

# ISDA<sup>®</sup>

International Swaps and Derivatives Association, Inc.

## CREDIT SUPPORT ANNEX

to the Schedule to the

### ISDA Master Agreement

dated as of ..... 11 November 2020 .....

between

LLOYDS BANK CORPORATE MARKETS PLC ..... and ..... PARAGON MORTGAGES (NO.28) PLC  
("Party A") ..... ("Party B")

This Annex supplements, forms part of, and is subject to, the [ISDA Master Agreement](#) referred to above and is part of its Schedule. For the purposes of this Agreement, including, without limitation, [Sections 1\(c\), 2\(a\), 5 and 6](#), the credit support arrangements set out in this Annex constitute a Transaction (for which this Annex constitutes the Confirmation).

#### Paragraph 1. Interpretation

Capitalised terms not otherwise defined in this Annex or elsewhere in this Agreement have the meanings specified pursuant to [Paragraph 10](#), and all references in this Annex to Paragraphs are to Paragraphs of this Annex. In the event of any inconsistency between this Annex and the other provisions of this Schedule, this Annex will prevail, and in the event of any inconsistency between [Paragraph 11](#) and the other

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<sup>1</sup> This document is not intended to create a charge or other security interest over the assets transferred under its terms. Persons intending to establish a collateral arrangement based on the creation of a charge or other security interest should consider using the [ISDA Credit Support Deed \(English law\)](#) or the ISDA Credit Support Annex (New York law), as appropriate.

<sup>2</sup> This Credit Support Annex has been prepared for use with ISDA Master Agreements subject to English law. Users should consult their legal advisers as to the proper use and effect of this form and the arrangements it contemplates. In particular, users should consult their legal advisers if they wish to have the Credit Support Annex made subject to a governing law other than English law or to have the Credit Support Annex subject to a different governing law than that governing the rest of the ISDA Master Agreement (e.g., English law for the Credit Support Annex and New York law for the rest of the ISDA Master Agreement).

provisions of this Annex, [Paragraph 11](#) will prevail. For the avoidance of doubt, references to "transfer" in this Annex mean, in relation to cash, payment and, in relation to other assets, delivery.

## **Paragraph 2. Credit Support Obligations**

(a) **Delivery Amount.** Subject to Paragraphs 3 and 4, upon a demand made by the Transferee on or promptly following a Valuation Date, if the Delivery Amount for that Valuation Date equals or exceeds the Transferor's Minimum Transfer Amount, then the Transferor will transfer to the Transferee Eligible Credit Support having a Value as of the date of transfer at least equal to the applicable Delivery Amount (rounded pursuant to [Paragraph 11\(b\)\(iii\)\(D\)](#)). Unless otherwise specified in [Paragraph 11\(b\)](#), the "Delivery Amount" applicable to the Transferor for any Valuation Date will equal the amount by which:

(i) the Credit Support Amount

exceeds

(ii) the Value as of that Valuation Date of the Transferor's Credit Support Balance (adjusted to include any prior Delivery Amount and to exclude any prior Return Amount, the transfer of which, in either case, has not yet been completed and for which the relevant Settlement Day falls on or after such Valuation Date).

(b) **Return Amount.** Subject to Paragraphs 3 and 4, upon a demand made by the Transferor on or promptly following a Valuation Date, if the Return Amount for that Valuation Date equals or exceeds the Transferee's Minimum Transfer Amount, then the Transferee will transfer to the Transferor Equivalent Credit Support specified by the Transferor in that demand having a Value as of the date of transfer as close as practicable to the applicable Return Amount (rounded pursuant to [Paragraph 11\(b\)\(iii\)\(D\)](#)) and the Credit Support Balance will, upon such transfer, be reduced accordingly. Unless otherwise specified in [Paragraph 11\(b\)](#), the "Return Amount" applicable to the Transferee for any Valuation Date will equal the amount by which:

(i) the Value as of that Valuation Date of the Transferor's Credit Support Balance (adjusted to include any prior Delivery Amount and to exclude any prior Return Amount, the transfer of which, in either case, has not yet been completed and for which the relevant Settlement Day falls on or after such Valuation Date)

exceeds

(ii) the Credit Support Amount.

