that Deferred Interest on that Interest Payment Date in accordance with paragraphs (v)(B), (vi)(B), (vii)(B), (viii)(B), (ix)(B), (x)(B) and (xi)(B) below.

(iii) Interest shall accrue on the aggregate outstanding amount of Deferred Interest in respect of a Class of Note (other than the Class A Notes) on each day that such Deferred Interest remains outstanding but has not yet become due and payable (excluding the amount, if any, of Deferred Interest which is paid or discharged on that day and excluding each day, if any, where Deferred Interest is paid on a later date in accordance with Condition 6 because the due date is not a Local Business Day) at the same Rate of Interest applicable to that Class of Note during the Interest Period in which that day falls.

In these Conditions "**Additional Interest**" means in respect of a Class of Note on any date the aggregate amount of interest which has accrued under this paragraph (iii) which remains outstanding on that date. Additional Interest shall cease to accrue on Deferred Interest when such Deferred Interest becomes due and payable.

The full amount of Additional Interest in relation to a Class of Note (other than the Class A Notes) shall be due and payable on the first date upon which the whole Principal Liability Outstanding in respect of that Class of Note becomes due for redemption and, prior to that date, shall be due and payable on each Interest Payment Date only to the

extent of the amount to be applied in payment of such Additional Interest on that Interest Payment Date in accordance with paragraphs (v)(C), (vi) (C), (vii)(C), (viii)(C), (ix)(C), (x)(C) and (xi)(C) below.

- (iv) Interest shall accrue on the aggregate outstanding amount of Normal Interest, Deferred Interest and Additional Interest in respect of a Note (being the "**Overdue Interest**") on each day that Overdue Interest in relation to that Note is due and payable but remains outstanding (excluding the amount, if any, of Overdue Interest which is paid or discharged on that day and excluding each day, if any, where Overdue Interest is paid on a later date in accordance with Condition 6 because the due date is not a Local Business Day) at the same Rate of Interest applicable to that Note during the Interest Period relating to that Note in which that day falls.

In these Conditions "**Default Interest**" means in respect of a Note on any date the aggregate amount of interest which has accrued under this paragraph (iv) which remains outstanding on that date.

The full amount of Default Interest in relation to a Note shall be due and payable on the first date upon which the whole Principal Liability Outstanding in respect of that Note becomes due for redemption and, prior to that date, shall be due and payable on each Interest Payment Date relating to that Note only to the extent of the amount to be applied in payment of such Default Interest on that Interest Payment Date in accordance with paragraphs (v)(D), (vi)(D), (vii)(D), (viii)(D), (ix)(D), (x)(D) and (xi)(D) below (as applicable).

- (v) Subject to Condition 4(c), on each Interest Payment Date which occurs prior to the Security becoming enforceable, the amount available under the Revenue Priority of Payments to be applied on that Interest Payment Date in payment of interest in respect of the Class A Notes or, should they be the Most Senior Class of Notes, the other classes of Notes will be applied as follows:

- (A) *first*, in or towards the payment of any Normal Interest then due in respect of each of those Notes *pro rata* to the amount of Normal Interest then due on each of those Notes; and
- (B) then, (in the case of a class of Notes other than the Class A Notes, if that Class has become the Most Senior Class of Notes) in or towards payment of any Deferred Interest then outstanding in respect of each of those Notes *pro rata* to the amount of Deferred Interest then outstanding on each of those Notes; and
- (C) then, (in the case of a class of Notes other than the Class A Notes, if that Class has become the Most Senior Class of Notes) in or towards payment of any Additional Interest then outstanding in respect of each of those Notes *pro rata* to the amount of Additional Interest then outstanding on each of those Notes; and
- (D) then, in or towards payment of any Default Interest then outstanding in respect of each of those Notes *pro rata* to the amount of Default Interest then outstanding on each of those Notes.

- (vi) On each Interest Payment Date which occurs prior to the Security becoming enforceable, the amount available under the Revenue Priority of Payments to be applied on that Interest Payment Date in payment of interest in respect of the Class B Notes (when not the Most Senior Class of Notes) will be applied as follows:

- (A) *first*, in or towards the payment of any Normal Interest then due in respect of each of those Notes *pro rata* to the amount of Normal Interest then due on each of those Notes; and
- (B) then, in or towards payment of any Deferred Interest then outstanding in respect of each of those Notes *pro rata* to the amount of Deferred Interest then outstanding on each of those Notes; and

- (C) then, in or towards payment of any Additional Interest then outstanding in respect of each of those Notes *pro rata* to the amount of Additional Interest then outstanding on each of those Notes; and
 - (D) then, in or towards payment of any Default Interest then outstanding in respect of each of those Notes *pro rata* to the amount of Default Interest then outstanding on each of those Notes.
- (vii) On each Interest Payment Date which occurs prior to the Security becoming enforceable, the amount available under the Revenue Priority of Payments to be applied on that Interest Payment Date in payment of interest in respect of the Class C Notes (when not the Most Senior Class of Notes) will be applied as follows:
- (A) *first*, in or towards the payment of any Normal Interest then due in respect of each of those Notes *pro rata* to the amount of Normal Interest then due on each of those Notes; and
 - (B) then, in or towards payment of any Deferred Interest then outstanding in respect of each of those Notes *pro rata* to the amount of Deferred Interest then outstanding on each of those Notes; and
 - (C) then, in or towards payment of any Additional Interest then outstanding in respect of each of those Notes *pro rata* to the amount of Additional Interest then outstanding on each of those Notes; and
 - (D) then, in or towards payment of any Default Interest then outstanding in respect of each of those Notes *pro rata* to the amount of Default Interest then outstanding on each of those Notes.
- (viii) On each Interest Payment Date which occurs prior to the Security becoming enforceable, the amount available under the Revenue Priority of Payments to be applied on that Interest Payment Date in payment of interest in respect of the Class D Notes (when not the Most Senior Class of Notes) will be applied as follows:
- (A) *first*, in or towards the payment of any Normal Interest then due in respect of each of those Notes *pro rata* to the amount of Normal Interest then due on each of those Notes; and
 - (B) then, in or towards payment of any Deferred Interest then outstanding in respect of each of those Notes *pro rata* to the amount of Deferred Interest then outstanding on each of those Notes; and
 - (C) then, in or towards payment of any Additional Interest then outstanding in respect of each of those Notes *pro rata* to the amount of Additional Interest then outstanding on each of those Notes; and
 - (D) then, in or towards payment of any Default Interest then outstanding in respect of each of those Notes *pro rata* to the amount of Default Interest then outstanding on each of those Notes.
- (ix) On each Interest Payment Date which occurs prior to the Security becoming enforceable, the amount available under the Revenue Priority of Payments to be applied on that Interest Payment Date in payment of interest in respect of the Class Z Notes (when not the Most Senior Class of Notes) will be applied as follows:
- (A) *first*, in or towards the payment of any Normal Interest then due in respect of each of those Notes *pro rata* to the amount of Normal Interest then due on each of those Notes; and
 - (B) then, in or towards payment of any Deferred Interest then outstanding in respect of each of those Notes *pro rata* to the amount of Deferred Interest then outstanding on each of those Notes; and

- (C) then, in or towards payment of any Additional Interest then outstanding in respect of each of those Notes *pro rata* to the amount of Additional Interest then outstanding on each of those Notes; and
 - (D) then, in or towards payment of any Default Interest then outstanding in respect of each of those Notes *pro rata* to the amount of Default Interest then outstanding on each of those Notes.
- (x) On each Interest Payment Date which occurs prior to the Security becoming enforceable, the amount available under the Revenue Priority of Payments to be applied on that Interest Payment Date in payment of interest in respect of the Class S Notes (when not the Most Senior Class of Notes) will be applied as follows:
- (A) *first*, in or towards the payment of any Normal Interest then due in respect of each of those Notes *pro rata* to the amount of Normal Interest then due on each of those Notes; and
 - (B) then, in or towards payment of any Deferred Interest then outstanding in respect of each of those Notes *pro rata* to the amount of Deferred Interest then outstanding on each of those Notes; and
 - (C) then, in or towards payment of any Additional Interest then outstanding in respect of each of those Notes *pro rata* to the amount of Additional Interest then outstanding on each of those Notes; and
 - (D) then, in or towards payment of any Default Interest then outstanding in respect of each of those Notes *pro rata* to the amount of Default Interest then outstanding on each of those Notes.
- (xi) On each Interest Payment Date which occurs prior to the Security becoming enforceable, the amount available under the Revenue Priority of Payments to be applied on that Interest Payment Date in payment of interest in respect of the Class S VFN (when not the Most Senior Class of Notes) will be applied as follows:
- (A) *first*, in or towards the payment of any Normal Interest then due in respect of each of those Notes *pro rata* to the amount of Normal Interest then due on each of those Notes; and
 - (B) then, in or towards payment of any Deferred Interest then outstanding in respect of each of those Notes *pro rata* to the amount of Deferred Interest then outstanding on each of those Notes; and
 - (C) then, in or towards payment of any Additional Interest then outstanding in respect of each of those Notes *pro rata* to the amount of Additional Interest then outstanding on each of those Notes; and
 - (D) then, in or towards payment of any Default Interest then outstanding in respect of each of those Notes *pro rata* to the amount of Default Interest then outstanding on each of those Notes.

(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:

"**Step-Up Date**" means the Interest Payment Date falling in May 2023;

"Interest Determination Date" means in relation to an Interest Period for which the applicable Rate of Interest shall apply, the first day of the Interest Period;

"Note Interest Rate Margin" means in relation to:

- (A) each Class A Note, 0.65 per cent. per annum up to and excluding the Step-Up Date and thereafter 0.975 per cent. per annum;
- (B) each Class B Note, 0.95 per cent. per annum up to and excluding the Step-Up Date and thereafter 1.425 per cent. per annum;
- (C) each Class C Note, 1.30 per cent. per annum up to and excluding the Step-Up Date and thereafter 1.95 per cent. per annum;
- (D) each Class D Note, 1.60 per cent. per annum up to and excluding the Step-Up Date and thereafter 2.40 per cent. per annum;
- (E) each Class Z Note, 2.60 per cent. per annum;
- (F) each Class S Note, 4.0 per cent. per annum; and
- (G) each Class S VFN, 4.0 per cent. per annum;

"Quotation Deposits" means deposits of £10,000,000;

"Quotation Market" means the London inter-bank market;

"Quotation Time" means 11.00 a.m. London time on the relevant Interest Determination Date;

"Reference Banks" means the principal London office of four major banks in the London inter-bank market which the Issuer (as approved by the Trustee) may appoint from time to time;

"Reference Rate" means:

- (A) in respect of the first Interest Period for the Notes, the linear interpolation of:
 - (1) the arithmetic mean of the Reference Quotations for three-month Quotation Deposits; and
 - (2) the arithmetic mean of the Reference Quotations for six-month Quotation Deposits;
- (B) in respect of subsequent Interest Periods for the Notes, the arithmetic mean of the Reference Quotations for three month Quotation Deposits,

in each case rounded upwards, if necessary, to five decimal places;

"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 LIBOR01, displayed on the Reuters Service (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);

- (ii) In relation to the Notes, at or about the Quotation Time on each Interest Determination Date:
 - (A) the Reference Agent shall determine the Reference Rate on the basis of Reference Quotations using the Reference Screen in respect of the Notes; 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 two or more Reference Banks are appointed by the Issuer) 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 appointed by the Issuer 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 any additional bank which the Trustee may (but shall be under no obligation to do so) indicate 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 has been appointed, or if Reference Banks have been appointed but none 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 may (but shall be under no obligation to do so) indicate 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 for each Interest Period shall be the aggregate of:
 - (A) the applicable Note Interest Rate Margin; and
 - (B) the Reference Rate for that class as determined under paragraph (ii) above on the Interest Determination Date relating to that Interest Period.
- (iv) There shall be no maximum or minimum Rate of Interest, provided that the Rate of Interest shall not be less than zero.
- (d) ***Determination of Rate of Interest and Calculation of Interest Payments and Other Interest Amounts***
 - (i) Where a paragraph of these Conditions indicates that an amount is to be calculated in accordance with this Condition 4(d)(i), that amount shall be the product of the following formula (using the figures indicated in that paragraph) rounded to the nearest £0.01 (0.005 being rounded upwards):

$$\text{Calculation Amount} \times \text{Calculation Interest Rate} \times \frac{\text{Calculation Period}}{\text{Calculation Reference Period}}$$

Where the Calculation Reference Period shall be 365.

- (ii) The Reference Agent will, as soon as practicable after the Quotation Time on each Interest Determination Date relating to a Note:
- (A) first determine the Rate of Interest applicable to that Note under Condition 4(c) for the Interest Period relating to that Interest Determination Date; and
 - (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, using the aggregate of the Initial Principal Amount of that class of Notes as the Calculation Amount; and
 - (2) in the case of each other 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, such Available Redemption Funds being the Principal Payment in respect of that Note that is paid on such date; and
 - (C) then, in relation to each such class, calculate the aggregate amount of Normal Interest which will accrue on each Note in that class during that Interest Period by apportioning the amount calculated in relation to that class under paragraph (B) above between the Notes in that class *pro rata* to the Principal Amount Outstanding which will remain in respect of each Note in that class after the application of any Available Redemption Funds on the first day of the Interest Period to which that Interest Determination Date relates, rounding each amount so apportioned down to the nearest £0.01.

The amount calculated in respect of a Note under paragraph (C) above shall be the "**Interest Payment**" in respect of that Note on that Interest Determination Date relating to that Interest Period.

- (iii) On (or as soon as practicable after) the last Business Day of the month preceding the month in which an Interest Payment Date falls, the Issuer shall determine (or cause PML as Administrator to determine):
- (A) the amount, if any, of Normal Interest which will be paid on each Note on that Interest Payment Date;
 - (B) the amount, if any, of Deferred Interest which will be paid on each Class B Note, Class C Note, Class D Note, Class Z Note, Class S Note or Class S VFN on that Interest Payment Date;
 - (C) the amount, if any, of Deferred Interest which will have accrued and remain outstanding on each Class B Note, Class C Note, Class D Note, Class Z Note, Class S Note and Class S VFN on that Interest Payment Date (taking account of all payments to be made on that Interest Payment Date);
 - (D) the amount, if any, of Additional Interest which will have accrued on each Class B Note, Class C Note, Class D Note, Class Z Note, Class S Note and Class S VFN during the Interest Period ending on (but excluding) that Interest Payment Date by:

- (1) separately calculating for each Class B Note, Class C Note, Class D Note, Class Z Note, Class S Note and Class S VFN an amount in respect of such Note in accordance with Condition 4(d)(i) using the Rate of Interest applicable to Additional Interest in respect of that Interest Period as the Calculation Interest Rate, using the actual number of days in that Interest Period as the Calculation Period, and using the aggregate amount of Deferred Interest outstanding in respect of that class of Notes as at the end of the first day of that Interest Period as the Calculation Amount; and
 - (2) then apportioning the amount calculated in relation to that class under paragraph (1) above between the Notes in that class *pro rata* to the aggregate amount of Deferred Interest outstanding in relation to each Note in that class, rounding each amount so apportioned down to the nearest £0.01;
- (E) the amount, if any, of Additional Interest which will be paid on each Class B Note, Class C Note, Class D Note, Class Z Note, Class S Note and Class S VFN on that Interest Payment Date;
- (F) the amount, if any, of Additional Interest which will have accrued and remain outstanding on each Class B Note, Class C Note, Class D Note, Class Z Note, Class S Note and Class S VFN on that Interest Payment Date (taking account of all payments to be made on that Interest Payment Date);
- (G) the amount, if any, of Default Interest which will have accrued on each Note during the Interest Period ending on (but excluding) that Interest Payment Date by:
- (1) separately calculating for each class of Notes an amount in respect of that class in accordance with Condition 4(d)(i) using the Rate of Interest applicable to Default Interest in respect of that Interest Period as the Calculation Interest Rate, using the actual number of days in that Interest Period as the Calculation Period, and using the aggregate amount of Overdue Interest outstanding in respect of that class of Notes as at the end of the first day of that Interest Period as the Calculation Amount; and
 - (2) then apportioning the amount calculated in relation to that class under paragraph (1) above between the Notes in that class *pro rata* to the aggregate amount of Overdue Interest outstanding in relation to each Note in that class, rounding each amount so apportioned down to the nearest £0.01;
- (H) the amount, if any, of Default Interest which will be paid on each Note on that Interest Payment Date; and
- (I) the amount, if any, of Default Interest which will have accrued and remain outstanding on each Note on that Interest Payment Date (taking account of all payments to be made on that Interest Payment Date).

(e) ***Publication of Rate of Interest and Interest Payments***

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 to be notified to the Issuer, the Trustee, the Paying Agents, the Administrators and, for so long as any Notes are listed by the U.K. Listing Authority and admitted to trading on the Regulated 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.

The Issuer will cause the Deferred Interest (if any), the Additional Interest (if any) and the Default Interest (if any) applicable to the Class B Notes, Class C Notes, Class D Notes, Class Z Notes, Class S Notes and/or Class S VFN (as the case may be) for each Interest Period to be notified to

the Trustee, the Paying Agents and (for so long as the Class B Notes, Class C Notes, Class D Notes, Class Z Notes and/or Class S Notes (as the case may be) 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 second Business Day prior to the relevant Interest Payment Date.

The Interest Payment, Deferred Interest, Additional Interest, Default Interest and Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of a shortening of the relevant Interest Period.

(f) ***Determination or Calculation by Trustee***

If the Reference Agent at any time for any reason does not determine the Rate of Interest or calculate an Interest Payment for a Note or Notes of a particular class in accordance with paragraph (d) above, the Trustee (or an agent on its behalf) may (but shall be under no obligation to do so) determine the Rate of Interest for such Note or Notes at such rate as, in its absolute discretion (having such regard as it shall think fit to the procedure described in paragraph (c) above, but subject to the terms of the Trust Deed), it shall deem fair and reasonable in all the circumstances or, as the case may be, the Trustee (or an agent on its behalf) may (but shall be under no obligation to do so) calculate the Interest Payment for such Note or Notes in accordance with paragraph (d) above, and each such determination or calculation shall be deemed to have been made by the Reference Agent.

(g) ***Reference Banks and Reference Agent***

The Issuer will procure that, so long as any of the Notes remains outstanding, there will at all times be a Reference Agent and the Issuer shall use reasonable endeavours to appoint Reference Banks or, as the case may be, additional or other Reference Banks pursuant to Conditions 4(c)(ii)(C) or 4(c)(ii)(D), in each case if the Reference Screen is not available. 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.

(h) ***Determinations and Reconciliation***

(i) In the event that an Administrator Report is not prepared with respect to a Collection Period (the "**Determination Period**"), then the Administrators shall use the Administrator Report in respect of the three most recent Collection Periods (or, where there are not at least three previous Administrator Reports, all previous Administrator Reports) for the purposes of calculating the amounts available to the Issuer to make payments, as set out in this Condition 4(h) (*Determinations and Reconciliation*). If the Administrator Report relating to the Determination Period is subsequently received, the Administrators will make the reconciliation calculations and reconciliation payments as set out in Condition 4(h)(iii). Any: (i) calculations properly done on the basis of such previous Administrator Reports; (ii) payments made under any of the Notes and Relevant Documents in accordance with such calculations; (iii) reconciliation calculations; and (iv) reconciliation payments made as a result of such reconciliation calculations, each in accordance with Condition 4(h)(ii), 4(h)(iii) and/or 4(h)(iv) shall be deemed to be done in accordance with the provisions of the Relevant Documents and will not in themselves lead to an Event of Default and no liability will attach to the Administrators in connection with the exercise by them of their powers, duties and discretion for such purposes.