## **Paragraph 3. Transfers, Calculations and Exchanges**

(a) **Transfers.** All transfers under this Annex of any Eligible Credit Support, Equivalent Credit Support, Interest Amount or Equivalent Distributions shall be made in accordance with the instructions of the Transferee or Transferor, as applicable, and shall be made:

(i) in the case of cash, by transfer into one or more bank accounts specified by the recipient;

(ii) in the case of certificated securities which cannot or which the parties have agreed will not be delivered by book-entry, by delivery in appropriate physical form to the recipient or its account accompanied by any duly executed instruments of transfer, transfer tax stamps and any other documents necessary to constitute a legally valid transfer of the transferring party's legal and beneficial title to the recipient; and

(iii) in the case of securities which the parties have agreed will be delivered by book-entry, by the giving of written instructions (including, for the avoidance of doubt, instructions given by telex, facsimile transmission or electronic messaging system) to the relevant depository institution or other entity specified by the recipient, together with a written copy of the instructions to the recipient, sufficient, if complied with, to result in a legally effective transfer of the transferring party's legal and beneficial title to the recipient.

Subject to [Paragraph 4](#) and unless otherwise specified, if a demand for the transfer of Eligible Credit Support or Equivalent Credit Support is received by the Notification Time, then the relevant transfer will be made not later than the close of business on the Settlement Day relating to the date such demand is received; if a demand is received after the Notification Time, then the relevant transfer will be made not later than the close of business on the Settlement Day relating to the day after the date such demand is received.

(b) **Calculations.** All calculations of Value and Exposure for purposes of [Paragraphs 2](#) and [4\(a\)](#) will be made by the relevant Valuation Agent as of the relevant Valuation Time. The Valuation Agent will notify each party (or the other party, if the Valuation Agent is a party) of its calculations not later than the Notification Time on the Local Business Day following the applicable Valuation Date (or, in the case of [Paragraph 4\(a\)](#), following the date of calculation).

(c) **Exchanges.**

(i) Unless otherwise specified in [Paragraph 11](#), the Transferor may on any Local Business Day by notice inform the Transferee that it wishes to transfer to the Transferee Eligible Credit Support specified in that notice (the "New Credit Support") in exchange for certain Eligible Credit Support (the "Original Credit Support") specified in that notice comprised in the Transferor's Credit Support Balance.

(ii) If the Transferee notifies the Transferor that it has consented to the proposed exchange, (A) the Transferor will be obliged to transfer the New Credit Support to the Transferee on the first Settlement Day following the date on which it receives notice (which may be oral telephonic notice) from the Transferee of its consent and (B) the Transferee will be obliged to transfer to the Transferor Equivalent Credit Support in respect of the Original Credit Support not later than the Settlement Day following the date on which the Transferee receives the New Credit Support, unless otherwise specified in [Paragraph 11\(d\)](#) (the "Exchange Date"); *provided* that the Transferee will only be obliged to transfer Equivalent Credit Support with a Value as of the date of transfer as close as practicable to, but in any event not more than, the Value of the New Credit Support as of that date.

#### Paragraph 4. Dispute Resolution

(a) **Disputed Calculations or Valuations.** If a party (a "Disputing Party") reasonably disputes (I) the Valuation Agent's calculation of a Delivery Amount or a Return Amount or (II) the Value of any transfer of Eligible Credit Support or Equivalent Credit Support, then:

(1) the Disputing Party will notify the other party and the Valuation Agent (if the Valuation Agent is not the other party) not later than the close of business on the Local Business Day following, in the case of (I) above, the date that the demand is received under Paragraph 2 or, in the case of (II) above, the date of transfer;

(2) in the case of (I) above, the appropriate party will transfer the undisputed amount to the other party not later than the close of business on the Settlement Day following the date that the demand is received under Paragraph 2;

(3) the parties will consult with each other in an attempt to resolve the dispute; and

(4) if they fail to resolve the dispute by the Resolution Time, then:

(i) in the case of a dispute involving a Delivery Amount or Return Amount, unless otherwise specified in Paragraph 11(e), the Valuation Agent will recalculate the Exposure and the Value as of the Recalculation Date by:

(A) utilising any calculations of that part of the Exposure attributable to the Transactions that the parties have agreed are not in dispute;