(ii) In respect of any Determination Period, the Administrators shall:

(A) determine the Interest Determination Ratio by reference to the three most recently received Administrator Reports (or, where there are not at least three previous

- Administrator Reports, all previous Administrator Reports received in the preceding Collection Periods);
- (B) calculate the Revenue Receipts for such Determination Period as the product of: (i) the Interest Determination Ratio; and (ii) all payments received by the Issuer during such Determination Period; and
 - (C) calculate the Principal Receipts for such Determination Period as the product of: (i) 1 minus the Interest Determination Ratio; and (ii) all payments received by the Issuer during such Determination Period.
- (iii) Following any Determination Period, upon delivery of the Administrator Reports in respect of such Determination Period, the Administrators shall reconcile the calculations made in accordance with Condition 4(h) above to the actual collections set out in the Administrator Reports as follows:
- (A) if the Reconciliation Amount is a positive number, the Administrators shall on the immediately following Interest Payment Date pay or provide for such amount by allocating amounts standing to the credit of the Revenue Ledger as Available Principal; and
 - (B) if the Reconciliation Amount is a negative number, the Administrators shall on the immediately following Interest Payment Date pay or provide for such amount by allocating amounts standing to the credit of the Principal Ledger as Available Revenue.
- (iv) If amounts standing to credit of the Revenue Ledger or Principal Ledger, as the case may be, are insufficient to pay or provide for the applicable Reconciliation Amount in full on the relevant Interest Payment Date the Administrators shall reallocate amounts standing to the credit of the Revenue Ledger or Principal Ledger (as applicable) in accordance with Condition 4(h)(iii)(A) or 4(h)(iii)(B) respectively in respect of each subsequent Collection Period (such Reconciliation Amounts to be applied accordingly on the immediately following Interest Payment Date) until such Reconciliation Amount is paid or provided for in full.
- (v) If the Administrators are required to provide for a Reconciliation Amount in determining Available Revenue and Available Principal in respect of any Interest Payment Date, the Administrators shall pay or provide for such Reconciliation Amount in accordance with the terms of the Administration Agreement and the Administrators shall promptly notify the Issuer and the Trustee of such Reconciliation Amount.

In this Condition 4(h):

"Interest Determination Ratio" means: (i) the aggregate Revenue Receipts calculated in the three preceding Administrator Reports (or such smaller number of preceding Administrator Reports as may be available on the date the Interest Determination Ratio is calculated); divided by (ii) the aggregate of the Revenue Receipts and the Principal Receipts calculated in such Administrator Reports;

"Administrator Report" means a report to be provided by the Administrators in respect of each Collection Period in accordance with the terms of the Administration Agreement;

"Available Revenue" means the moneys standing to the credit of the Transaction Account and representing the credit balance on the Revenue Ledger;

"Available Principal" means the moneys standing to the credit of the Transaction Account and representing the credit balance on the Principal Ledger;

"Reconciliation Amount" means in respect of a Determination Period: (i) the actual Principal Receipts as determined in accordance with the available Administrator Reports; less (ii) the Principal Receipts in respect of such Determination Period, determined in accordance with Condition 4(h)(ii)(C);

"Revenue Receipts" means, in relation to a Collection Period, the amount credited (or in relation to a Determination Period, the actual amount that should have been credited) to the Revenue Ledger for such Collection Period; and

"Principal Receipts" means, in relation to a Collection Period, the amount credited (or in relation to a Determination Period, the actual amount that should have been credited) to the Principal Ledger for such Collection Period.

5. **Redemption and Purchase**

(a) ***Mandatory Redemption in Part from Available Redemption Funds***

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 by the Trustee to the Issuer, the Issuer shall determine (or cause PML as Administrator to determine) the principal amount redeemable in relation to each class of Notes and each Note within each class on each Interest Payment Date as follows:

- (i)
 - (A) if any Class A Note remains outstanding, the Class A Available Redemption Funds (as defined below) on the Principal Determination Date relating to that Interest Payment Date shall be allocated to the Class A Notes;
 - (B) if any Class B Note remains outstanding, all Class B Available Redemption Funds (as defined below) on the Principal Determination Date relating to that Interest Payment Date shall be allocated to the Class B Notes;
 - (C) if any Class C Note remains outstanding, all Class C Available Redemption Funds (as defined below) on the Principal Determination Date relating to that Interest Payment Date shall be allocated to the Class C Notes;
 - (D) if any Class D Note remains outstanding, the Class D Available Redemption Funds (as defined below) on the Principal Determination Date relating to that Interest Payment Date shall be allocated to the Class D Notes;
 - (E) if any Class Z Note remains outstanding, all Class Z Available Redemption Funds (as defined below) on the Principal Determination Date relating to that Interest Payment Date shall be allocated to the Class Z Notes;
 - (F) if any Class S Note remains outstanding, the Class S Available Redemption Funds (as defined below) on the Principal Determination Date relating to that Interest Payment Date shall be allocated to the Class S Notes; and
 - (G) if any Class S VFN remains outstanding, the Class S VFN Available Redemption Funds (as defined below) on the Principal Determination Date relating to that Interest Payment Date shall be allocated to the Class S VFN; and
- (ii) in respect of each class of Notes the amount, if any, so allocated to that class under paragraph (i) above shall be allocated to each Note in that class *pro rata* to the 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 (ii) above (and rounded down to the nearest £0.01) 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:

- (i) the Class A Available Redemption Funds (as determined on the preceding Principal Determination Date) allocated to Class A Notes as described above shall be paid from the Transaction Account (and debited to the Principal Ledger) and applied in redemption of the Class A Notes in an amount equal to the Principal Payment allocated on that Principal Determination Date to each of the Class A Notes;
- (ii) the Class B Available Redemption Funds (as determined on the preceding Principal Determination Date) allocated to Class B Notes as described above shall be paid from the Transaction Account (and debited to the Principal Ledger) and applied in redemption of the Class B Notes in an amount equal to the Principal Payment allocated on that Principal Determination Date to each of the Class B Notes;
- (iii) the Class C Available Redemption Funds (as determined on the preceding Principal Determination Date) allocated to Class C Notes as described above shall be paid from the Transaction Account (and debited to the Principal Ledger) and applied in redemption of the Class C Notes in an amount equal to the Principal Payment allocated on that Principal Determination Date to each of the Class C Notes;
- (iv) the Class D Available Redemption Funds (as determined on the preceding Principal Determination Date) allocated to Class D Notes as described above shall be paid from the Transaction Account (and debited to the Principal Ledger) and applied in redemption of the Class D Notes in an amount equal to the Principal Payment allocated on that Principal Determination Date to each of the Class D Notes;
- (v) the Class Z Available Redemption Funds (as determined on the preceding Principal Determination Date) allocated to Class Z Notes as described above shall be paid from the Transaction Account (and debited to the Principal Ledger) and applied in redemption of the Class Z Notes in an amount equal to the Principal Payment allocated on that Principal Determination Date to each of the Class Z Notes;
- (vi) the Class S Available Redemption Funds (as determined on the preceding Principal Determination Date) allocated to Class S Notes as described above shall be paid from the Transaction Account (and debited, in the case of amounts specified in limb (i)(x) of the definition of Class S Available Redemption Funds, to the Principal Ledger) and applied in redemption of the Class S Notes in an amount equal to the Principal Payment allocated on that Principal Determination Date to each of the Class S Notes; and
- (vii) the Class S VFN Available Redemption Funds (as determined on the preceding Principal Determination Date) allocated to Class S VFN as described above shall be paid from the Transaction Account (and debited, in the case of amounts specified in limb (i)(x) of the definition of Class S VFN Available Redemption Funds, to the Principal Ledger) and applied in redemption of the Class S VFN in an amount equal to the Principal Payment allocated on that Principal Determination Date to each of the Class S VFN.

"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 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: (a) 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 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 (b) amounts credited to the Principal Deficiency Ledger (thereby reducing the balance thereof) 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) 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;
- (C) on the occurrence of a Further Sale Period End Date, all amounts standing to the credit of the Retained Principal Ledger on such Principal Determination Date;
- (D) any part of the amount deducted pursuant to paragraphs (ii)(A), (ii)(B), (ii)(C), (ii)(D) and (ii)(E) 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; and
- (E) on the earlier of (x) the MFA Pre-Funding Reserve Ledger Release Date and (y) the Principal Determination Date immediately preceding the Step-Up Date, any amount which is debited from the MFA Pre-Funding Reserve Ledger and credited to the Principal Ledger on such date;
- (F) to the extent that the MFA Pre-Funding Reserve Ledger Release Date has not occurred, any amounts debited from the MFA Pre-Funding Reserve Ledger and credited to the Principal Ledger on or before the Principal Determination Date immediately preceding the Interest Payment Dates falling in each of 15 February 2020, 15 February 2021, 15 February 2022 and 15 February 2023 pursuant to clause 6.4.4 of the Administration Agreement;
- (G) on the Final Redemption Date only, all amounts standing to the credit of the General Reserve Fund (after first having applied any Class A and Class B Liquidity Reserve Fund Release Amounts in meeting any Class A and Class B Liquidity Deficit and then any General Reserve Fund Release Amount in meeting any Revenue Deficit against the relevant item in the Revenue Priority of Payments in the order they appear in the Revenue Priority of Payments and debiting such amounts from the Class A and Class B Liquidity Reserve Fund Ledger and/or the General Reserve Fund Ledger in accordance with the Revenue Priority of Payments, in each case on such Final Redemption Date);
- (H) on any Principal Determination Date following the Step-Up Date, the Additional Available Redemption Funds (if any); and
- (I) amounts representing the principal element (as reasonably determined by PML as Administrator) of the Portfolio Option Purchase Price received by the Issuer upon sale of the Mortgages comprising the Mortgage Portfolio further to exercise of the Portfolio Option,

less

(ii) the aggregate of:

- (A) Principal Addition Amounts to be applied to fund a Senior Expenses Deficit;
- (B) the aggregate principal amount of Mandatory Further Advances funded by the Issuer during the relevant Collection Period (or expected to be funded 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 amounts standing to the credit of the MFA Pre-Funding Reserve Ledger;
- (C) the aggregate principal amount of Discretionary Further Advances funded by the Issuer during the relevant Collection Period (or expected to be funded on or prior to the Interest Payment Date immediately succeeding the relevant Collection Period);

- (D) the aggregate Initial Purchase Consideration of Additional Mortgages purchased by the Issuer during the relevant Collection Period plus the amount which PML as Administrator has determined should be credited to the Retained Principal Ledger on the immediately following Interest Payment Date pursuant to item (vi) of the Principal Priority of Payments, in order to purchase Additional Mortgages in the Collection Period commencing on such Principal Determination Date; and
- (E) the aggregate amount of principal applied during the relevant Collection Period in refunding reclaimed direct debit payments in respect of the Mortgages and/or reimbursement of any amount payable to the Collection Account Banks in accordance with the direct debiting scheme and debited to the Principal Ledger.

Amounts (A) to (E) shall be paid in priority according to the order listed, except to the extent that any of items (B), (C), (D) and (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.

"Additional Available Redemption Funds" means on the Principal Determination Date falling immediately prior to the Step-Up Date and each Principal Determination Date thereafter, the amount of Available Revenue estimated by the Issuer to be, on the immediately succeeding Interest Payment Date, applied in or towards the redemption of the Notes following the application of the Revenue Priority of Payments set out in Clause 6.1.2(s) of the Deed of Charge.

"Class A Available Redemption Funds" means, on any Principal Determination Date in relation to an Interest Payment Date falling prior to the occurrence of a Further Sale Period End Date, the lesser of:

- (i) the Available Redemption Funds; and
- (ii) the aggregate Principal Liability Outstanding of the Class A Notes less the Class A Target Notional on the immediately following Interest Payment Date, subject to a floor of zero,

plus any Class A Retained Principal Release Amount; and

on any Principal Determination Date in relation to an Interest Payment Date falling on or following the occurrence of a Further Sale Period End Date, the lesser of:

- (iii) the Available Redemption Funds; and
- (iv) the aggregate Principal Liability Outstanding of the Class A Notes.

"Class A Retained Principal Release Amount" means, on any Principal Determination Date in relation to an Interest Payment Date falling prior to the occurrence of a Further Sale Period End Date, the lesser of:

- (i) the Retained Principal Release Amount; and
- (ii) the aggregate Principal Liability Outstanding of the Class A Notes following the application of the Available Redemption Funds pursuant to limbs (i) and (ii) of the definition of Class A Available Redemption Funds.

"Class A Target Notional" means, on each Interest Payment Date, the product of: (a) the Principal Liability Outstanding of the Class A Notes as at the Closing Date, and (b) the Class A Schedule Multiplier applicable at the relevant Interest Payment Date. Following the Interest Payment Date in May 2023, the Class A Target Notional will be no longer applicable. For these purposes **"Class A Schedule Multiplier"** means:

Interest Payment Date	Class A Schedule Multiplier
August 15, 2018	100.000%
November 15, 2018	100.000%
February 15, 2019	100.000%

May 15, 2019	100.000%
August 15, 2019	96.868%
November 15, 2019	93.819%
February 17, 2020	90.828%
May 15, 2020	87.938%
August 17, 2020	85.089%
November 16, 2020	82.229%
February 15, 2021	79.536%
May 17, 2021	76.827%
August 16, 2021	74.285%
November 15, 2021	71.778%
February 15, 2022	69.299%
May 16, 2022	66.959%
August 15, 2022	64.597%
November 15, 2022	62.182%
February 15, 2023	59.976%
May 15, 2023	57.000%

"Class B Available Redemption Funds" means, on any Principal Determination Date in relation to an Interest Payment Date falling prior to the occurrence of a Further Sale Period End Date, the lesser of:

- (i) the Available Redemption Funds less the Class A Available Redemption Funds; and
- (ii) the aggregate Principal Liability Outstanding of the Class B Notes,

plus any Class B Retained Principal Release Amount; and

on any Principal Determination Date in relation to an Interest Payment Date falling on or following the occurrence of a Further Sale Period End Date, the lesser of:

- (iii) the Available Redemption Funds less the Class A Available Redemption Funds; and
- (iv) the aggregate Principal Liability Outstanding of the Class B Notes.

"Class B Retained Principal Release Amount" means, on any Principal Determination Date in relation to an Interest Payment Date falling prior to the occurrence of a Further Sale Period End Date, the lesser of:

- (i) the Retained Principal Release Amount less the Class A Retained Principal Release Amount; and
- (ii) the aggregate Principal Liability Outstanding of the Class B Notes following the application of the Available Redemption Funds pursuant to limbs (i) and (ii) of the definition of Class B Available Redemption Funds.

"Class C Available Redemption Funds" means, on any Principal Determination Date in relation to an Interest Payment Date falling prior to the occurrence of a Further Sale Period End Date, the lesser of:

- (i) the Available Redemption Funds less the sum of the Class A Available Redemption Funds and the Class B Available Redemption Funds; and
- (ii) the aggregate Principal Liability Outstanding of the Class C Notes,

plus any Class C Retained Principal Release Amount; and

on any Principal Determination Date in relation to an Interest Payment Date falling on or following the occurrence of a Further Sale Period End Date, the lesser of:

- (iii) the Available Redemption Funds less the sum of the Class A Available Redemption Funds and the Class B Available Redemption Funds; and
- (iv) the aggregate Principal Liability Outstanding of the Class C Notes.

"Class C Retained Principal Release Amount" means the lesser of:

- (i) the Retained Principal Release Amount less the Class A Retained Principal Release Amount and the Class B Retained Principal Release Amount; and
- (ii) the aggregate Principal Liability Outstanding of the Class C Notes following the application of the Available Redemption Funds pursuant to limbs (i) and (ii) of the definition of Class C Available Redemption Funds.

"Class D Available Redemption Funds" means, on any Principal Determination Date in relation to an Interest Payment Date falling prior to the occurrence of a Further Sale Period End Date, the lesser of:

- (i) the Available Redemption Funds less the sum of the Class A Available Redemption Funds, the Class B Available Redemption Funds and the Class C Available Redemption Funds; and
- (ii) the aggregate Principal Liability Outstanding of the Class D Notes,

plus any Class D Retained Principal Release Amount; and

on any Principal Determination Date in relation to an Interest Payment Date falling on or following the occurrence of a Further Sale Period End Date, the lesser of:

- (iii) the Available Redemption Funds less the sum of the Class A Available Redemption Funds, the Class B Available Redemption Funds and the Class C Available Redemption Funds; and
- (iv) the aggregate Principal Liability Outstanding of the Class D Notes.

"Class D Retained Principal Release Amount" means the lesser of:

- (i) the Retained Principal Release Amount less the Class A Retained Principal Release Amount, the Class B Retained Principal Release Amount and the Class C Retained Principal Release Amount; and
- (ii) the aggregate Principal Liability Outstanding of the Class D Notes following the application of the Available Redemption Funds pursuant to limbs (i) and (ii) of the definition of Class D Available Redemption Funds.

"Class Z Available Redemption Funds" means, on any Principal Determination Date in relation to an Interest Payment Date falling prior to the occurrence of a Further Sale Period End Date, the lesser of:

- (i) the Available Redemption Funds less the sum of the Class A Available Redemption Funds, the Class B Available Redemption Funds, the Class C Available Redemption Funds and the Class D Available Redemption Funds; and
- (ii) the aggregate Principal Liability Outstanding of the Class Z Notes,

plus any Class Z Retained Principal Release Amount; and

on any Principal Determination Date in relation to an Interest Payment Date falling on or following the occurrence of a Further Sale Period End Date, the lesser of:

- (iii) the Available Redemption Funds less the sum of the Class A Available Redemption Funds, the Class B Available Redemption Funds, the Class C Available Redemption Funds and the Class D Available Redemption Funds; and
- (iv) the aggregate Principal Liability Outstanding of the Class Z Notes.

"Class Z Retained Principal Release Amount" means the lesser of:

- (i) the Retained Principal Release Amount less the Class A Retained Principal Release Amount, the Class B Retained Principal Release Amount, the Class C Retained Principal Release Amount and the Class D Retained Principal Release Amount; and
- (ii) the aggregate Principal Liability Outstanding of the Class Z Notes following the application of the Available Redemption Funds pursuant to limbs (i) and (ii) of the definition of Class Z Available Redemption Funds.

"Class S Available Redemption Funds" on any Principal Determination Date means the lesser of:

- (i) the sum of:
 - (x) the Available Redemption Funds less the sum of the Class A Available Redemption Funds, the Class B Available Redemption Funds, the Class C Available Redemption Funds, the Class D Available Redemption Funds and the Class Z Available Redemption Funds; and
 - (y) the amount (if any) received by the Issuer pursuant to item (xxii) of the Revenue Priority of Payments for application in repayment of principal due and payable on the Class S Notes; and
- (ii) the aggregate Principal Liability Outstanding of the Class S Notes,

where the amount specified in (i)(y) above shall be applied first in redemption of the Class S Notes.

"Class S VFN Available Redemption Funds" on any Principal Determination Date means the lesser of:

- (i) the sum of:
 - (x) the Available Redemption Funds less the sum of the Class A Available Redemption Funds, the Class B Available Redemption Funds, the Class C Available Redemption Funds, the Class D Available Redemption Funds, the Class Z Available Redemption Funds and the Class S Available Redemption Funds; and
 - (y) the amount (if any) received by the Issuer pursuant to item (xxiv) of the Revenue Priority of Payments for application in repayment of principal due and payable on the Class S VFN; and
- (ii) the aggregate Principal Liability Outstanding of the Class S VFN,

where the amount specified in (i)(y) above shall be applied first in redemption of the Class S VFN.

"Maximum Principal Retained Amount" means, on any Principal Determination Date, an amount equal to 5 per cent. of the aggregate of the Current Balance of all Mortgage Loans in the Mortgage Portfolio.

"MFA Pre-Funding Reserve Ledger Release Date" means the Principal Determination Date immediately preceding any Interest Payment Date from the Closing Date to (and excluding) the Step-Up Date so designated by PML as Administrator.

"Retained Principal Release Amount" means on any Principal Determination Date (prior to the application of the Payments Priorities), the amount by which the amount standing to the credit of the Retained Principal Ledger exceeds the Maximum Principal Retained Amount, as such amount is debited to the Retained Principal Ledger and credited to the Principal Ledger.

(b) ***Calculation of Principal Payments, Principal Amount Outstanding, Principal Liability Outstanding and Pool Factor***

- (i) On (or as soon as practicable after) each Principal Determination Date, the Issuer shall determine (or cause the Administrators 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 seventh 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.

The **"Initial Principal Amount"** in relation to each Note means the initial face principal amount of that Note upon issue of the relevant Global Note relating to that Note.

The **"Principal Amount Outstanding"** of a Note on any date shall be the Initial Principal Amount of that Note less the aggregate amount of all Principal Payments in respect of that Note that have become due and payable (whether or not paid) prior to such date.

The **"Principal Liability Outstanding"** of a Note on any date shall be the Initial Principal Amount of that Note less the aggregate amount of all Principal Payments in respect of that Note that have been paid prior to such date.

- (ii) The Issuer, by not later than two Business Days prior to 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.
- (iii) If the Issuer does not at any time for any reason determine (or cause PML as Administrators to determine) a Principal Payment, the Principal Amount Outstanding, the Principal Liability Outstanding or the Pool Factor applicable to Notes of a particular class in accordance with the preceding provisions of this paragraph, such Principal Payment, Principal Amount Outstanding, Principal Liability Outstanding and Pool Factor may be determined by the Trustee or its agent (but the Trustee shall be under no obligation to do so) in accordance with this paragraph (b) and paragraph (a) above (but based on the information in its possession as to the Available Redemption Funds) and each such determination or calculation shall be deemed to have been made by the Issuer.

(c) ***Redemption for Taxation or Other Reasons***

If the Issuer satisfies the Trustee immediately prior to giving the notice referred to below that either:

- (i) on the next Interest Payment Date:
 - (A) the Issuer or any Paying Agent would be required to deduct or withhold from any payment of principal or interest in respect of any Notes; or
 - (B) the Issuer or any Basis Hedge Provider would be required to deduct or withhold from amounts payable by it under any Basis Hedge Agreement, any amount for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by the United Kingdom or any other jurisdiction or any political sub-division thereof or any authority thereof or therein; or
- (ii) the total amount payable in respect of interest in relation to any of the Mortgages for an Interest Period ceases to be receivable (whether or not actually received) by the Issuer during such Interest Period; or
- (iii) the Issuer would, by virtue of a change in tax law (or the application or official interpretation thereof) applicable in the Issuer's jurisdiction, not be taxed in accordance with Regulation 14 of The Taxation of Securitisation Companies Regulations (SI2006/3296),

then the Issuer may, but shall not be obliged to, redeem all (but not some only) of the Notes at their Principal Liability Outstanding together with all accrued interest **provided that** each of the following conditions is satisfied:

- (i) the Issuer has given written notice in accordance with Condition 12 not more than 90 days and not less than 20 days before that Interest Payment Date to the Trustee and the Noteholders in that class of its intention to redeem that class under this Condition 5(c); and
- (ii) the Issuer will be in a position on that Interest Payment Date to discharge (and so certifies to the Trustee):
 - (A) all its liabilities in respect of each class of Notes on that Interest Payment Date (including, in each case, all accrued Normal Interest, Deferred Interest, Additional Interest and Default Interest outstanding); and
 - (B) all amounts required under the Deed of Charge to be paid in priority to or *pari passu* with those liabilities.

(d) ***Optional Redemption in Full***

On any Interest Payment Date the Issuer may redeem all (but not some only) of the Notes at their Principal Liability Outstanding together with all accrued interest **provided that** each of the following conditions is satisfied:

- (i) the Issuer has given written notice in accordance with Condition 12 not more than 90 days and not less than 20 days before that Interest Payment Date to the Trustee and the Noteholders of its intention to redeem the Notes under this Condition 5(d); and
- (ii) if an Event of Default has occurred or occurs on or before that Interest Payment Date, no Enforcement Notice has been served; and

- (iii) the Issuer will be in a position on that Interest Payment Date to discharge (and so certifies to the Trustee):
 - (A) all its liabilities in respect of the Notes to be redeemed by the Issuer on that Interest Payment Date (including, in each case, all accrued Normal Interest, Deferred Interest, Additional Interest and Default Interest outstanding); and
 - (B) all amounts required under the Deed of Charge to be paid in priority to or *pari passu* with those liabilities;
 - (iv) if that Interest Payment Date will fall prior to the Step-Up Date, then on that Interest Payment Date the aggregate Principal Liability Outstanding of all of the Notes is less than 10 per cent. of the aggregate Initial Principal Amount of all of the Notes; and
 - (v) more than 50 per cent. of the Residual Certificates are held by a member of the Paragon Banking Group.
- (e) ***Mandatory Redemption in full pursuant to a Portfolio Purchase***
- (i) On giving not more than 60 days' nor less than 20 Business days' notice to the Noteholders in accordance with Condition 12 (*Notice*) and the Trustee, upon the occurrence of a Portfolio Purchase in accordance with the provisions of the Deed Poll, the consideration received by the Issuer will be applied as Available Revenue in accordance with the Revenue Priority of Payments and as Available Principal in accordance with the Principal Priority of Payments (as applicable) on the immediately succeeding Interest Payment Date with the result that the Rated Notes and the Class Z Notes will be redeemed in full and the Class S Notes and the Class S VFN may (subject to availability of funds for such purpose) be redeemed in full or in part, in accordance with this Condition 5(e) (*Mandatory Redemption in full pursuant to a Portfolio Purchase*) (including, in each case, all accrued Normal Interest, Deferred Interest, Additional Interest and Default Interest outstanding).
 - (ii) Any Note redeemed pursuant to this Condition will be redeemed at an amount equal to the Principal Amount Outstanding of the relevant Note to be redeemed together with accrued (and unpaid) interest on the Principal Amount Outstanding of the relevant Note up to but excluding the Interest Payment Date on which the redemption occurred.
- (f) ***Redemption on Maturity***
- If not otherwise redeemed, the Notes of each class will be redeemed at their Principal Liability Outstanding on the Interest Payment Date falling in May 2050 (the "**Final Maturity Date**").
- (g) ***Purchases***
- The Issuer may not purchase any Notes.
- (h) ***Cancellation***
- All Notes redeemed in full pursuant to the foregoing provisions will be cancelled forthwith and may not be resold or reissued.
- (i) ***Certification***
- For the purposes of matters to be certified by the Issuer to the Trustee for the purposes of any redemption made pursuant to Condition 5(c) or Condition 5(d), as the case may be, the Trustee may rely upon any certificate of two directors of the Issuer and such certificate shall be conclusive and binding on the Issuer and the Holders of each class of Notes to be redeemed pursuant to that Condition.

6. **Payments**

(a) ***Definitions relating to payments***

In these Conditions:

"**Cheque**" means a GBP cheque drawn upon a Permitted Account;

"**Local Business Day**" means, in relation to payment to be made by a Paying Agent, a day which (1) is a Business Day; and (2) is a day (other than Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in the place where the Specified Office of that Paying Agent is situated; and (3) if the payment is made in relation to a Global Note, is a day on which the relevant Clearing System is open for business;

"**Payee**" means the person listed at the close of business on the Record Date in the Register as the holder of that Note (or, if two or more persons are so listed, the person appearing first in the list);

"**Payment Date**" means, in relation to any payment, the due date of that payment or if that due date is not a Local Business Day, the next succeeding Local Business Day;

"**Permitted Account**" means a GBP account maintained by the Payee with a bank in London;

"**Record Address**" means, in connection with any payment, the address shown as the address of the Payee in the Register at the close of business on the relevant Record Date;

"**Record Date**" means, in connection with any payment, one day before the due date for the relevant payment; and

"**Specified Office**" means, in relation to the Registrar, the Reference Agent or any Paying Agent, the office specified as such in the Agency Agreement or such other office as the relevant Agent may specify in accordance with the terms of the Agency Agreement.

(b) ***Means of making payments***

Interest Payments and Principal Payments in respect of each Note:

- (i) will be made to the relevant Payee; and
- (ii) will be made by Cheque or, upon written application (together with appropriate details of a Permitted Account) by that person received at the Specified Office of the Principal Paying Agent on or before the Record Date, shall be made by transfer to that Permitted Account;

(in the case of interest payable on redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Note at the Specified Office of the Paying Agent relating to that Note.

Where payment in respect of a Note is to be made by Cheque, the Cheque will be mailed to the Record Address.

(c) ***Time of payment***

Where payment is to be made by transfer to a Permitted Account, payment instructions (for value the Payment Date) will be initiated and, where payment is to be made by Cheque, the Cheque will be mailed:

- (i) (in the case of payments of principal and interest payable on redemption) on the later of the Payment Date and the day on which the relevant Note is surrendered (or, in the case of partial payment only, endorsed) at the Specified Office of a Paying Agent; and
- (ii) (in the case of payments of interest payable other than on redemption) on the Payment Date.

(d) ***Delays in making payments***

A Holder of a Note shall not be entitled to any interest or other payment in respect of any delay in payment resulting from:

- (i) a payment not being made, a transfer not being initiated or a Cheque not being mailed on the due date for a payment as a result of that due date not being a Local Business Day;
- (ii) a Cheque mailed in accordance with this Condition 6 arriving after the due date for payment or being lost in the mail;
- (iii) the relevant Paying Agent having not received before the relevant Record Date written notice of a valid mailing address outside the United States and its possessions for the Payee; and
- (iv) the relevant Paying Agent having not received before the relevant Record Date written notice of a Permitted Account for the Payee.

(e) ***Fiscal and other laws; no commission or expenses***

All payments in respect of the Notes are subject in all cases to any applicable fiscal or other laws and regulations. No commissions or expenses shall be charged to the Noteholders in respect of such payments.

(f) ***Partial payments***

If a Paying Agent makes a partial payment in respect of any Note, the Issuer shall procure and the Registrar or the Class S VFN Registrar will ensure that the amount and date of such payment are noted on the Register and/or the Class S VFN Register (as applicable) and, in the case of partial payment upon presentation of a Note, that a statement indicating the amount and date of such payment is endorsed on the relevant Note.

(g) ***Duty to maintain a Paying Agent***

The initial Principal Paying Agent is Citibank, N.A., London Branch at its office at Citigroup Centre, 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, in the case of the Paying Agent for the 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.

7. **Taxation**

All payments in respect of the Notes will be made without withholding or deduction for, or on account of, any present or future taxes, duties or charges of whatsoever nature unless the Issuer or any Paying Agent is required by applicable law to make any payment in respect of the Notes subject to any withholding or deduction for, or on account of, any present or future taxes, duties or charges of whatsoever nature. In that event the Issuer or such Paying Agent (as the case may be) 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. Neither the Issuer nor the Paying Agents will be obliged to make any additional payments to holders of Notes in respect of such withholding or deduction.

Notwithstanding any other provision in these Conditions, the Issuer shall be permitted to withhold or deduct any amounts required by the rules of U.S. Internal Revenue Code of 1986 Sections 1471 through 1474 (or any amended or successor provisions), pursuant to any inter-governmental agreement, or implementing legislation adopted by another jurisdiction in connection with these provisions, or pursuant to any agreement with the US Internal Revenue Service ("**FATCA withholding**"). The Issuer will have no obligation to pay additional amounts or otherwise

indemnify a holder for any FATCA withholding deducted or withheld by the Issuer, a Paying Agent or any other party as a result of any person not being entitled to receive payments free of FATCA withholding.

8. **Prescription**

Claims against the Issuer for payments in respect of principal or interest on the Notes shall be prescribed and become void unless made within 10 years from the Relevant Date in respect thereof; the effect of which, in the case of a payment of principal, will be to reduce the Principal Liability Outstanding of such Note by the amount of such payment.

As used in these Conditions, the "**Relevant Date**" means the date on which a payment first becomes due but, if the full amount of the money payable has not been received in London by the Principal Paying Agent or the Trustee on or prior to such date, it means the date on which, the full amount of such money having been so received, notice to that effect shall have been duly given in accordance with Condition 12.

9. **Events of Default**

The Trustee at its discretion may, or if so requested (1) in writing by the holders of at least one-quarter of the aggregate of the Principal Amount Outstanding of the Most Senior Class of Notes outstanding or (2) if so requested by an Extraordinary Resolution of the holders of the Most Senior Class of Notes (subject in each case to being indemnified and/or secured and/or prefunded to its satisfaction) shall (but, in the case of the occurrence of any of the events mentioned in paragraph (iii) below, only if the Trustee shall have certified in writing to the Issuer that such event is, in its opinion, materially prejudicial to the interests of the holders of the Most Senior Class of Notes) and, in the case of the event mentioned in paragraph (i) below in relation to any payment of: (x) Normal Interest on any Class of Notes (other than the Class A Notes or, should they be the Most Senior Class of Notes, the other Classes of Notes); and (y) Deferred Interest, Additional Interest or Default interest on any Class of Notes (other than the Class A Notes) as the case may be, only if the Trustee has issued a certificate (based on information provided to it by the Administrator or the Substitute Administrator) to the effect that the Issuer had, on the due date for payment of the amount of interest in question, sufficient cash to pay, in accordance with the provisions of the Deed of Charge, such interest (after payment of all sums which it is permitted under the Deed of Charge to pay in priority thereto or *pari passu* therewith) give notice (an "**Enforcement Notice**") to the Issuer that the Notes are, and each Note shall accordingly forthwith become, immediately due and repayable at their/its Principal Liability Outstanding together with all accrued interest) as provided in the Trust Deed if any of the following events (each an "**Event of Default**") shall occur:

- (i) default is made for a period of seven days or more in the payment on the due date of any principal due on the Most Senior Class of Notes outstanding or any of them, or for a period of 15 days or more in the payment on the due date of any interest upon the Most Senior Class of Notes outstanding or any of them; or
- (ii) the occurrence of an Issuer Insolvency Event; or
- (iii) default is made by the Issuer in the performance or observance of any obligation, condition or provision binding on it under the Notes or the Trust Deed or the Deed of Charge or the Administration Agreement (other than any obligation for the payment of any principal or interest on the Notes) and, except where in the opinion of the Trustee such default is not capable of remedy, such default continues for 30 days after written notice by the Trustee to the Issuer requiring the same to be remedied.

The Trustee shall send the Principal Paying Agent a copy of any Enforcement Notice or other notice which the Trustee gives to the Issuer under this Condition 9 for release into the Clearing Systems and notification to the Noteholders.

"Issuer Insolvency Event" means:

- (a) an order is made or an effective resolution is passed for winding up the Issuer except a winding-up for the purpose of a merger, reconstruction or amalgamation, the terms of

which have previously been approved either in writing by the Trustee or by an Extraordinary Resolution of the holders of the Most Senior Class of Notes;

- (b) proceedings shall be initiated against the Issuer under any applicable liquidation, insolvency, composition, reorganisation or other similar laws including, for the avoidance of doubt, presentation to the court of an application for an administration order, or an administrative receiver or other receiver, administrator or other similar official shall be appointed in relation to the Issuer or in relation to the whole or any substantial part of the undertaking or assets of the Issuer or an encumbrancer shall take possession of the whole or any substantial part of the undertaking or assets of the Issuer or a distress, execution or diligence or other process shall be levied or enforced upon or sued out against the whole or any substantial part of the undertaking or assets of the Issuer and in any of the foregoing cases it shall not be discharged within 14 days or if the Issuer shall initiate or consent to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganisation or other similar laws or shall make a conveyance or assignment for the benefit of its creditors generally; or
- (c) the Issuer ceases or threatens to cease to carry on its business or a substantial part of its business or the Issuer is deemed unable to pay its debts within the meaning of section 123(1)(a), (b), (c) or (d) of the Insolvency Act 1986 (as that section may be amended, modified or re-enacted) or becomes unable to pay its debts as they fall due or the value of its assets falls to less than the amount of its liabilities (taking into account for both these purposes its contingent and prospective liabilities) or otherwise becomes insolvent.

10. **Enforcement and Limited Recourse**

(a) **Enforcement**

At any time after the Notes become due and repayable at their Principal Liability Outstanding pursuant to Condition 9 the Trustee may, at its discretion and without further notice, take such steps and/or institute such proceedings as it may think fit to enforce the Security for the Notes and to enforce repayment of the Notes and payment of interest, but it shall not be bound to take any such steps or proceedings unless (i) it shall have been so directed in writing by the holders of at least one-quarter of the aggregate of the Principal Amount Outstanding of the Most Senior Class of Notes or it shall have been so directed by an Extraordinary Resolution of the holders of the Most Senior Class of Notes outstanding and (ii) it shall have been indemnified and/or secured and/or prefunded to its satisfaction.

Notwithstanding the foregoing if the Security has become enforceable otherwise than by reason of a default in payment of any amount due on the Notes, the Trustee will not be entitled to dispose of the Charged Property unless either a sufficient amount would be realised to allow discharge in full of all amounts owing to the Noteholders (other than the Class S Noteholders and Class S VFN Holder) and Residual Certificateholders and other creditors of the Issuer ranking in priority thereto or *pari passu* therewith or the Trustee is of the opinion, reached after considering at any time and from time to time the advice of an investment bank or other financial adviser selected by the Trustee, that the cash flow prospectively receivable by the Issuer will not (or that there is a significant risk that it will not) be sufficient, having regard to any other relevant actual, contingent or prospective liabilities of the Issuer, to discharge in full in due course all amounts owing to the Noteholders and any other amounts payable by the Issuer ranking in priority thereto or *pari passu* therewith.

No Noteholder may proceed directly against the Issuer unless the Trustee, having become bound to take steps and/or proceed, fails to do so within a reasonable time and such failure is continuing.

(b) **Limited Recourse**

If at any time following:

- (a) the occurrence of either:
 - (i) the Interest Payment Date falling in May 2050 or any earlier date upon which all of the Notes of each Class are due and payable; or

- (ii) the service of an Enforcement Notice; and
- (b) Realisation of the Charged Property and application in full of any amounts available to pay amounts due and payable under the Notes in accordance with the applicable Payments Priorities,

the proceeds of such Realisation are insufficient, after the same have been allocated in accordance with the applicable priority of payments, to pay in full all claims ranking in priority to the Notes and all amounts then due and payable under any class of Notes then the amount remaining to be paid (after such application in full of the amounts first referred to in paragraph (b) above) under such class of Notes (and any class of Notes junior to that class of Notes) shall, on the day following such application in full of the amounts referred to in paragraph (b) above, cease to be due and payable by the Issuer.

For the purposes of this Condition 10:

"Realisation" means, in relation to any Charged Property, the deriving, to the fullest extent practicable, (in accordance with the provisions of the Relevant Documents) of proceeds from or in respect of such Charged Property including (without limitation) through sale or through performance by an obligor.

"Charged Property" means the property of the Issuer which is subject to the Security.

11. **Replacement of Notes**

If any Note is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Registrar upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence and indemnity as the Issuer and the Registrar may reasonably require. Mutilated or defaced Notes must be surrendered before replacements will be issued.

12. **Notices**

All notices to Noteholders or any category of them shall be deemed to have been duly given to those Noteholders:

- (a) if information concerned in such notice shall appear on the relevant page of the Reuters Screen (presently page PBGPM25) or such other medium for the electronic display of data as may be approved by the Trustee and notified to Noteholders (the "**Relevant Screen**"), and in such case such notice shall be deemed to have been given on the first date on which such information appeared on the Relevant Screen; or
- (b) if published in the *Financial Times* or, if such newspaper shall cease to be published or, if timely publication therein is not practicable, in such other leading daily newspaper or newspapers printed in the English language as the Trustee shall approve in advance having (individually or in combination) a general circulation in the United Kingdom, Europe and in each such case such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication is made in the manner required in the newspaper or in one of the newspapers referred to above; or
- (c) if sent to them by first class post (or its equivalent) or (if posted to an address outside the United Kingdom) by airmail at the respective addresses on the Register, and in such case such notice will be deemed to have been given on the fourth day after the date of posting; or
- (d) whilst the Notes then held by those Noteholders are represented by a Global Note to Euroclear and/or Clearstream, Luxembourg for communication by them to those Noteholders, and in such case such notice shall be deemed to have been given to the relevant Noteholders on the day of such delivery to Euroclear and/or Clearstream, Luxembourg, as appropriate; or

- (e) any other method or methods of giving notice sanctioned in advance by the Trustee if, in the Trustee's sole opinion, such other method or methods is/are reasonable having regard to market practice then prevailing and to the requirements of the stock exchanges, competent listing authorities and/or quotation systems on or by which the Notes (other than the Class S VFN) are then listed, quoted and/or traded and **provided that** notice of such other method or methods is/are given to those Noteholders in such manner as the Trustee shall require,

and where a notice is given to those Noteholders using more than one of the methods described in the above paragraphs of this Condition, such notice shall be deemed to have been given on the first date on which such notice is deemed to have been given under those paragraphs.

While the Notes (other than the Class S VFN) are listed on the official list maintained by the U.K. Listing Authority, copies of all notices given in accordance with these provisions (other than notices given to the Class S VFN Holder only) shall be sent to a regulatory information service prescribed by the prospectus rules of the U.K. Listing Authority and to Euroclear and Clearstream, Luxembourg.

13. **Meetings of Noteholders and Residual Certificateholders; Modifications; Consents; Waiver**

The Trust Deed contains provisions for convening meetings of all Noteholders or Noteholders holding Notes of the same class (the "**Relevant Noteholders**") and all Residual Certificateholders or Residual Certificateholders holding Residual Certificates of the same Class (the "**Relevant Residual Certificateholders**") to consider any matter affecting the interests of those Relevant Noteholders or Relevant Residual Certificateholders, as applicable, including, among other things, the sanctioning by Extraordinary Resolution of a modification of their Notes (including these Conditions as they relate to their Notes), modification of their Residual Certificates (including the Residual Certificates Conditions as they relate to their Residual Certificates) or the provisions of any of the Relevant Documents.

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 or modifying the method of calculating the Principal Payment (including any premium) or reducing, cancelling or increasing the amount of principal payable in respect of any of the Notes, or reducing the rate of interest applicable to any of the Notes, or altering the majority required to pass an Extraordinary Resolution, or altering the currency of payment of any of the Notes or Residual Certificates, or altering the date or priority of redemption of any of the Notes or Residual Certificates, provided that a Base Rate Modification effected pursuant to, and in accordance with, Condition 15 will not constitute a Basic Terms Modification.

The quorum at any meeting of the Relevant Noteholders for passing an Extraordinary Resolution of the Relevant Noteholders shall be two or more persons holding or representing greater than 50 per cent. of the aggregate Principal Amount Outstanding of the Notes then outstanding held by the Relevant Noteholders or, at any adjourned meeting, two or more persons being or representing the Relevant Noteholders whatever the aggregate Principal Amount Outstanding of the Notes then outstanding so held or represented except that, at any meeting the business of which includes the sanctioning of a Basic Terms Modification, the necessary quorum for passing an Extraordinary Resolution by the Relevant Noteholders shall be two or more persons holding or representing over 75 per cent. of the aggregate Principal Amount Outstanding of the Notes held by the Relevant Noteholders, or at any adjourned such meeting two or more persons holding or representing over 25 per cent. of the aggregate Principal Amount Outstanding of the Notes held by the Relevant Noteholders. The quorum at any meeting of the Relevant Noteholders of any class of Notes for all business other than voting on an Extraordinary Resolution shall be two or more persons holding or representing not less than 5 per cent. of the aggregate Principal Amount Outstanding held by the Relevant Noteholders or at any adjourned such meeting, two or more persons being or representing the Relevant Noteholders, whatever the aggregate Principal Amount Outstanding of the Notes held by the Relevant Noteholders. While any Notes are represented by a Global Note or all such Notes are held by the same person, the holder of that Global Note or that person (as the case may be) or their respective proxy shall be deemed to constitute a quorum for the purposes of meetings of or including the Relevant Noteholders of those Notes.

The majority required for an Extraordinary Resolution, including the sanctioning of a Basic Terms Modification, shall be 75 per cent. of the votes cast on that Extraordinary Resolution. Any other resolution shall be decided by a simple majority of votes cast (and in a case of equality of votes the Chairman of the relevant meeting shall have a casting vote).

The Trust Deed contains provisions limiting the powers of the Class B Noteholders, Class C Noteholders, the Class D Noteholders, the Class Z Noteholders, the Class S Noteholders, the Class S VFN Holder and the Residual Certificateholders, among other things, to request or direct the Trustee to take any action or to pass an effective Extraordinary Resolution, according to the effect thereof on the interests of the Class A Noteholders. In particular, in relation to each class of Notes and Residual Certificates:

- (a) no Extraordinary Resolution involving a Basic Terms Modification that is passed by the holders of one or more classes of Notes or Residual Certificates shall be effective unless it is sanctioned by an Extraordinary Resolution of the holders of each of the other classes of Notes and Residual Certificates (to the extent that there are outstanding Notes or Residual Certificates in such other classes);
- (a) no Extraordinary Resolution to approve any matter other than a Basic Terms Modification of any class of Notes or Residual Certificates shall be effective unless it is sanctioned by an Extraordinary Resolution of the holders of each of the other classes of Notes or Residual Certificates ranking senior to such class (to the extent that there are outstanding Notes or Residual Certificates ranking senior to such class) unless the Trustee considers that the interests of each of the other classes of Notes or Residual Certificates ranking senior to such class would not be materially prejudiced by the implementation of such first mentioned Extraordinary Resolution;
- (b) any resolution passed at a meeting of Noteholders or Residual Certificateholders of one or more classes of Notes or Residual Certificate, as applicable, duly convened and held in accordance with the Trust Deed shall be binding upon all Noteholders or Residual Certificateholders of such class, as applicable, whether or not present at such meeting and whether or not voting and, except in the case of a meeting relating to a Basic Terms Modification, any resolution passed at a meeting of the holders of the Most Senior Class of Notes duly convened and held as aforesaid shall also be binding upon the holders of all the other classes of Notes and Residual Certificates and will override any resolution to the contrary of the other classes of Notes or Residual Certificates; and
- (c) an Extraordinary Resolution passed at any meeting of Relevant Noteholders or Relevant Residual Certificateholders shall be binding on all those Relevant Noteholders or Relevant Residual Certificateholders, as applicable, whether or not they are present at the meeting.

Any resolution passed by way of Electronic Consents given by holders through the relevant clearing system(s) in accordance with these Conditions and the Trust Deed shall also be binding on the relevant Noteholders or relevant Residual Certificateholders, as applicable.

The Trustee may agree, without the consent of the Noteholders or the Residual Certificateholders:

- (A) to any modification (except a Basic Terms Modification) of, or to the waiver or authorisation of any breach or proposed breach of, the Notes (including these Conditions), the Residual Certificates (including the Residual Certificates Conditions) or any of the Relevant Documents, which is not, in the opinion of the Trustee, materially prejudicial to the interests of the Noteholders or the Residual Certificateholders, as applicable; or
- (B) to any modification of the Notes (including the Conditions), the Residual Certificates (including these Residual Certificates Conditions) or any of the Relevant Documents which, in the Trustee's opinion, is to correct a manifest error or is of a formal, minor or technical nature. The Trustee may also, without the consent of the Noteholders or the Residual Certificateholders, determine that any Event of Default or any condition, event or act which with the giving of notice

and/or lapse of time and/or the issue of a certificate would constitute an Event of Default shall not, or shall not subject to specified conditions, be treated as such.

Any such modification, waiver, authorisation or determination shall be binding on the Noteholders and the Residual Certificateholders and, unless the Trustee agrees otherwise, any such modification shall be notified to the Noteholders and the Residual Certificateholders in accordance with Condition 12 or Residual Certificates Condition 11 (as applicable) as soon as practicable thereafter.

14. **Additional Right of Modification**

Notwithstanding any of the provisions of Condition 13 (*Meetings of Noteholders and Residual Certificateholders; Modifications; Consents; Waiver*), the Trustee shall be obliged, without any consent or sanction of the Noteholders, Residual Certificateholders or, subject to Condition 14(g)(C) below, any of the other Secured Creditors, to concur with the Issuer in making any modification (other than in respect of a Basic Terms Modification) to these Conditions, the Residual Certificates Conditions or any other Relevant Document to which it is a party or in relation to which it holds security that the Issuer considers necessary:

- (a) for the purpose of complying with, or implementing or reflecting, any change in the criteria of one or more of the Rating Agencies which may be applicable from time to time, provided that:
 - (i) the Issuer (or PML as Administrator on its behalf) certifies in writing to the Trustee that such modification is necessary to comply with such criteria or, as the case may be, is solely to implement and reflect such criteria; and
 - (ii) in the case of any modification to a Relevant Document proposed by any of the Basis Hedge Providers or PML as Administrator in order (x) to remain eligible to perform its role in such capacity in conformity with such criteria and/or (y) to avoid taking action which it would otherwise be required to take to enable it to continue performing such role (including, without limitation, posting collateral or advancing funds):
 - (A) the relevant Basis Hedge Provider or PML as Administrator, as the case may be, certifies in writing to the Issuer or the Trustee that such modification is necessary for the purposes described in paragraph (ii)(x) and/or (y) above (and in the case of a certification provided to the Issuer, the Issuer shall certify to the Trustee that it has received the same from the relevant Basis Hedge Provider or the relevant Administrator, as the case may be);
 - (B) either:
 - (I) the relevant Basis Hedge Provider or PML as Administrator, as the case may be, obtains from each of the Rating Agencies written confirmation (or certifies in writing to the Issuer and the Trustee that 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 such modification would not result in a downgrade, withdrawal or suspension of the then current ratings assigned to any Class of 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, delivers a copy of each such confirmation to the Issuer and the Trustee; or
 - (II) the Issuer (or PML as Administrator on its behalf) certifies in writing to the Trustee that the Rating Agencies have been informed of the proposed modification and none 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); and

(C) the relevant Basis Hedge Provider or PML as Administrator, as the case may be, pays all costs and expenses (including legal fees) incurred by the Issuer and the Trustee in connection with such modification;

- (b) in order to enable the Issuer and/or the Basis Hedge Providers to comply with:
- (i) any obligation which applies to it under Articles 9, 10 and 11 of Regulation (EU) 648/2012 of the European Parliament and of the Council on OTC derivatives, central counterparties and trade repositories dated 4 July 2012 (including, without limitation, any associated regulatory technical standards and advice, guidance or recommendations from relevant supervisory regulators) ("**EMIR**"); or
 - (ii) any other obligation which applies to it under EMIR,

provided that the Issuer (or PML as Administrator on its behalf) or the relevant Basis Hedge Provider, as appropriate, certifies to the Trustee in writing that such modification is required solely for the purpose of enabling it to satisfy such obligation and has been drafted solely to such effect;

- (c) for the purpose of complying with any changes in the requirements of Article 405 of Regulation (EU) No. 575/2013 (the "**CRR**"), Article 17 of the Alternative Investment Fund Managers Directive ("**AIFMD**"), Article 254 of Regulation (EU) 2015/35 (the "**Solvency II Regulation**") and Article 51 of Regulation (EU) No 231/2013 (the "**AIFMR**") or Section 15G of the Securities Exchange Act of 1934, as added by section 941 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, after the Closing Date, including as a result of the adoption of Regulatory Technical Standards in relation to the CRR, the AIFMR, the Solvency II Regulation or any other risk retention legislation or regulations or official guidance in relation thereto, provided that the Issuer (or PML as Administrator on its behalf) certifies to the Trustee in writing that such modification is required solely for such purpose and has been drafted solely to such effect;
- (d) for the purpose of enabling the Notes (other than the Class S VFN) to be (or to remain) listed on the London Stock Exchange, provided that the Issuer (or PML as Administrator on its behalf) certifies to the Trustee in writing that such modification is required solely for such purpose and has been drafted solely to such effect;
- (e) for the purposes of enabling the Issuer or any other person that is party to a Relevant Document (a "**Transaction Party**") to comply with Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986 (the "**Code**"), any current or future regulations or official interpretations thereof, any agreement entered into pursuant to Section 1471(b) of the Code, or any fiscal or regulatory legislation, rules or practices adopted pursuant to any intergovernmental agreement entered into in connection with the implementation of such Sections of the Code ("**FATCA**") (or any voluntary agreement entered into with a taxing authority in relation thereto), provided that the Issuer (or PML as Administrator on its behalf) or the relevant Transaction Party, as applicable, certifies to the Trustee in writing that such modification is required solely for such purpose and has been drafted solely to such effect;
- (f) for the purpose of complying with any changes in the requirements of the CRA Regulation after the Closing Date, including as a result of the adoption of Regulatory Technical Standards in relation to the Credit Rating Agencies Regulation or regulations or official guidance in relation thereto, provided that the Issuer (or an Administrator on its behalf) certifies to the Trustee in writing that such modification is required solely for such purpose and has been drafted solely to such effect;

(g) for the purposes of enabling the Issuer (or PML as Administrator on its behalf) to transfer (i) the Transaction Account from the Account Bank to HSBC Bank plc, Barclays Bank PLC or Wells Fargo Bank N.A.; (ii) the PML Collection Account from the Collection Account Bank to HSBC Bank plc, or (iii) the PB Collection Account from the PB Collection Account Bank to HSBC Bank plc or Barclays Bank PLC provided that in each case the Issuer (or PML as Administrator on its behalf) certifies to the Trustee in writing that such modification is required solely for such purpose and has been drafted solely to such effect and that the conditions stipulated in clause 6.5.3 of the Administration Agreement have been satisfied;

(h)

(the certificate to be provided by the Issuer (or PML as Administrator on its behalf), the relevant Basis Hedge Provider or the relevant Transaction Party, as the case may be, pursuant to paragraphs (a) to (g) above being a "**Modification Certificate**"), provided that:

- (A) at least 30 calendar days' prior written notice of any such proposed modification has been given to the Trustee;
- (B) the Modification Certificate in relation to such modification shall be provided to the Trustee both at the time the Trustee is notified of the proposed modification and on the date that such modification takes effect; and
- (C) the consent of each Secured Creditor (other than any Noteholder or Residual Certificateholder) which is party to the Relevant Document has been obtained,

and provided further that, other than in the case of a modification pursuant to Condition 14(b)(i), Condition 14(b)(ii) or Condition 14(g):

- (D) other than in the case of a modification pursuant to Condition 14(a)(ii), either:
 - (I) the Issuer (or PML as Administrator on its behalf) obtains from each of the Rating Agencies written confirmation (or certifies in the Modification Certificate that 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 such modification would not 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); or
 - (II) the Issuer (or PML as Administrator on its behalf) certifies in the Modification Certificate that it has informed the Rating Agencies of the proposed modification and none 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);
- (E) (I) the Issuer has provided at least 30 calendar days' notice to the Noteholders and Residual Certificateholders of each Class of the proposed modification in accordance with Condition 12 (*Notices*) and Residual Certificates Condition 12 (*Notices*) and by publication on Bloomberg on the "Company News" screen relating to the Notes and the Residual Certificates, and (II) Noteholders representing at least 10

per cent. of the aggregate Principal Amount Outstanding of the Most Senior Class of Notes, or if there are no Notes outstanding, Residual Certificateholders representing at least 10 per cent. of the number of the Most Senior Class of Residual Certificates, then outstanding have not contacted 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 or Residual Certificates (as the case may be) may be held) within such notification period notifying the Principal Paying Agent or the Issuer that such Noteholders or Residual Certificateholders (as the case may be) do not consent to the modification;

If (other than in the case of a modification pursuant to Condition 14(b)(i), Condition 14(b)(ii) or Condition 14(g) Noteholders representing at least 10 per cent. of the aggregate Principal Amount Outstanding of the Most Senior Class of Notes then outstanding, or if there are no Notes outstanding, Residual Certificateholders representing at least 10 per cent. of the number of the Most Senior Class of Residual Certificates, 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 above 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 or Residual Certificates (as applicable) then outstanding is passed in favour of such modification in accordance with Condition 13 (*Meetings of Noteholders and Residual Certificateholders; Modifications; Consents; Waiver*) or Residual Certificates Condition 13 (*Meetings of Noteholders and Residual Certificateholders; Modifications; Consents; Waiver*).

Objections made in writing other than through the applicable clearing system must be accompanied by evidence to the Trustee's satisfaction (having regard to prevailing market practices) of the relevant Noteholder's holding of the Notes or Residual Certificateholder's holding of the Residual Certificates.

Other than where specifically provided in this Condition 14 (*Additional Right of Modification*) or any Relevant Document:

- (a) when implementing any modification pursuant to this Condition 14 (*Additional Right of Modification*) (save to the extent the Trustee considers that the proposed modification would constitute a Basic Terms Modification), the Trustee shall not consider the interests of the Noteholders, Residual Certificateholders, any other Secured Creditor or any other person and shall act and rely solely and without further investigation on any certificate or evidence provided to it by the Issuer or the relevant Transaction Party, as the case may be, pursuant to this Condition 14 (*Additional Right of Modification*) and shall not be liable to the Noteholders, Residual Certificateholders, any other Secured Creditor or any other person for so acting or relying, irrespective of whether any such modification is or may be materially prejudicial to the interests of any such person; and
- (b) the Trustee shall not be obliged to agree to any modification which, in the sole opinion of the Trustee would have the effect of (i) exposing the Trustee to any liability against which it has not been indemnified and/or secured and/or pre-funded to its satisfaction or (ii) increasing the obligations or duties, or decreasing the rights or protection, of the Trustee in the Relevant Documents and/or these Conditions and/or the Residual Certificates Conditions.

Any such modification shall be binding on all Noteholders and Residual Certificateholders and shall be notified by the Issuer as soon as reasonably practicable to:

- (c) so long as any of the Notes rated by the Rating Agencies remains outstanding, each Rating Agency;

- (d) the Secured Creditors; and
- (e) the Noteholders in accordance with Condition 12 (*Notices*) and the Residual Certificateholders in accordance with Residual Certificates Condition 12 (*Notices*).

15. **Base Rate Modification**

- (a) Notwithstanding the provisions of Condition 13 (*Meetings of Noteholders and Residual Certificateholders; Modifications; Consents; Waiver*), the Trustee shall be obliged, without any consent or sanction of the Noteholders or any of the other Secured Creditors, 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 LIBOR in respect of all Classes of Notes but not only some Classes of Notes (the "**Applicable Base Rate**") to an alternative base rate (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 15 (*Base Rate Modification*) (for the avoidance of doubt, this may include changing the base rate referred to in any interest rate hedging agreement, for the purpose of aligning any such hedging agreement with the proposed Base Rate Modification pursuant to paragraph (c)(D) below, the Mortgage Margin Reserve Fund, the Conversion Margin Reserve Fund and the Rate of Interest Maintenance Adjustment) (a "**Base Rate Modification**"), **provided that** the Issuer, or, as the case may be, PML as 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 15(c) below and that Noteholders representing at least 10 per cent. of the aggregate Principal Amount Outstanding of the Most Senior Class of Notes then outstanding 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 Issuer has obtained the consent of any of the other Secured Creditors whose consent is required to be obtained in order to make the Base Rate Modification; and
 - (iii) the Sellers or PML as Administrator have agreed to pay, or to put the Issuer in funds to pay, all fees, costs and expenses (including legal fees and costs associated with any amendments to hedging agreements) incurred by the Issuer and the Trustee or any other party to any Relevant Documents in connection with the Base Rate Modification; and
 - (iv) the Base Rate Modification is being undertaken due to any one or more of the following (and not for any other reason):
 - (1) 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
 - (2) the insolvency or cessation of business of the administrator of the Applicable Base Rate (in circumstances where no successor administrator has been appointed); or
 - (3) 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

- (4) 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
 - (5) 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
 - (6) 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
 - (7) the reasonable expectation of PML as Administrator that any of the events specified in sub-paragraphs (1), (2) or (6) will occur or exist within six months of the proposed effective date of such Base Rate Modification; or
 - (8) 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
- (v) 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 Alternative Base Rate or other relevant authority) or any stock exchange on which the Notes (other than the Class S VFN) are listed (or any relevant committee or other body established, sponsored or approved by any of the foregoing); or
 - (2) the Sterling Over Night Index Average or the Broad Treasuries Repo Financing Rate (or any rate which is derived from, based upon or otherwise similar to either of the foregoing); or
 - (3) 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
 - (4) 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
 - (5) such other base rate as PML as Administrator reasonably determines.
- (b) The Issuer, or PML as 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 (*Notice*) 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:
- (A) 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
 - (B) confirmation of the sub-paragraph(s) of Condition 15(a)(iv) under which the Base Rate Modification is being proposed; and
 - (C) confirmation of which Alternative Base Rate is proposed to be adopted pursuant to Condition 15(a)(v); and
 - (D) details of any consequential modifications that the Issuer has agreed will be made to any hedging agreement to which it is a party for the purpose of aligning any such hedging agreement 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 where commercially appropriate so that the transaction is hedged 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 (i) no modifications are proposed to be made to hedging agreements; and/or (ii) modifications will be made to hedging agreements but will not result in the transaction being similarly hedged; and/or (iii) modifications to any hedging agreement 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
 - (E) details of any consequential modifications that the Issuer has agreed to any calculations and/or determinations in respect of (i) the Mortgage Margin Reserve Fund or Conversion Margin Reserve Fund or similar such covenant or (ii) to any Mortgage Conditions in respect of the Mortgages in relation to the interest rate(s) on the underlying portfolio of assets for the purpose of aligning any such rates in such covenants or conditions with the proposed Base Rate Modification, if the proposed Base Rate Modification takes effect. The Issuer shall use reasonable endeavours to agree modifications to the calculations and/or determinations in respect of the Mortgage Margin Reserve Fund or Conversion Margin Reserve Fund or similar such covenant or to any Mortgage Conditions in respect of the Mortgages where commercially appropriate to maintain an equivalent level of protection as provided by the Mortgage Margin Reserve Fund and Conversion Margin Reserve Fund or similar such covenant or to any Mortgage Conditions in respect of the Mortgages prior to the proposed Base Rate Modification and that such modifications shall take effect within 30 calendar days following the Base Rate Modification taking effect. If (i) no modifications are proposed to be made to any calculations and/or determinations in respect of the Mortgage Margin Reserve Fund or Conversion Margin Reserve Fund or similar such covenant or to any Mortgage Conditions in respect of the Mortgages; and/or (ii) modifications will be made to any calculations and/or determinations in respect of the Mortgage Margin Reserve Fund or Conversion Margin Reserve Fund or similar such covenant or to any Mortgage Conditions in respect of the Mortgages

but will not result in an equivalent level of protection; and/or (iii) modifications to any calculations and/or determinations in respect of the Mortgage Margin Reserve Fund or Conversion Margin Reserve Fund or similar such covenant or to any Mortgage Conditions in respect of the Mortgages 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

- (F) 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:
- (i) 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
 - (ii) in the event that (i) above does not apply, the Issuer shall use reasonable endeavours to propose an alternative Rate of Interest Maintenance Adjustment as reasonably determined by PML as Administrator 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
 - (iii) 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 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 and Residual Certificateholders; 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
 - (iv) 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
- (G) confirmation that either:
- (I) the Issuer, or, as the case may be, PML as 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 Rated Notes by such Rating Agency and would not result in any Rating Agency placing any Rated 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

- (II) 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 Principal Amount Outstanding of the Most Senior Class of Notes then outstanding 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 15(c)(A) 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 and Residual Certificateholders; 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 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 15 (*Base Rate Modification*) or any Relevant Document:
- (i) when implementing any modification pursuant to this Condition 15 (*Base Rate Modification*), the Trustee shall not consider the interests of the Noteholders, any other Secured Creditor or any other person and shall act and rely solely and without further investigation, on any Base Rate Modification Certificate or evidence provided to it by the Issuer (or PML as Administrator on behalf of the Issuer) or the relevant Transaction Party, as the case may be, pursuant to this Condition 15 (*Base Rate Modification*) and shall not be liable to the Noteholders, any other Secured Creditor or any other person for so acting or relying, irrespective of whether any such modification is or may be materially prejudicial to the interests of any such person; 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;
 - (ii) the Secured Creditors; and

(iii) the Noteholders in accordance with Condition 12 (*Notices*) and the Residual Certificateholders in accordance with Residual Certificates 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 15 (*Base Rate Modification*).

16. **Indemnification of the Trustee**

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking proceedings to realise the Security and to obtain repayment of the Notes unless indemnified and/or secured and/or prefunded to its satisfaction. For the avoidance of doubt, whenever the Trustee is bound, under the provisions of the Trust Deed, to act at the request or direction of the Noteholders, the Trustee shall nevertheless not be so bound unless first indemnified and/or secured and/or prefunded to its satisfaction. The Trustee is entitled to enter into business transactions with the Issuer and/or any other party to the Relevant Documents without accounting for any profit resulting from such transactions. The Trustee will not be responsible for any loss, expense or liability which may be suffered as a result of any assets comprised in the Security, or any deeds or documents of title thereto, being uninsured or inadequately insured or being held by or to the order of the Administrators or any of their affiliates or by clearing organisations or their operators or by any person on behalf of the Trustee.

17. **Limitation of Liability of Trustee**

The Trustee will not be responsible for any loss, expense or liability which may be suffered as a result of any assets comprised in the Security, or any deeds or documents of title thereto, being uninsured or inadequately insured or being held by or to the order of the Administrators or any of their affiliates or by clearing organisations or their operators or by any person on behalf of the Trustee.

Clause 7 of the Substitute Administrator Agreement limits the liability of the Substitute Administrator to zero unless such liability results from the negligence or wilful misconduct of the Substitute Administrator under the Substitute Administrator Agreement or any other Relevant Document, in its role as:

- (a) Substitute Administrator; and
- (b) where it is appointed to carry out the duties of the Administrator, as Administrator,

in which case such liability shall be limited, prior to invocation (as replacement Administrator), in any calendar year to the aggregate amount of all fees paid to HML in the 12 consecutive months immediately following the date of the Substitute Administration Agreement (and, to the extent the Substitute Administration Agreement is terminated prior to the date falling 12 consecutive months immediately following the date of the Substitute Administrative Agreement, the aggregate of all fees paid to HML on and prior to such date of termination) and after invocation, the aggregate amount of fees paid to the Substitute Mortgage Administrator (as replacement Administrator) pursuant to the Administration Agreement over the course of the calendar year during which such liability has arisen (the "**Liability Cap**"). The Noteholders will have no recourse to the Trustee in any circumstances whatsoever for any liability which would have been recoverable but for the effect of Clause 7 of the Substitute Administrator Agreement.

18. **Increasing the Principal Amount Outstanding of the Class S VFN and adjusting the Maximum Class S VFN Amount in respect of an Amortised Cost Adjustment**

- (a) If the Issuer (or PML as Administrator on behalf of the Issuer) receives a notice from either Seller prior to the Class S VFN Commitment Termination Date notifying the Issuer that on any Further Sale Date there are insufficient funds standing to the credit of the Class S VFN Drawdown Ledger to fund the Amortised Cost Adjustment on such date,

the Issuer (or PML as Administrator on its behalf) shall notify (by serving a Notice of Increase) the Class S VFN Holder requesting that the Class S VFN Holder further funds the Class S VFN on the next Further Sale Date or other Business Day specified in the Notice of Increase in an amount equal to the lower of:

- (i) the Amortised Cost Adjustment less the amounts standing to the credit of the Class S VFN Drawdown Ledger available to pay such Amortised Cost Adjustment; and
 - (ii) the Maximum Class S VFN Amount less the current Principal Amount Outstanding of the Class S VFN (taking into account any likely reductions to the Principal Amount Outstanding of the Class S VFN on the following Interest Payment Date).
- (b) The Class S VFN Holder, upon receipt of such a notice from the Issuer or PML as Administrator (on behalf of the Issuer) prior to the Class S VFN Commitment Termination Date requesting that the Class S VFN Holder further funds the Class S VFN, shall make such further funding (the "**Further Class S VFN Funding**"), provided that the Issuer has complied with the requirements of Condition 18(d) below.
- (c) The proceeds of the Further Class S VFN Funding shall be applied by the Issuer to the Class S VFN Drawdown Ledger to be used towards the Amortised Cost Adjustment on the Further Sale Date.
- (d) The Class S VFN Holder shall advance the amount of such Further Class S VFN Funding to the Issuer for value on the relevant Principal Determination Date or other Business Day specified in the Notice of Increase, if the following conditions are satisfied:
- (i) not later than 2.00 p.m. one Business Day prior to the proposed date for the making of such Further Class S VFN Funding (or such lesser time as may be agreed by the Class S VFN Holder), the Class S VFN Holder has received from the Issuer a completed and irrevocable Notice of Increase (or other written direction to advance such funds) therefore, receipt of which shall oblige the Class S VFN Holder to accept the amount of the Further Class S VFN Funding therein requested on the date therein stated upon the terms and subject to the conditions contained therein;
 - (ii) as a result of the making of such Further Class S VFN Funding, the aggregate amount of drawings made under the Class S VFN plus all Further Class S VFN Funding made in respect of the relevant Class S VFN (provided that no reference shall be made in respect of any principal amount due on the relevant Class S VFN which has already been repaid) would not exceed the Maximum Class S VFN Amount;
 - (iii) either:
 - (A) the Issuer confirms in the Notice of Increase that no Event of Default has occurred or will occur as a result of the Further Class S VFN Funding; or
 - (B) the Class S VFN Holder agrees in writing (notwithstanding any matter mentioned at 18(d)(i) above) to make such Further Class S VFN Funding available; and
 - (iv) the proposed date of such Further Class S VFN Funding falls on a Business Day prior to the Class S VFN Commitment Termination Date.

In this Condition, the expression:

"Class S VFN Commitment Termination Date" means the date on which the commitment of the Class S VFN Holder in respect of the Class S VFN will be extinguished, such date being the earlier to occur of:

- (a) the Final Maturity Date; or
- (b) an Event of Default.

"**Maximum Class S VFN Amount**" means, for the Class S VFN, £7,952,955 (less any Further Class S VFN Fundings made by the Class S VFN Holder pursuant to Condition 19) or such other amount as may be agreed from time to time by the Issuer and the Class S VFN Holder, and notified to the Trustee.

"**Notice of Increase**" means a notice, substantially in the form set out in the Trust Deed.

19. **Increasing the Principal Amount Outstanding of the Class S VFN and adjusting the Maximum Class S VFN Amount in respect of the discretionary funding of the General Reserve Fund, Class A and Class B Liquidity Reserve Fund and the Principal Deficiency Ledger**

- (a) If the Issuer (or PML as Administrator on behalf of the Issuer) determines that:
 - (i) amounts standing to the credit of the General Reserve Fund are less than the General Reserve Fund Required Amount;
 - (ii) amounts standing to the credit of the Class A and Class B Note Liquidity Reserve Fund are less than the Class A and Class B Liquidity Reserve Fund Required Amount; or
 - (iii) there is a balance of less than zero on the Principal Deficiency Ledger,

the Issuer (or PML as Administrator on its behalf) may notify (by serving a Notice of Increase) the holder of the Class S VFN Holder requesting that the Class S VFN Holder further funds the Class S VFN on the relevant Interest Payment Date or other Business Day specified in the Notice of Increase in an amount equal to:

- (A) in respect of (i) above, the General Reserve Fund Required Amount less all amounts standing to the credit of the General Reserve Fund;
 - (B) in respect of (ii) above, the Class A and Class B Liquidity Reserve Fund Required Amount less all amounts standing to the credit of the Class A and Class B Note Liquidity Reserve Fund; or
 - (C) in respect of (iii) above, the balance of the Principal Deficiency Ledger; and
- (b) The Class S VFN Holder, upon receipt of such a notice from the Issuer or PML as Administrator (on behalf of the Issuer) prior to the Class S VFN Commitment Termination Date requesting that the Class S VFN Holder further funds the Class S VFN, shall notify the Issuer whether the Class S VFN Holder is prepared to make a Further Class S VFN Funding.
 - (c) Should the Class S VFN Holder agree to the request, the proceeds of the Further Class S VFN Funding shall be applied by the Issuer towards (i) funding the General Reserve Fund up to and including an amount equal to the General Reserve Fund Required Amount, (ii) funding the Class A and Class B Note Liquidity Reserve Fund up to and including an amount equal to the Class A and Class B Liquidity Reserve Fund Required Amount, and (iii) if and to the extent that there is a balance of less than zero on the Principal Deficiency Ledger in order, to credit such amounts to the Principal Deficiency Ledger.
 - (d) Should the Class S VFN Holder accept the request to further fund the Class S VFN, the Class S VFN Holder shall advance the amount of such Further Class S VFN Funding to the Issuer for value on the relevant Interest Payment Date or other Business Day specified in the Notice of Increase, if the following conditions are satisfied:

- (i) not later than 2.00 p.m. one Business Days prior to the proposed date for the making of such Further Class S VFN Funding (or such lesser time as may be agreed by the Class S VFN Holder), the Class S VFN Holder has received from the Issuer a completed and irrevocable Notice of Increase (or other written direction to advance such funds) therefore receipt of which shall oblige the Class S VFN Holder to accept the amount of the Further Class S VFN Funding therein requested on the date therein stated upon the terms and subject to the conditions contained therein;
- (ii) either
 - (A) the Issuer confirms in the Notice of Increase that no Event of Default has occurred or will occur as a result of the Further Class S VFN Funding; or
 - (B) the Class S VFN Holder agrees in writing (notwithstanding any matter mentioned at 18(iii)(A) above) to make such Further Class S VFN Funding available; and
- (iii) the proposed date of such Further Class S VFN Funding falls on a Business Day prior to the Class S VFN Commitment Termination Date.

20. **Non-Responsive Rating Agency**

- (a) In respect of the exercise of any power, duty, trust, authority or discretion as contemplated hereunder or in relation to the Notes and any of the Relevant Documents, the Trustee shall be entitled but not obliged to take into account any written confirmation or affirmation (in any form acceptable to the Trustee) from the relevant Rating Agencies that the then current ratings of the Notes will not be reduced, qualified, adversely affected or withdrawn thereby (a "**Rating Agency Confirmation**").
- (b) If a Rating Agency Confirmation or other response by a Rating Agency is a condition to any action or step under any Transaction Document and a written request for such Rating Agency Confirmation or response is delivered to each Rating Agency by or on behalf of the Issuer (copied to the Trustee) and:
 - (i) (A) one Rating Agency (such Rating Agency, a "**Non-Responsive Rating Agency**") indicates that it does not consider such Rating Agency Confirmation or response necessary in the circumstances or that it does not, as a matter of practice or policy, provide such Rating Agency Confirmation or response or (B) within 30 days of delivery of such request, no Rating Agency Confirmation or response is received and/or such request elicits no statement by such Rating Agency that such Rating Agency Confirmation or response could not be given; and
 - (ii) one Rating Agency gives such Rating Agency Confirmation or response based on the same facts,

then such condition to receive a Rating Agency Confirmation or response from each Rating Agency shall be modified so that there shall be no requirement for the Rating Agency Confirmation or response from the Non-Responsive Rating Agency if the Issuer provides to the Trustee a certificate signed by two directors certifying and confirming that each of the events in paragraphs (i)(A) or (B) and (ii) above has occurred. If no such Rating Agency Confirmation is forthcoming and two directors of the Issuer have certified the same in writing to the Trustee (an "**Issuer Certificate**"), the Trustee shall be entitled (but not obliged) to assume from a written certificate of an Administrator to the Trustee (an "**Administrator Certificate**") that such proposed action:

- (A) (while any of the Notes remain outstanding) has been notified to the Rating Agencies;

- (B) would not adversely impact on the Issuer's ability to make payment when due in respect of the Notes;
- (C) would not affect the legality, validity and enforceability of any of the Transaction Documents or any Security; and
- (D) (while any of the Notes remain outstanding) the then current rating of the Notes would not be reduced, qualified, adversely affected or withdrawn,

upon which confirmation from the Rating Agencies, Issuer Certificate and/or Administrator Certificate and the Trustee shall be entitled to rely absolutely without liability to any person for so doing. In being entitled to take into account any such confirmation from the Rating Agencies, it is agreed and acknowledged by the Trustee that this does not impose or extend any actual or contingent liability for each of the Rating Agencies to the Trustee, the Noteholders or any other person or create any legal relations between each of the Rating Agencies and the Trustee, the Noteholders or any other person whether by way of contract or otherwise.

21. **Notifications and Other Matters to be Final**

Notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of the Notes, whether by the Reference Banks (or any of them), the Reference Agent, the Issuer, the Administrator(s) or the Trustee, shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Reference Banks, the Reference Agent, the Trustee, the Administrator(s), the Principal Paying Agent, the other Paying Agents (if any) and all Noteholders and (subject as aforesaid) no liability to the Issuer, the Administrator or the Noteholders shall attach to the Reference Banks, the Reference Agent, the Issuer, the Administrator(s) or the Trustee in connection with the exercise or non-exercise by them of their powers, duties and discretions.

22. **The Contracts (Rights of Third Parties) Act 1999**

The Notes confer no rights on any person pursuant to the Contracts (Rights of Third Parties) Act 1999 to enforce any term of the Notes, but this does not affect any right or remedy of a third party which exists or is available apart from that Act.

23. **Governing Law and Jurisdiction**

The Notes and all non-contractual obligations arising from or connected with the Notes are governed by, and shall be construed in accordance with, English law. The Issuer has agreed in the Trust Deed that the courts of England shall have non-exclusive jurisdiction to hear and determine any suit, action or proceedings, and to settle any disputes, which may arise out of or in connection with the Notes (respectively, the "**Proceedings**" and "**Disputes**") and, for such purposes, irrevocably submits to the jurisdiction of such courts. In the Trust Deed, the Issuer has waived any objection which it might now or hereafter have to the courts of England being nominated as the forum to hear and determine any Proceedings and to settle any Disputes, and agreed not to claim that any such court is not a convenient or appropriate forum.

**SCHEDULE 5
FORM OF GLOBAL RESIDUAL CERTIFICATE**

(Global Residual Certificate)

ISIN Number: *[Insert ISIN number]*

[Common Code: *[Insert Common Code for Global Residual Certificates]*]

This Residual Certificate has not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act") or with any Securities Regulator Authority of any State or other jurisdiction of the United States and, as a matter of U.S. law, may not be offered, sold, pledged or otherwise transferred in the United States or to, or for the account of benefit of, a U.S. Person (as defined in Regulation S under the Securities Act) (1) as part of their distribution at any time or (2) otherwise prior to the date that is 40 days after the later of the commencement of the offering of the Residual Certificates and the closing of the offering of the Residual Certificates, except pursuant to an exemption from the registration requirements of the Securities Act and in accordance with any applicable Securities laws of any State or other jurisdiction of the United States.

GLOBAL RESIDUAL CERTIFICATE

representing the [•] [RC1a]/[RC1b]/[RC2a]/[RC2b] Residual Certificates representing the right to the [RC1a]/[RC1b]/[RC2a]/[RC2b] Payments due under the Trust Deed (the "**Residual Certificates**")

issued by

PARAGON MORTGAGES (NO. 25) PLC
*(Incorporated with limited liability in England and Wales
and registered under number 9777963)*

This Global Residual Certificate is issued without principal or interest or fee coupons in respect of a duly authorised issue of the above Residual Certificates of Paragon Mortgages (No. 25) PLC (the "**Issuer**"), and constituted by a trust deed dated [•] 2018 (as amended, supplemented or restated from time to time, the "**Trust Deed**") between, *inter alios*, the Issuer and Citicorp Trustee Company Limited, as trustee (the "**Trustee**"). References herein to the Residual Certificates Conditions (or to any particular numbered Residual Certificates Condition) shall be to the Residual Certificates Conditions (or that particular one of them) set out in Schedule 6 (*Terms and Conditions of the Residual Certificates*) to the Trust Deed. Terms and expressions defined in the Trust Deed and the Residual Certificates Conditions shall bear the same meanings when used herein.

This is to certify that:

[[•] as nominee of the Common Depository] [The nominee of the Common Safekeeper] for both

Euroclear and Clearstream, Luxembourg

is the person registered in the register maintained by the Registrar in relation to the Notes (the "**Register**") as the duly registered Holder of the Residual Certificates evidenced hereby. This Global Residual Certificate is evidence of entitlement only. Title to the Residual Certificates passes only on due registration in the Register and only the registered holder is entitled to payment in respect of this Global Residual Certificate.

1. Promise to pay

Subject as provided in this Global Residual Certificate the Issuer promises to pay to the registered holder hereof the [RC1a]/[RC1b]/[RC2a]/[RC2b] Payment from time to time on the dates determined in accordance with the Residual Certificates Conditions together with such other amounts (if any) as may be payable, all subject to and in accordance with the Residual Certificates Conditions and the provisions of the Trust Deed.

The principal amount of Residual Certificates represented by this Global Residual Certificate shall be the aggregate amount from time to time entered in the records of both Euroclear and Clearstream Banking Luxembourg (each a relevant "**Clearing System**" and together the relevant "**Clearing Systems**"). The records of the relevant Clearing Systems (which expression in this Global Residual Certificate means the records that each relevant Clearing System holds for its customers which reflect the amount of such customer's interest in the Residual Certificates) shall be conclusive evidence of the principal amount of Notes represented by this Global Residual Certificate and, for these purposes, a statement issued by a relevant Clearing System (which statement shall be made available to the bearer upon request) stating the nominal amount of Residual Certificates represented by this Global Residual Certificate at any time shall, save in the case of manifest error, be conclusive evidence of the records of the relevant Clearing System at that time.

2. Payments

Until the Secured Obligations under the Deed of Charge have been discharged in full, the holder of this Global Residual Certificate shall be entitled to the benefit of and be bound by the Residual Certificates Conditions, the Trust Deed and the Deed of Charge. Payment of the [RC1a]/[RC1b]/[RC2a]/[RC2b] Payment, and any other amount due in respect of, this Global Residual Certificate will be made in Sterling by or to the order of Principal Paying Agent on behalf of the Issuer to the Common Safekeeper or its above named nominee as the registered holder thereof. Each holder of Residual Certificate Book-Entry Interests must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for its share of any amounts paid by or on behalf of the Issuer to the Common Safekeeper or its nominee in respect of those Residual Certificate Book-Entry Interests. All such payments will be distributed without deduction or withholding for or on account of any taxes, duties, assessments or other governmental charges of whatever nature except as may be required by law. If any such deduction or withholding is required to be made, then neither the Issuer, the Paying Agents nor any other person will be obliged to pay additional amounts in respect thereof.

Upon any payment of any [RC1a]/[RC1b]/[RC2a]/[RC2b] Payment on this Global Residual Certificate the amount so paid shall be reflected in the Register and endorsed

by or on behalf of the Registrar on behalf of the Issuer on Part I (*Payments of [RC1A]/[RC1B]/[RC2A]/[RC2B] PAYMENT*) of the Schedule hereto.

All payments of any amounts payable and paid to the registered holder of this Global Residual Certificate shall be valid and, to the extent of the sums so paid, effectual to satisfy and discharge the liability for the monies payable hereon.

3. Transfers and Exchanges

Residual Certificates represented by this Global Residual Certificate are transferable or exchangeable only in accordance with, and subject to, the provisions hereof and of the Agency Agreement dated [•] 2018 (as amended, supplemented or restated from time to time) and the rules and operating procedures of Euroclear and Clearstream, Luxembourg.

On any transfer or exchange pursuant to which either (i) the Residual Certificates represented by this Global Residual Certificate are no longer to be so represented or (ii) the Residual Certificates not so represented are to be so represented, details of such transfer shall be entered by the Registrar in the Register and shall be entered by the Registrar on behalf of the Issuer in Part II (*Transfers*) of the Schedule hereto, whereupon the number of the Residual Certificates held by the registered holder hereof shall be increased or reduced (as the case may be) by the number of Residual Certificates so transferred.

4. Clearing Systems

Reference herein to Euroclear and Clearstream, Luxembourg shall be deemed to include references to any other clearing system approved by the Trustee.

5. Authentication and Effectuation

This Global Residual Certificate shall not be or become valid or obligatory for any purpose unless and until authenticated by or on behalf of the Registrar and effectuated by the entity appointed as Common Safekeeper by Euroclear or Clearstream, Luxembourg.

6. Governing law

This Global Residual Certificate and any non-contractual obligations arising out of or in connection with it are governed by, and shall be construed in accordance with, the laws of England and the Issuer has in the Trust Deed submitted to the exclusive jurisdiction of the courts of England for all purposes in connection with this Global Residual Certificate.

7. Contracts (Rights of Third Parties) Act 1999

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Global Residual Certificate, but this does not affect any right or remedy of any person which exists or is available apart from the Contracts (Rights of Third Parties) Act 1999.

IN WITNESS WHEREOF the Issuer has caused this Global Residual Certificate to be signed manually or in facsimile by a person duly authorised on its behalf.

Executed for and on behalf of:
acting by:

PARAGON MORTGAGES (NO.25) PLC

By:

Name: [•]

Title: [•]

Issued in London, England on [•] 2018

Certificate of Authentication

This Global Residual Certificate is duly authenticated without recourse, warranty or liability.

Executed by:
as Registrar (without warranty, recourse or liability) acting by:

CITIBANK, N.A., LONDON BRANCH

By:
Name: [•]
Title: [•]

[Certificate of Effectuation

Effectuated for and on behalf of
the Common Safekeeper

Without recourse, warranty or liability

By:
[manual signature]
(duly authorised)]

SCHEDULE 6
TERMS AND CONDITIONS OF THE RESIDUAL CERTIFICATES

[paginated separately – see overleaf]

TERMS AND CONDITIONS OF THE RESIDUAL CERTIFICATES

The following is the text of the terms and conditions of the Residual Certificates, (the "**Residual Certificates Conditions**") which apply to the Residual Certificates and, if Definitive Residual Certificates were to be issued, will be endorsed on the Residual Certificates. While any Residual Certificates remain in global form the Residual Certificates Conditions govern them, except to the extent that they are appropriate only to Residual Certificates in definitive form.

1. Issue, Form, Denomination and Title

(a) *Issue of the Residual Certificates to Residual Certificate Holders pursuant to the Trust Deed*

Paragon Mortgages (No.25) PLC (the "**Issuer**") has issued the "**Residual Certificates**", which comprise:

- (i) the 200 "**RC1 Residual Certificates**" which comprise:
 - (A) the "**RC1a Residual Certificates**"; and
 - (B) the "**RC1b Residual Certificates**"; and
- (ii) the 200 "**RC2 Residual Certificates**" which comprise:
 - (A) the "**RC2a Residual Certificates**"; and
 - (B) the "**RC2b Residual Certificates**",

pursuant to a trust deed (the "**Trust Deed**") dated on or about 26 April 2018 or such later date agreed between the Issuer and the Joint Lead Managers for the issue of the Notes (the "**Closing Date**") between the Issuer and Citicorp Trustee Company Limited (the "**Trustee**", which expression shall include its successors as trustee under the Trust Deed and any other person or persons from time to time acting as trustee under the Trust Deed) as trustee of the Holders (as defined in Residual Certificates Condition 1(d)) for the time being of the RC1a Residual Certificates (together the "**RC1a Residual Certificateholders**"), the RC1b Residual Certificates (together the "**RC1b Residual Certificateholders**" and, together with the RC1a Residual Certificateholders, the "**RC1 Residual Certificateholders**"), the RC2a Residual Certificates (together the "**RC2a Residual Certificateholders**") and the RC2b Residual Certificates (together the "**RC2b Residual Certificateholders**" and, together with the RC2a Residual Certificateholders, the "**RC2 Residual Certificateholders**" and the RC1 Residual Certificateholders together with the RC2 Residual Certificateholders, the "**Residual Certificateholders**").

In these Residual Certificates Conditions "**class**" shall be a reference to a class of the Residual Certificates being each or any of the RC1 Residual Certificates and the RC2 Residual Certificates and "**classes**" shall be construed accordingly.

The Residual Certificateholders will be entitled to the benefit of, will be bound by, and will be deemed to have notice of, all the provisions of the Trust Deed and the Deed of Charge (as defined in Residual Certificates Condition 2) and will be deemed to have notice of all the provisions of the Relevant Documents (as defined in Residual Certificates Condition 3(a)(i)(B)). Expressions defined in those documents and not otherwise defined in these Residual Certificates Conditions shall where used in these Residual Certificates Conditions have the meanings indicated in the Relevant Documents. Certain provisions of these Residual Certificates Conditions are summaries of the Relevant Documents and are subject to their detailed provisions. Copies of the Relevant Documents will be available for inspection at the registered office of the Issuer and at the Specified Office for the time being of the Principal Paying Agent.

(b) *Form of the Residual Certificates*

Residual Certificates will be represented by one or more permanent global residual certificates in fully registered form without interest coupons (each such global residual certificate in relation to a class of those Residual Certificates being a "**Global Residual Certificate**").

Each Global Residual Certificate, save for a Global Residual Certificate to be held under the New Safekeeping Structure ("NSS"), is expected to be deposited with, and registered in the name of, or a nominee of a common depository (the "**Common Depository**") for, Euroclear Bank S.A./N.V., as operator of the Euroclear System ("**Euroclear**") and Clearstream Banking, *société anonyme*, Luxembourg ("**Clearstream, Luxembourg**" and together with Euroclear, the "**Clearing Systems**") on the Closing Date. Global Residual Certificates to be held under NSS will be deposited with and registered in the nominee name of the common safekeeper for Euroclear and Clearstream, Luxembourg.

The beneficial interests represented by the Global Residual Certificate will be exchanged for Residual Certificates of the relevant class in definitive registered form (each such Residual Certificate a "**Definitive Residual Certificate**") only upon the occurrence of certain limited circumstances specified in the Global Residual Certificates.

(c) ***Title to the Residual Certificates***

The Issuer will cause to be kept at the Specified Office of Citibank, N.A., London Branch as registrar (the "**Registrar**" which expression shall include its successors as registrar under the Agency Agreement) a register (the "**Register**") on which shall be entered the names and addresses of the holders of the Residual Certificates and the particulars of such Residual Certificates held by them and all transfers of such Residual Certificates. In these Residual Certificates Conditions, the "**Holder**" of a Residual Certificate at any time means the person in whose name such Residual Certificate is registered at that time in the Register (or, in the case of a joint holding, the first named person).

In relation to each Residual Certificate, the Holder will, to the fullest extent permitted by applicable law, be deemed and treated at all times, by all persons and for all purposes (including the making of payments), as the absolute owner of such Residual Certificate regardless of any notice to the contrary, any notice of ownership, theft or loss, or of any trust or other interest in that Residual Certificate or of any writing on that Residual Certificate (other than the endorsed form of transfer).

No transfer of a Residual Certificates will be valid unless and until entered on the Register. Transfers and exchanges of beneficial interests in the Global Residual Certificates and entries on the Register relating to the Residual Certificates will be made subject to any restrictions on transfers set forth on such Residual Certificates and the detailed regulations concerning transfers of such Residual Certificates contained in the Agency Agreement, the Trust Deed and the relevant legends appearing on the face of the Residual Certificates (such regulations and legends being the "**Transfer Regulations**"). Each transfer or purported transfer of a beneficial interest in a Global Residual Certificate or a Definitive Residual Certificate made in violation of the Transfer Regulations shall be void *ab initio* and will not be honoured by the Issuer or the Trustee. The Transfer Regulations may be changed by the Issuer with the prior written approval of the Trustee and the Registrar. A copy of the current Transfer Regulations will be sent by the Registrar to any Holder of a Residual Certificate who so requests and by the Principal Paying Agent to any Holder of a Residual Certificate who so requests.

For so long as any Residual Certificate is represented by a Global Residual Certificate, transfers and exchanges of beneficial interests in that Global Residual Certificate and entitlement to payments under that Global Residual Certificate will be effected subject to and in accordance with the rules and procedures from time to time of Euroclear and/or Clearstream, Luxembourg.

Beneficial interests in a Global Residual Certificate may be held only through Euroclear or Clearstream, Luxembourg at any time. Prior to the expiry of a 40 day period following the Closing Date, beneficial interests in a Global Residual Certificate may not be held by a "**U.S. Person**" (as defined in Regulation S under the Securities Act).

2. **Status and Relationship between the Classes of Residual Certificates**

The Residual Certificates are obligations solely of the Issuer and are not obligations of, or guaranteed by, any other person. The Residual Certificates are secured by fixed and floating security over all of the Issuer's assets (the "**Security**") as more particularly described in a deed of sub-charge and assignment (the "**Deed of Charge**") dated the Closing Date between the Issuer, the

Trustee, Paragon Finance plc, Paragon Mortgages (2010) Limited, Paragon Bank Plc, Intertrust Management Limited, Homeloan Management Limited (the "**Substitute Administrator**"), the Issue Services Provider, the Account Bank and the Basis Hedge Provider.

Residual Certificates in the same class rank *pari passu* and rateably without any preference or priority among themselves in their right to receive Residual Payments. Prior to the Security becoming enforceable the Residual Certificates rank according to the priority of payments set out in clause 6.1.2 of the Deed of Charge (the "**Revenue Priority of Payments**") and clause 6.2 of the Deed of Charge (the "**Principal Priority of Payments**") and from and after the Security becoming enforceable the Residual Certificates rank according to the priority of payments set out in clause 8.2 of the Deed of Charge (the "**Enforcement Priority of Payments**" and, together with the Revenue Priority of Payments and the Principal Priority of Payments, the "**Payments Priorities**"), in each case according to the terms of the Relevant Documents (as defined in Residual Certificates Condition 3(a)(i)(B)) and the Residual Certificates.

The Trust Deed and the Deed of Charge contain provisions requiring the Trustee to have regard to the interests of the Residual Certificateholders as regards all powers, trusts, authorities, duties and discretions of the Trustee (except where expressly provided otherwise), but requiring the Trustee in any such case (a) to have regard only to the interests of the Noteholders if, in the Trustee's opinion, there is a conflict between the interests of the Noteholders and the interests of the Residual Certificateholders, (b) (subject to (a)) prior to the Step-Up Date to have regard only to the interests of the RC1 Residual Certificateholders if, in the Trustee's opinion, there is a conflict between the interests of the RC1 Residual Certificateholders and the RC2 Residual Certificateholders and (c) (subject to (a)) on and following the Step-Up Date to have regard only to the interests of the RC2 Residual Certificateholders if, in the Trustee's opinion, there is a conflict between the interests of the RC1 Residual Certificateholders and the RC2 Residual Certificateholders.

The Trustee shall for all purposes treat the holders of the RC1a Residual Certificates and the RC1b Residual Certificates together as one Class and treat the holders of the RC2a Residual Certificates and the holders of the RC2b Residual Certificates together as one Class (including for the purposes of meetings).

3. **Covenants of the Issuer**

- (a) So long as any of the Residual Certificates remain outstanding (as defined in the Trust Deed), the Issuer shall not, save to the extent permitted by the Relevant Documents or with the prior written consent of the Trustee:
 - (i) carry on any business other than as described in the Prospectus dated 23 April 2018 relating to the issue of the Notes and the Residual Certificates (and then only in relation to the Mortgages and the related activities described therein) and in respect of that business shall not engage in any activity or do anything whatsoever except:
 - (A) own and exercise its rights in respect of the Security and its interests therein and perform its obligations in respect of the Security including, for the avoidance of doubt, funding Mandatory Further Advances and Discretionary Further Advances and purchasing Additional Mortgages;
 - (B) preserve and/or exercise and/or enforce any of its rights and perform and observe its obligations under the Mortgage Sale Agreement, the Notes, the Residual Certificates, the Subscription Agreement and the other agreements relating to the issue of the Notes, the Residual Certificates (or any of them), the Agency Agreement, the CRR Deed of Covenant, the Trust Deed, the Administration Agreement, the Substitute Administrator Agreement, the Substitute Administrator Facilitator Agreement, the Mortgages, the Deed of Charge, the Collection Account Declarations of Trust, each Basis Hedge Agreement, the Issue Services Fee Letter, any other hedging arrangements entered into by the Issuer from time to time, the Intertrust Corporate Services Agreement, the Paragon Corporate Services Letter, the Insurance Contracts, the other insurances in which the Issuer at any time has an interest, the Cross-collateral Mortgage Rights Deeds, the Account Bank Agreement, the Hedge Collateral Custody Agreement (if

applicable) and all other agreements and documents comprised in the Security for the Notes and the Residual Certificates (all as defined in the Trust Deed, the Deed of Charge or the Mortgage Sale Agreement) (together the "**Relevant Documents**");

- (C) to the extent permitted by the terms of the Deed of Charge or any of the other Relevant Documents, pay dividends or make other distributions to its members out of profits available for distribution in the manner permitted by applicable law;
 - (D) use, invest or dispose of, or otherwise deal with, or agree or attempt or purport to dispose of, any of its property or assets or grant any option or right to acquire the same in the manner provided in or contemplated by the Relevant Documents or for the purpose of realising sufficient funds to exercise its option to redeem Notes in accordance with their respective terms and conditions; and
 - (E) perform any act incidental to or necessary in connection with (A), (B), (C) or (D) above;
- (ii) incur any indebtedness in respect of borrowed money whatsoever or give any guarantee or indemnity in respect of any indebtedness excluding, for the avoidance of doubt, indebtedness under the Agency Agreement, the Account Bank Agreement, the Hedge Collateral Custody Agreement (if applicable), the Administration Agreement, Deed of Charge, the Trust Deed, the Notes, the Residual Certificates, the Issue Services Fee Letter, the Intertrust Corporate Services Agreement, the Paragon Corporate Services Letter, each Basis Hedge Agreement, the Substitute Administrator Agreement and the Substitute Administrator Facilitator Agreement;
 - (iii) create any mortgage, sub-mortgage, charge, sub-charge, pledge, lien or other security interest whatsoever (other than any which arise by operation of law) over any of its assets;
 - (iv) prejudice its eligibility for its corporation tax liability to be calculated in accordance with regulation 14 of the Taxation of Securitisation Companies Regulation 2006;
 - (v) consolidate or merge with any other person or convey or transfer its properties or assets substantially as an entirety to any person, other than as contemplated by the Deed of Charge, the Trust Deed or the Administration Agreement, unless:
 - (A) the person (if other than the Issuer) formed by or surviving such consolidation or merger or which acquires by conveyance or transfer the properties and assets of the Issuer substantially as an entirety shall be a person incorporated and existing under the laws of England and Wales, whose main objects are the funding, purchase and administration of mortgages, and which shall expressly assume, by a deed supplemental to the Trust Deed, in a form satisfactory to the Trustee, the due and punctual payment of principal and interest on the Notes and the performance and observance of every covenant in the Trust Deed and in these Residual Certificates Conditions on the part of the Issuer to be performed or observed;
 - (B) immediately after giving effect to such transaction, no Event of Default (as such term is defined in these Residual Certificates Conditions) shall have occurred and be continuing;
 - (C) the Trustee is satisfied that the interests of the Residual Certificateholders will not be materially prejudiced by such consolidation, merger, conveyance or transfer;
 - (D) the Issuer shall have delivered to the Trustee a legal opinion containing such confirmations in respect of such consolidation, merger, conveyance or transfer and such supplemental deed and other deeds as the Trustee may require; and
 - (E) the then current ratings of the Notes are not adversely affected;

- (vi) permit the validity or effectiveness of the Trust Deed or the Deed of Charge or the priority of the Security created thereby to be amended, terminated, postponed or discharged, or permit any person whose obligations form part of the Security to be released from such obligations;
 - (vii) in a manner which adversely affects the then current ratings of the Notes, have any employees or premises or have any subsidiary; or
 - (viii) have an interest in any bank account, other than the Transaction Account and the Collection Accounts (as defined in the Trust Deed), unless such account or interest is charged to the Trustee on terms acceptable to it.
- (b) So long as any of the Residual Certificate remains outstanding the Issuer will procure that there will at all times be one or more persons appointed as administrator of the Mortgages (each an "**Administrator**"). Any appointment of an Administrator is subject to the approval of the Trustee and must be of a person with experience of administration of mortgages in England and Wales. An Administrator will not be permitted to terminate its appointment without, *inter alia*, the prior written consent of the Trustee and the Issuer. The appointment of an Administrator may be terminated by the Trustee or the Issuer if, among other things, such Administrator is in breach of its obligations under the Administration Agreement, which breach, in the opinion of the Trustee, is materially prejudicial to the interests of the Most Senior Class and such breach is not remedied or deemed to be remedied in accordance with the terms of the Administration Agreement. Upon the termination of the appointment of an Administrator, the Substitute Administrator will act as Administrator, pursuant to the terms of the Substitute Administrator Agreement, but will have no liability under the Mortgage Sale Agreement.

In these Residual Certificates Conditions, "**Most Senior Class**" means the Class A Notes or, if there are no Class A Notes then outstanding, the Class B Notes or, if there are no Class A Notes or Class B Notes then outstanding, the Class C Notes or, if there are no Class A Notes, Class B Notes or Class C Notes then outstanding, the Class D Notes or, if there are no Class A Notes, Class B Notes or Class C Notes or Class D Notes then outstanding, the Class Z Notes or, if there are no Class A Notes, Class B Notes, Class C Notes, Class D Notes or Class Z Notes then outstanding, the Class S Notes, or, if there are no Class A Notes, Class B Notes, Class C Notes, Class D Notes, Class Z Notes or Class S Notes then outstanding, the Class S VFN, or, if there are no Class A Notes, Class B Notes, Class C Notes, Class D Notes, Class Z Notes, Class S Notes or Class S VFN then outstanding, prior to the Step-Up Date, the RC1 Residual Certificates and, on and following the Step-Up Date, the RC2 Residual Certificates.

4. **Residual Payments**

(a) ***Rights to Residual Payments***

Each Residual Certificate represents an entitlement to Residual Payments being, in each case, payments of Deferred Purchase Consideration for the purchase of the Mortgage Portfolio, payable to the Residual Certificateholders from time to time.

Each RC1a Residual Certificate represents an entitlement to receive RC1a Payments, each RC1b Residual Certificate represents an entitlement to receive RC1b Payments, each RC2a Residual Certificate represents an entitlement to receive RC2a Payments and each RC2b Residual Certificate represents an entitlement to receive RC2b Payments.

Residual Payments will be payable on Interest Payment Dates, determined in accordance with the Conditions of the Notes.

For the purposes of these Residual Certificates Conditions:

"**Interest Payment Date**" means the date determined as an Interest Payment Date in accordance with the Conditions of the Notes;

"**Paragon Bank Allocation**" means, on each Principal Determination Date, a fraction, the numerator of which is the aggregate Current Balance of all Mortgages in the Mortgage Portfolio

originated by Paragon Bank and the denominator of which is aggregate Current Balance of all Mortgages in the Mortgage Portfolio;

"PML Allocation" means, on each Principal Determination Date, a fraction, the numerator of which is the aggregate Current Balance of all Mortgages in the Mortgage Portfolio originated by PML and the denominator of which is aggregate Current Balance of all Mortgages in the Mortgage Portfolio;

"RC1a Payment Amount" means for each RC1a Residual Certificate, on each Interest Payment Date (or, in respect of the Enforcement Priority of Payments, on any relevant day), the RC1a Payment for that date, divided by 100;

"RC1a Payments" means, on each Interest Payment Date (or, in respect of the Enforcement Priority of Payments, on any relevant day), an amount equal to the product of the PML Allocation and the amount available for payment to the Holders of the RC1 Residual Certificates in accordance with the relevant Payments Priority;

"RC1b Payment Amount" means for each RC1b Residual Certificate, on each Interest Payment Date (or, in respect of the Enforcement Priority of Payments, on any relevant day), the RC1b Payment for that date, divided by 100;

"RC1b Payments" means, on each Interest Payment Date (or, in respect of the Enforcement Priority of Payments, on any relevant day), an amount equal to the product of the Paragon Bank Allocation and the amount available for payment to the Holders of the RC1 Residual Certificates in accordance with the relevant Payments Priority;

"RC1 Payment Amounts" means the RC1a Payment Amount and the RC1b Payment Amount;

"RC1 Payments" means the RC1a Payments and the RC1b Payments;

"RC2a Payment Amount" means for each RC2a Residual Certificate, on each Interest Payment Date (or, in respect of the Enforcement Priority of Payments, on any relevant day), the RC2a Payment for that date, divided by 100;

"RC2a Payments" means, on each Interest Payment Date (or, in respect of the Enforcement Priority of Payments, on any relevant day), an amount equal to the product of the PML Allocation and the amount available for payment to the Holders of the RC2 Residual Certificates in accordance with the relevant Payments Priority;

"RC2b Payment Amount" means for each RC2b Residual Certificate, on each Interest Payment Date (or, in respect of the Enforcement Priority of Payments, on any relevant day), the RC2b Payment for that date, divided by 100;

"RC2b Payments" means, on each Interest Payment Date (or, in respect of the Enforcement Priority of Payments, on any relevant day), an amount equal to the product of the Paragon Bank Allocation and the amount available for payment to the Holders of the RC2 Residual Certificates in accordance with the relevant Payments Priority;

"RC2 Payment Amounts" means the RC2a Payment Amount and the RC2b Payment Amount;

"RC2 Payments" means the RC2a Payments and the RC2b Payments;

"Residual Payment Amounts" means the RC1 Payment Amounts and the RC2 Payment Amounts; and

"Residual Payments" means the RC1 Payments and the RC2 Payments.

(b) ***Determination of Residual Payments and Residual Payment Amounts***

On (or as soon as practicable after) the last Business Day of the month preceding the month in which an Interest Payment Date falls, the Issuer shall determine (or cause the Administrators to determine) the Residual Payments and, in respect of (a) each RC1a Residual Certificate, the RC1a

Payment Amount, (b) each RC1b Residual Certificate, the RC1b Payment Amount, (c) each RC2a Residual Certificate, the RC2a Payment Amount and (d) each RC2b Residual Certificate, the RC2b Payment Amount.

(c) ***Publication of Residual Payments and Residual Payment Amounts***

The Administrators will cause the Residual Payments and the Residual Payment Amounts (if any) for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer, the Trustee, the Paying Agents 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.

(d) ***Determination or Calculation by Trustee***

If PML as Administrator at any time for any reason does not determine the Residual Payments or a Residual Payment Amount in accordance with paragraph (b) above, the Trustee (or an agent on its behalf) may (but shall be under no obligation to do so) calculate or cause to be calculated the Residual Payments or a Residual Payment Amount in accordance with paragraph (a) above, and each such determination or calculation shall be deemed to have been made by the Administrators.

(e) ***Termination of Payments and cancellation of Residual Certificates***

Following the redemption in full of the Notes and the realisation of the Charged Property, and payment of the proceeds on accordance with the relevant Payments Priority, no more Residual Payments will be made by the Issuer and the Residual Certificates shall be cancelled.

The Trustee will not be required to comply with any request or direction from the holders of the Residual Certificates or any Class of them (whether pursuant to Residual Certificates Condition 8 or 9 or otherwise) if the Issuer shall have certified in writing to the Trustee (upon which certificate the Trustee may rely without any duty or obligation to investigate or verify if the same is correct) that no further amounts are payable to the holders of the Residual Certificates in accordance with this Residual Certificates Condition 4(e).

5. **Payments**

(a) ***Definitions relating to payments***

In these Conditions:

"Cheque" means a GBP cheque drawn upon a Permitted Account;

"Local Business Day" means, in relation to payment to be made by a Paying Agent, a day which (1) is a Business Day; and (2) is a day (other than Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in the place where the Specified Office of that Paying Agent is situated; and (3) if the payment is made in relation to a Global Residual Certificate, is a day on which the relevant Clearing System is open for business;

"Payee" means the person listed at the close of business on the Record Date in the Register as the holder of that Residual Certificate (or, if two or more persons are so listed, the person appearing first in the list);

"Payment Date" means, in relation to any payment, the due date of that payment or if that due date is not a Local Business Day, the next succeeding Local Business Day;

"Permitted Account" means a GBP account maintained by the Payee with a bank in London;

"Record Address" means, in connection with any payment, the address shown as the address of the Payee in the Register at the close of business on the relevant Record Date;

"Record Date" means, in connection with any payment, one day before the due date for the relevant payment; and

"Specified Office" means, in relation to the Registrar, the Reference Agent or any Paying Agent, the office specified as such in the Agency Agreement or such other office as the relevant Agent may specify in accordance with the terms of the Agency Agreement.

(b) ***Means of making payments***

Residual Payments in respect of each Residual Certificate:

- (i) will be made to the relevant Payee; and
- (ii) will be made by Cheque or, upon written application (together with appropriate details of a Permitted Account) by that person received at the Specified Office of the Principal Paying Agent on or before the Record Date, shall be made by transfer to that Permitted Account.

Where payment in respect of a Residual Certificate is to be made by Cheque, the Cheque will be mailed to the Record Address.

(c) ***Time of payment***

Where payment is to be made by transfer to a Permitted Account, payment instructions (for value the Payment Date) will be initiated and, where payment is to be made by Cheque, the Cheque will be mailed on the Payment Date.

(d) ***Delays in making payments***

A Holder of a Residual Certificate shall not be entitled to any interest or other payment in respect of any delay in payment resulting from:

- (i) a payment not being made, a transfer not being initiated or a Cheque not being mailed on the due date for a payment as a result of that due date not being a Local Business Day;
- (ii) a Cheque mailed in accordance with this Condition 5 arriving after the due date for payment or being lost in the mail;
- (iii) the relevant Paying Agent having not received before the relevant Record Date written notice of a valid mailing address outside the United States and its possessions for the Payee; and
- (iv) the relevant Paying Agent having not received before the relevant Record Date written notice of a Permitted Account for the Payee.

(e) ***Fiscal and other laws; no commission or expenses***

All payments in respect of the Notes are subject in all cases to any applicable fiscal or other laws and regulations. No commissions or expenses shall be charged to the Residual Certificateholders in respect of such payments.

(f) ***Partial payments***

If a Paying Agent makes a partial payment in respect of any Residual Certificate, the Issuer shall procure and the Registrar will ensure that the amount and date of such payment are noted on the Register and, in the case of partial payment upon presentation of a Residual Certificate, that a statement indicating the amount and date of such payment is endorsed on the relevant Residual Certificate.

(g) ***Duty to maintain a Paying Agent***

The initial Principal Paying Agent is Citibank, N.A., London Branch at its office at Citigroup Centre, 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, in the

case of the Paying Agent for the Residual Certificates, 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.

6. **Taxation**

All payments in respect of the Residual Certificates will be made without withholding or deduction for, or on account of, any present or future taxes, duties or charges of whatsoever nature unless the Issuer or any Paying Agent is required by applicable law to make any payment in respect of the Residual Certificates subject to any withholding or deduction for, or on account of, any present or future taxes, duties or charges of whatsoever nature. In that event the Issuer or such Paying Agent (as the case may be) 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. Neither the Issuer nor the Paying Agents will be obliged to make any additional payments to holders of Residual Certificates in respect of such withholding or deduction.

Notwithstanding any other provision in these Conditions, the Issuer shall be permitted to withhold or deduct any amounts required by the rules of U.S. Internal Revenue Code of 1986 Sections 1471 through 1474 (or any amended or successor provisions), pursuant to any inter-governmental agreement, or implementing legislation adopted by another jurisdiction in connection with these provisions, or pursuant to any agreement with the US Internal Revenue Service ("**FATCA withholding**"). The Issuer will have no obligation to pay additional amounts or otherwise indemnify a holder for any FATCA withholding deducted or withheld by the Issuer, a Paying Agent or any other party as a result of any person not being entitled to receive payments free of FATCA withholding.

7. **Prescription**

Claims against the Issuer for payments in respect of Residual Payments shall be prescribed and become void unless made within 10 years from the Relevant Date in respect thereof; the effect of which, in the case of a payment of principal, will be to reduce the Principal Liability Outstanding of such Residual Certificate by the amount of such payment.

As used in these Residual Certificates Conditions, the "**Relevant Date**" means the date on which a payment first becomes due but, if the full amount of the money payable has not been received in London by the Principal Paying Agent or the Trustee on or prior to such date, it means the date on which, the full amount of such money having been so received, notice to that effect shall have been duly given in accordance with Condition 12.

8. **Events of Default**

Subject to Residual Certificates Condition 4(e) and provided all of the Notes have been redeemed in full, the Trustee at its discretion may, or if so requested in writing by the holders of at least one-quarter of the aggregate of the Principal Amount Outstanding of the Most Senior Class of Residual Certificates outstanding (subject to being indemnified and/or secured and/or prefunded to its satisfaction) shall (but, in the case of the occurrence of any of the events mentioned in paragraph (iii) below, only if the Trustee shall have certified in writing to the Issuer that such event is, in its opinion, materially prejudicial to the interests of the holders of the Most Senior Class of Residual Certificates and, in the case of the event mentioned in paragraph (i) below, only if the Trustee has issued a certificate (based on information provided to it by the Administrators or the Substitute Administrator) to the effect that the Issuer had, on the due date for payment of the amount in question, sufficient cash to pay, in accordance with the provisions of the Deed of Charge, such amount (after payment of all sums which it is permitted under the Deed of Charge to pay in priority thereto or *pari passu* therewith) give notice (an "**Enforcement Notice**") to the Issuer that any RC1 Payments or RC2 Payments pursuant to the Residual Certificates are, and each Residual Certificate shall accordingly forthwith become, immediately due and payable as provided in the Trust Deed if any of the following events (each an "**Event of Default**") shall occur:

- (i) default is made for a period of seven days or more in the payment on the due date of any amount due on the Most Senior Class of Residual Certificates outstanding or any of them; or
- (ii) the occurrence of an Issuer Insolvency Event; or
- (iii) default is made by the Issuer in the performance or observance of any obligation, condition or provision binding on it under the Residual Certificates or the Trust Deed or the Deed of Charge or the Administration Agreement (other than any obligation for the payment of any principal or interest on the Notes) and, except where in the opinion of the Trustee such default is not capable of remedy, such default continues for 30 days after written notice by the Trustee to the Issuer requiring the same to be remedied.

The Trustee shall send the Principal Paying Agent a copy of any Enforcement Notice or other notice which the Trustee gives to the Issuer under this Condition 8 for release into the Clearing Systems and notification to the Residual Certificateholders.

"Issuer Insolvency Event" means:

- (a) an order is made or an effective resolution is passed for winding up the Issuer except a winding-up for the purpose of a merger, reconstruction or amalgamation, the terms of which have previously been approved either in writing by the Trustee or by an Extraordinary Resolution of the holders of the Most Senior Class of Notes;
- (b) proceedings shall be initiated against the Issuer under any applicable liquidation, insolvency, composition, reorganisation or other similar laws including, for the avoidance of doubt, presentation to the court of an application for an administration order, or an administrative receiver or other receiver, administrator or other similar official shall be appointed in relation to the Issuer or in relation to the whole or any substantial part of the undertaking or assets of the Issuer or an encumbrancer shall take possession of the whole or any substantial part of the undertaking or assets of the Issuer or a distress, execution or diligence or other process shall be levied or enforced upon or sued out against the whole or any substantial part of the undertaking or assets of the Issuer and in any of the foregoing cases it shall not be discharged within 14 days or if the Issuer shall initiate or consent to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganisation or other similar laws or shall make a conveyance or assignment for the benefit of its creditors generally; or
- (c) the Issuer ceases or threatens to cease to carry on its business or a substantial part of its business or the Issuer is deemed unable to pay its debts within the meaning of section 123(1)(a), (b), (c) or (d) of the Insolvency Act 1986 (as that section may be amended, modified or re-enacted) or becomes unable to pay its debts as they fall due or the value of its assets falls to less than the amount of its liabilities (taking into account for both these purposes its contingent and prospective liabilities) or otherwise becomes insolvent.

9. Enforcement and Limited Recourse

(a) Enforcement

At any time after the Residual Certificates become due and payable pursuant to Condition 8 the Trustee may, at its discretion and without further notice, take such steps and/or institute such proceedings as it may think fit to enforce the Security for the Residual Certificates and to enforce payment under the Residual Certificates and payment of interest, but it shall not be bound to take any such steps or proceedings unless (i) it shall have been so directed in writing by the holders of at least one-quarter of the Most Senior Class of Residual Certificates and (ii) it shall have been indemnified and/or secured and/or prefunded to its satisfaction.

Notwithstanding the foregoing if the Security has become enforceable otherwise than by reason of a default in payment of any amount due on the Notes, the Trustee will not be entitled to dispose of the Charged Property unless either a sufficient amount would be realised to allow discharge in full of all amounts owing to the Noteholders (other than the Class S Noteholders and Class S VFN Holder) and Residual Certificateholders and other creditors of the Issuer ranking in priority thereto

or *pari passu* therewith or the Trustee is of the opinion, reached after considering at any time and from time to time the advice of an investment bank or other financial adviser selected by the Trustee, that the cash flow prospectively receivable by the Issuer will not (or that there is a significant risk that it will not) be sufficient, having regard to any other relevant actual, contingent or prospective liabilities of the Issuer, to discharge in full in due course all amounts owing to the Noteholders and any other amounts payable by the Issuer ranking in priority thereto or *pari passu* therewith.

No Residual Certificateholder may proceed directly against the Issuer unless the Trustee, having become bound to take steps and/or proceed, fails to do so within a reasonable time and such failure is continuing.

(b) **Limited Recourse**

If at any time following:

- (a) the occurrence of either:
 - (i) the Interest Payment Date falling in May 2050 or any earlier date upon which all of the Notes of each Class are due and payable; or
 - (ii) the service of an Enforcement Notice; and
- (b) Realisation of the Charged Property and application in full of any amounts available to pay amounts outstanding under the Residual Certificates in accordance with the applicable Payments Priorities,

the proceeds of such Realisation are insufficient, after the same have been allocated in accordance with the applicable priority of payments, to pay all amounts then outstanding under any class of Residual Certificates then the amount remaining to be paid (after such application in full of the amounts first referred to in paragraph (b) above) under such class of Residual Certificates (and any class of Residual Certificates junior to that class of Residual Certificates) shall, on the day following such application in full of the amounts referred to in paragraph (b) above, cease to be due and payable by the Issuer.

For the purposes of this Condition 9:

"Realisation" means, in relation to any Charged Property, the deriving, to the fullest extent practicable, (in accordance with the provisions of the Relevant Documents) of proceeds from or in respect of such Charged Property including (without limitation) through sale or through performance by an obligor.

"Charged Property" means the property of the Issuer which is subject to the Security.

10. **Replacement of Residual Certificates**

If any Residual Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Registrar upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence and indemnity as the Issuer and the Registrar may reasonably require. Mutilated or defaced Residual Certificates must be surrendered before replacements will be issued.

11. **Notices**

All notices to Residual Certificateholders or any category of them shall be deemed to have been duly given to those Residual Certificateholders, (a) whilst the Residual Certificates then held by those Residual Certificateholders are represented by a Global Residual Certificate to Euroclear and/or Clearstream, Luxembourg for communication by them to those Residual Certificateholders, and in such case such notice shall be deemed to have been given to the relevant Residual

Certificateholders on the day of such delivery to Euroclear and/or Clearstream, Luxembourg, as appropriate.

12. **Meetings of Noteholders and Residual Certificateholders; Modifications; Consents; Waiver**

The Trust Deed contains provisions for convening meetings of all Noteholders or Noteholders holding Notes of the same class (the "**Relevant Noteholders**") and all Residual Certificateholders or Residual Certificateholders holding Residual Certificates of the same Class (the "**Relevant Residual Certificateholders**") to consider any matter affecting the interests of those Relevant Noteholders or Relevant Residual Certificateholders, as applicable, including, among other things, the sanctioning by Extraordinary Resolution of a modification of their Notes (including the Conditions as they relate to their Notes), modification of their Residual Certificates (including these Residual Certificates Conditions as they relate to their Residual Certificates) or the provisions of any of the Relevant Documents.

In these Residual Certificates 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 Residual Certificates, or postponing any day for payment of interest in respect of any of the Notes or reducing, cancelling or increasing the amount of principal payable in respect of any of the Notes, or reducing the rate of interest applicable to any of the Notes, or altering the majority required to pass an Extraordinary Resolution, or altering the currency of payment of any of the Notes or Residual Certificates, or altering the date or priority of redemption of any of the Notes or Residual Certificates.

The quorum at any meeting of the Relevant Residual Certificateholders for passing an Extraordinary Resolution of the Relevant Residual Certificateholders shall be one or more persons holding or representing greater than 50 per cent. of the number of the Residual Certificates of the relevant Class or Classes then outstanding held by the Relevant Residual Certificateholders or, at any adjourned meeting, one or more persons being or representing the Relevant Residual Certificateholders whatever the number of the Residual Certificates so held or represented except that, at any meeting the business of which includes the sanctioning of a Basic Terms Modification, the necessary quorum for passing an Extraordinary Resolution by the Relevant Residual Certificateholders shall be one or more persons holding or representing over 75 per cent. of the number of the Residual Certificates of the relevant Class or Classes then outstanding held by the Relevant Noteholders, or at any adjourned such meeting one or more persons holding or representing over 25 per cent. of the number of the Residual Certificates of the relevant Class or Classes then outstanding held by the Relevant Residual Certificateholders. The quorum at any meeting of the Relevant Residual Certificateholders of any class of Residual Certificates for all business other than voting on an Extraordinary Resolution shall be one or more persons holding or representing not less than 5 per cent. of the number of the Residual Certificates of the relevant Class or Classes then outstanding held by the Relevant Noteholders or at any adjourned such meeting, one or more persons being or representing the Relevant Residual Certificateholders, whatever the number of the Residual Certificateholders held by the Relevant Residual Certificateholders. While any Residual Certificates are represented by a Global Residual Certificate or all such Residual Certificates are held by the same person, the holder of that Global Residual Certificate or that person (as the case may be) or their respective proxy shall be deemed to constitute a quorum for the purposes of meetings of or including the Relevant Residual Certificateholders of those Residual Certificates.

The majority required for an Extraordinary Resolution, including the sanctioning of a Basic Terms Modification, shall be 75 per cent. of the votes cast on that Extraordinary Resolution. Any other resolution shall be decided by a simple majority of votes cast (and in a case of equality of votes the Chairman of the relevant meeting shall have a casting vote).

The Trust Deed contains provisions limiting the powers of the Class B Noteholders, Class C Noteholders, the Class D Noteholders, the Class Z Noteholders, the Class S Noteholders the Class S VFN Holder and the Residual Certificateholders, among other things, to request or direct the Trustee to take any action or to pass an effective Extraordinary Resolution, according to the effect thereof on the interests of the Class A Noteholders. In particular, in relation to each class of Notes and Residual Certificates:

- (a) no Extraordinary Resolution involving a Basic Terms Modification that is passed by the holders of one class of Notes or Residual Certificates shall be effective unless it is sanctioned by an Extraordinary Resolution of the holders of each of the other classes of Notes (to the extent that there are outstanding Notes in such other classes);
- (a) no Extraordinary Resolution to approve any matter other than a Basic Terms Modification of any class of Notes or Residual Certificates shall be effective unless it is sanctioned by an Extraordinary Resolution of the holders of each of the other classes of Notes ranking senior to such class (to the extent that there are outstanding Notes ranking senior to such class) unless the Trustee considers that the interests of each of the other classes of Notes ranking senior to such class would not be materially prejudiced by the implementation of such first mentioned Extraordinary Resolution;
- (b) any resolution passed at a meeting of Noteholders or Residual Certificateholders of one or more classes of Notes or Residual Certificate, as applicable, duly convened and held in accordance with the Trust Deed shall be binding upon all Noteholders and/or Residual Certificateholders of such class, as applicable, whether or not present at such meeting and whether or not voting and, except in the case of a meeting relating to a Basic Terms Modification, any resolution passed at a meeting of the holders of the Most Senior Class of Notes duly convened and held as aforesaid shall also be binding upon the holders of all the other classes of Notes and Residual Certificates and will override any resolution to the contrary of the other classes of Notes and/or Residual Certificates; and
- (c) an Extraordinary Resolution passed at any meeting of Relevant Noteholders and/or Relevant Residual Certificateholders shall be binding on all those Relevant Noteholders and/or Relevant Residual Certificateholders, as applicable, whether or not they are present at the meeting.

Any resolution passed by way of Electronic Consents given by holders through the relevant clearing system(s) in accordance with these Conditions and the Trust Deed shall also be binding on the relevant Noteholders and/or relevant Residual Certificateholders, as applicable.

The Trustee may agree, without the consent of the Noteholders or the Residual Certificateholders:

- (A) to any modification (except a Basic Terms Modification) of, or to the waiver or authorisation of any breach or proposed breach of, the Notes (including the Conditions), these Residual Certificates (including these Residual Certificates Conditions) or any of the Relevant Documents, which is not, in the opinion of the Trustee, materially prejudicial to the interests of the Noteholders and/or the Residual Certificateholders, as applicable; or
- (B) to any modification of the Notes (including the Conditions), the Residual Certificates (including these Residual Certificates Conditions) or any of the Relevant Documents which, in the Trustee's opinion, is to correct a manifest error or is of a formal, minor or technical nature. The Trustee may also, without the consent of the Noteholders or the Residual Certificateholders, determine that any Event of Default or any condition, event or act which with the giving of notice and/or lapse of time and/or the issue of a certificate would constitute an Event of Default shall not, or shall not subject to specified conditions, be treated as such.

Any such modification, waiver, authorisation or determination shall be binding on the Noteholders and the Residual Certificateholders and, unless the Trustee agrees otherwise, any such modification shall be notified to the Noteholders and the Residual Certificateholders in accordance with Condition 12 and/or Residual Certificates Condition 11, as applicable, as soon as practicable thereafter.

13. **Additional Right of Modification**

Notwithstanding any of the provisions of Condition 13 (*Meetings of Noteholders and Residual Certificateholders; Modifications; Consents; Waiver*), the Trustee shall be obliged, without any consent or sanction of the Noteholders, Residual Certificateholders, or, subject to Residual

Certificates Condition 13(g)(C) below, any of the other Secured Creditors, to concur with the Issuer in making any modification (other than in respect of a Basic Terms Modification) to the Conditions, these Residual Certificates Conditions or any other Relevant Document to which it is a party or in relation to which it holds security that the Issuer considers necessary:

- (a) for the purpose of complying with, or implementing or reflecting, any change in the criteria of one or more of the Rating Agencies which may be applicable from time to time, provided that:
 - (i) the Issuer (or PML as Administrator on its behalf) certifies in writing to the Trustee that such modification is necessary to comply with such criteria or, as the case may be, is solely to implement and reflect such criteria; and
 - (ii) in the case of any modification to a Relevant Document proposed by any of the Basis Hedge Providers or PML as Administrator in order (x) to remain eligible to perform its role in such capacity in conformity with such criteria and/or (y) to avoid taking action which it would otherwise be required to take to enable it to continue performing such role (including, without limitation, posting collateral or advancing funds):
 - (A) the relevant Basis Hedge Provider or PML as Administrator, as the case may be, certifies in writing to the Issuer or the Trustee that such modification is necessary for the purposes described in paragraph (ii)(x) and/or (y) above (and in the case of a certification provided to the Issuer, the Issuer shall certify to the Trustee that it has received the same from the relevant Basis Hedge Provider or the relevant Administrator, as the case may be);
 - (B) either:
 - (I) the relevant Basis Hedge Provider or PML as Administrator, as the case may be, obtains from each of the Rating Agencies written confirmation (or certifies in writing to the Issuer and the Trustee that 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 such modification would not result in a downgrade, withdrawal or suspension of the then current ratings assigned to any Class of 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, delivers a copy of each such confirmation to the Issuer and the Trustee; or
 - (II) the Issuer (or PML as Administrator on its behalf) certifies in writing to the Trustee that the Rating Agencies have been informed of the proposed modification and none 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); and
 - (C) the relevant Basis Hedge Provider or PML as Administrator, as the case may be, pays all costs and expenses (including legal fees) incurred by the Issuer and the Trustee in connection with such modification;
- (b) in order to enable the Issuer and/or the Basis Hedge Providers to comply with:
 - (i) any obligation which applies to it under Articles 9, 10 and 11 of Regulation (EU) 648/2012 of the European Parliament and of the Council on OTC derivatives,

central counterparties and trade repositories dated 4 July 2012 (including, without limitation, any associated regulatory technical standards and advice, guidance or recommendations from relevant supervisory regulators) ("**EMIR**"); or

- (ii) any other obligation which applies to it under EMIR,

provided that the Issuer (or PML as Administrator on its behalf) or the relevant Basis Hedge Provider, as appropriate, certifies to the Trustee in writing that such modification is required solely for the purpose of enabling it to satisfy such obligation and has been drafted solely to such effect;

- (c) for the purpose of complying with any changes in the requirements of Article 405 of Regulation (EU) No. 575/2013 (the "**CRR**"), Article 17 of the Alternative Investment Fund Managers Directive ("**AIFMD**"), Article 254 of Regulation (EU) 2015/35 (the "**Solvency II Regulation**") and Article 51 of Regulation (EU) No 231/2013 (the "**AIFMR**") or Section 15G of the Securities Exchange Act of 1934, as added by section 941 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, after the Closing Date, including as a result of the adoption of Regulatory Technical Standards in relation to the CRR, the AIFMR, the Solvency II Regulation or any other risk retention legislation or regulations or official guidance in relation thereto, provided that the Issuer (or PML as Administrator on its behalf) certifies to the Trustee in writing that such modification is required solely for such purpose and has been drafted solely to such effect;
- (d) for the purpose of enabling the Notes (other than the Class S VFN) to be (or to remain) listed on the London Stock Exchange, provided that the Issuer (or PML as Administrator on its behalf) certifies to the Trustee in writing that such modification is required solely for such purpose and has been drafted solely to such effect;
- (e) for the purposes of enabling the Issuer or any other person that is party to a Relevant Document (a "**Transaction Party**") to comply with Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986 (the "**Code**"), any current or future regulations or official interpretations thereof, any agreement entered into pursuant to Section 1471(b) of the Code, or any fiscal or regulatory legislation, rules or practices adopted pursuant to any intergovernmental agreement entered into in connection with the implementation of such Sections of the Code ("**FATCA**") (or any voluntary agreement entered into with a taxing authority in relation thereto), provided that the Issuer (or an Administrator on its behalf) or the relevant Transaction Party, as applicable, certifies to the Trustee in writing that such modification is required solely for such purpose and has been drafted solely to such effect;
- (f) for the purpose of complying with any changes in the requirements of the CRA Regulation after the Closing Date, including as a result of the adoption of Regulatory Technical Standards in relation to the Credit Rating Agencies Regulation or regulations or official guidance in relation thereto, provided that the Issuer (or PML as Administrator on its behalf) certifies to the Trustee in writing that such modification is required solely for such purpose and has been drafted solely to such effect; and
- (g) for the purposes of enabling the Issuer (or PML as Administrator on its behalf) to transfer (i) the Transaction Account from the Account Bank to HSBC Bank plc, Barclays Bank PLC or Wells Fargo Bank N.A.; (ii) the PML Collection Account from the Collection Account Bank to HSBC Bank plc, or (iii) the PB Collection Account from the PB Collection Account Bank to HSBC Bank plc or Barclays Bank PLC provided that in each case the Issuer (or PML as Administrator on its behalf) certifies to the Trustee in writing that such modification is required solely for such purpose and has been drafted solely to such effect and that the conditions stipulated in clause 6.5.3 of the Administration Agreement have been satisfied;

(the certificate to be provided by the Issuer (or PML as Administrator on its behalf), the relevant Basis Hedge Provider or the relevant Transaction Party, as the case may be, pursuant to paragraphs (a) to (g) above being a "**Modification Certificate**"), provided that:

- (A) at least 30 calendar days' prior written notice of any such proposed modification has been given to the Trustee;
- (B) the Modification Certificate in relation to such modification shall be provided to the Trustee both at the time the Trustee is notified of the proposed modification and on the date that such modification takes effect; and
- (C) the consent of each Secured Creditor (other than any Noteholder or Residual Certificateholder) which is party to the Relevant Document has been obtained,

and provided further that, other than in the case of a modification pursuant to Condition 13(b)(i), Condition 13(b)(ii) or Condition 13(g):

- (D) other than in the case of a modification pursuant to Condition 13(a)(ii), either:
 - (I) the Issuer (or PML as Administrator on its behalf) obtains from each of the Rating Agencies written confirmation (or certifies in the Modification Certificate that 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 such modification would not 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); or
 - (II) the Issuer (or PML as Administrator on its behalf) certifies in the Modification Certificate that it has informed the Rating Agencies of the proposed modification and none 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);
- (E) (I) the Issuer has provided at least 30 calendar days' notice to the Noteholders and Residual Certificateholders of each Class of the proposed modification in accordance with Condition 12 (*Notices*) and Residual Certificates Condition 11 (*Notices*) and by publication on Bloomberg on the "Company News" screen relating to the Notes and the Residual Certificates, and (II) Noteholders representing at least 10 per cent. of the aggregate Principal Amount Outstanding of the Most Senior Class of Notes, or if there are no Notes outstanding, Residual Certificateholders representing at least 10 per cent. of the number of the Most Senior Class of Residual Certificates, then outstanding have not contacted 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 or Residual Certificates (as the case may be) may be held) within such notification period notifying the Principal Paying Agent or the Issuer that such Noteholders or Residual Certificateholders (as the case may be) do not consent to the modification

If (other than in the case of a modification pursuant to Residual Certificates Condition 13(b)(i), Residual Certificates Condition 13(b)(ii) or Residual Certificates Condition 13(g)) Noteholders representing at least 10 per cent. of the aggregate Principal Amount Outstanding of the Most Senior Class of Notes then outstanding, or if there are no Notes outstanding, Residual Certificateholders representing at least 10 per cent. of the number

of the Most Senior Class of Residual Certificates, 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 above 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 or Residual Certificates (as applicable) then outstanding is passed in favour of such modification in accordance with Condition 13 (*Meetings of Noteholders and Residual Certificateholders; Modifications; Consents; Waiver*) or Residual Certificates Condition 12 (*Meetings of Noteholders and Residual Certificateholders; Modifications; Consents; Waiver*).

Objections made in writing other than through the applicable clearing system must be accompanied by evidence to the Trustee's satisfaction (having regard to prevailing market practices) of the relevant Noteholder's holding of the Notes or Residual Certificateholder's holding of the Residual Certificates.

Other than where specifically provided in this Residual Certificates Condition 13 (*Additional Right of Modification*) or any Relevant Document:

- (a) when implementing any modification pursuant to this Residual Certificates Condition 13 (*Additional Right of Modification*) (save to the extent the Trustee considers that the proposed modification would constitute a Basic Terms Modification), the Trustee shall not consider the interests of the Noteholders, Residual Certificateholders, any other Secured Creditor or any other person and shall act and rely solely and without further investigation on any certificate or evidence provided to it by the Issuer or the relevant Transaction Party, as the case may be, pursuant to this Residual Certificates Condition 13 (*Additional Right of Modification*) and shall not be liable to the Noteholders, Residual Certificateholders any other Secured Creditor or any other person for so acting or relying, irrespective of whether any such modification is or may be materially prejudicial to the interests of any such person; and
- (b) the Trustee shall not be obliged to agree to any modification which, in the sole opinion of the Trustee would have the effect of (i) exposing the Trustee to any liability against which it has not been indemnified and/or secured and/or prefunded to its satisfaction or (ii) increasing the obligations or duties, or decreasing the rights or protection, of the Trustee in the Relevant Documents and/or Conditions and/or these Residual Certificates Conditions.

Any such modification shall be binding on all Noteholders and Residual Certificateholders and shall be notified by the Issuer as soon as reasonably practicable to:

- (c) so long as any of the Notes rated by the Rating Agencies remains outstanding, each Rating Agency;
- (d) the Secured Creditors; and
- (e) the Noteholders in accordance with Condition 12 (*Notices*).

14. **Indemnification of the Trustee**

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking proceedings to realise the Security and to obtain repayment of the Notes or payment on the Residual Certificates unless indemnified and/or secured and/or prefunded to its satisfaction. For the avoidance of doubt, whenever the Trustee is bound, under the provisions of the Trust Deed, to act at the request or direction of the Noteholders and/or the Residual Certificateholders, the Trustee shall nevertheless not be so bound unless first indemnified and/or secured and/or prefunded to its satisfaction. The Trustee is entitled to enter into business transactions with the Issuer and/or any other party to the Relevant Documents without accounting for any profit resulting from such transactions. The Trustee will not be responsible for any loss, expense or liability which may be suffered as a result of any assets comprised in the

Security, or any deeds or documents of title thereto, being uninsured or inadequately insured or being held by or to the order of the Administrators or any of their affiliates or by clearing organisations or their operators or by any person on behalf of the Trustee.

15. **Limitation of Liability of Trustee**

The Trustee will not be responsible for any loss, expense or liability which may be suffered as a result of any assets comprised in the Security, or any deeds or documents of title thereto, being uninsured or inadequately insured or being held by or to the order of the Administrators or any of their affiliates or by clearing organisations or their operators or by any person on behalf of the Trustee.

Clause 7 of the Substitute Administrator Agreement limits the liability of the Substitute Administrator to zero unless such liability results from the negligence or wilful misconduct of the Substitute Administrator under the Substitute Administrator Agreement or any other Relevant Document, in its role as:

- (a) Substitute Administrator; and
- (b) where it is appointed to carry out the duties of the Administrator, as Administrator,

in which case such liability shall be limited, prior to invocation (as replacement Administrator), in any calendar year to the aggregate amount of all fees paid to HML in the 12 consecutive months immediately following the date of the Substitute Administration Agreement (and, to the extent the Substitute Administration Agreement is terminated prior to the date falling 12 consecutive months immediately following the date of the Substitute Administrative Agreement, the aggregate of all fees paid to HML on and prior to such date of termination) and after invocation, the aggregate amount of fees paid to the Substitute Administrator (as replacement Administrator) pursuant to the Administration Agreement over the course of the calendar year during which such liability has arisen (the "**Liability Cap**"). The Residual Certificateholders will have no recourse to the Trustee in any circumstances whatsoever for any liability which would have been recoverable but for the effect of Clause 7 of the Substitute Administrator Agreement.

16. **Notifications and Other Matters to be Final**

Notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of the Residual Certificates, whether by the Issuer, the Administrator(s) or the Trustee, shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Trustee, the Administrator(s), the Principal Paying Agent, the other Paying Agents (if any) and all Residual Certificateholders and (subject as aforesaid) no liability to the Issuer, the Administrator or the Residual Certificateholders shall attach to the Issuer, the Administrator(s) or the Trustee in connection with the exercise or non-exercise by them of their powers, duties and discretions.

17. **The Contracts (Rights of Third Parties) Act 1999**

The Residual Certificates confer no rights on any person pursuant to the Contracts (Rights of Third Parties) Act 1999 to enforce any term of the Residual Certificates, but this does not affect any right or remedy of a third party which exists or is available apart from that Act.

18. **Governing Law and Jurisdiction**

The Residual Certificates and all non-contractual obligations arising from or connected with the Residual Certificates are governed by, and shall be construed in accordance with, English law. The Issuer has agreed in the Trust Deed that the courts of England shall have non-exclusive jurisdiction to hear and determine any suit, action or proceedings, and to settle any disputes, which may arise out of or in connection with the Residual Certificates (respectively, the "**Proceedings**" and "**Disputes**") and, for such purposes, irrevocably submits to the jurisdiction of such courts. In the Trust Deed, the Issuer has waived any objection which it might now or hereafter have to the courts of England being nominated as the forum to hear and determine any Proceedings and to settle any Disputes, and agreed not to claim that any such court is not a convenient or appropriate forum.

SCHEDULE 7
FORM OF CLASS S VFN NOTICE OF INCREASE

To: [●] (the "Class S VFN Holder")

From: Paragon Mortgages (2010) Limited (on behalf of Paragon Mortgages (No. 25) plc)

Dated: [●]

Dear Sirs

NOTICE OF INCREASE

1. We refer to the Trust Deed (as from time to time amended, supplemented or novated) dated 26 April 2018 (the "**Trust Deed**") and made between Paragon Mortgages (No. 25) plc and Citicorp Trustee Company Limited, and to the Class S VFN of which you are the holder.
2. Terms defined in (or incorporated by reference into) the Trust Deed shall bear the same meaning herein.
3. We wish to make, pursuant to the terms and conditions of the Trust Deed and the Conditions to the Class S VFN, a request for a Further Class S VFN Funding to be advanced on [●].
4. We hereby specify the Further Class S VFN Funding amount to be £[●].
5. In accordance with [Condition 18/Condition 19] we undertake to use the proceeds of the Further Class S VFN Funding to:
 - (a) [fund the Class S VFN Drawdown Ledger (to be used towards the Amortised Cost Adjustment on the Further Sale Date falling in [●]);]
 - (b) [fund the General Reserve Fund up to and including an amount equal to the General Reserve Fund Required Amount;]
 - (c) [fund the Class A and Class B Note Liquidity Reserve Fund up to and including an amount equal to the Class A and Class B Liquidity Reserve Fund Required Amount;]
 - (d) [credit such amounts to the Principal Deficiency Ledger].
6. We hereby confirm that as at the date hereof no Event of Default has occurred or will occur as a result of the proposed Further Class S VFN Funding.

Yours faithfully

.....
for and on behalf of
Paragon Mortgages (2010) Limited

We hereby confirm our agreement to the making and timing of the Further Class S VFN Funding the subject of this notice of increase.

.....
[Class S VFN Holder]

Execution Page

Executed as a Deed and delivered by
acting by two Directors being
Intertrust Directors 1 Limited; and

Intertrust Directors 2 Limited

PARAGON MORTGAGES (NO.25) PLC

.....
[Signature]
.....

Executed by:
**CITICORP TRUSTEE COMPANY
LIMITED** as a deed

Signed for and on its behalf by one of its duly
authorised attorneys

Signature:
[Signature]

Name:
GEORGIA MITCHELL

Title: Attorney

Witness Name:
[Signature]

Occupation:

Address:
Ed Carruthers
Clifford Chance LLP
.....
10 Upper Bank Street
London E14 5JJ
.....