(B) calculating that part of the Exposure attributable to the Transactions in dispute by seeking four actual quotations at mid-market from Reference Market-makers for purposes of calculating Market Quotation, and taking the arithmetic average of those obtained; *provided* that if four quotations are not available for a particular Transaction, then fewer than four quotations may be used for that Transaction, and if no quotations are available for a particular Transaction, then the Valuation Agent's original calculations will be used for the Transaction; and

(C) utilising the procedures specified in Paragraph 11(e)(ii) for calculating the Value, if disputed, of the outstanding Credit Support Balance;

(ii) in the case of a dispute involving the Value of any transfer of Eligible Credit Support or Equivalent Credit Support, the Valuation Agent will recalculate the Value as of the date of transfer pursuant to Paragraph 11(e)(ii).

Following a recalculation pursuant to this Paragraph, the Valuation Agent will notify each party (or the other party, if the Valuation Agent is a party) as soon as possible but in any event not later than the Notification Time on the Local Business Day following the Resolution Time. The appropriate party will, upon demand following such notice given by the Valuation Agent or a resolution pursuant to (3) above and subject to Paragraph 3(a), make the appropriate transfer.

(b) **No Event of Default.** The failure by a party to make a transfer of any amount which is the subject of a dispute to which [Paragraph 4\(a\)](#) applies will not constitute an Event of Default for as long as the procedures set out in this [Paragraph 4](#) are being carried out. For the avoidance of doubt, upon completion of those procedures, [Section 5\(a\)\(i\)](#) of this Agreement will apply to any failure by a party to make a transfer required under the final sentence of [Paragraph 4\(a\)](#) on the relevant due date. a

#### **Paragraph 5. Transfer of Title, No Security Interest, Distributions and Interest Amount**

(a) **Transfer of Title.** Each party agrees that all right, title and interest in and to any Eligible Credit Support, Equivalent Credit Support, Equivalent Distributions or Interest Amount which it transfers to the other party under the terms of this Annex shall vest in the recipient free and clear of any liens, claims, charges or encumbrances or any other interest of the transferring party or of any third person (other than a lien routinely imposed on all securities in a relevant clearance system). a

(b) **No Security Interest.** Nothing in this Annex is intended to create or does create in favour of either party any mortgage, charge, lien, pledge, encumbrance or other security interest in any cash or other property transferred by one party to the other party under the terms of this Annex.

#### **(c) Distributions and Interest Amount.**

(i) **Distributions.** The Transferee will transfer to the Transferor not later than the Settlement Day following each Distributions Date cash, securities or other property of the same type, nominal value, description and amount as the relevant Distributions ("Equivalent Distributions") to the extent that a Delivery Amount would not be created or increased by the transfer, as calculated by the Valuation Agent (and the date of calculation will be deemed a Valuation Date for this purpose).

(ii) **Interest Amount.** Unless otherwise specified in [Paragraph 11\(f\)\(iii\)](#), the Transferee will transfer to the Transferor at the times specified in [Paragraph 11\(f\)\(ii\)](#) the relevant Interest Amount to the extent that a Delivery Amount would not be created or increased by the transfer, as calculated by the Valuation Agent (and the date of calculation will be deemed a Valuation Date for this purpose).

#### **Paragraph 6. Default**

If an Early Termination Date is designated or deemed to occur as a result of an Event of Default in relation to a party, an amount equal to the Value of the Credit Support Balance, determined as though the Early Termination Date were a Valuation Date, will be deemed to be an Unpaid Amount due to the Transferor (which may or may not be the Defaulting Party) for purposes of [Section 6\(e\)](#). For the avoidance of doubt, if Market Quotation is the applicable payment measure for purposes of [Section 6\(e\)](#), then the Market Quotation determined under [Section 6\(e\)](#) in relation to the Transaction constituted by this Annex will be deemed to be zero, and, if Loss is the applicable payment measure for purposes of [Section 6\(e\)](#), then the Loss determined under [Section 6\(e\)](#) in relation to the Transaction will be limited to the Unpaid Amount representing the Value of the Credit Support Balance.

## Paragraph 7. Representation

Each party represents to the other party (which representation will be deemed to be repeated as of each date on which it transfers Eligible Credit Support, Equivalent Credit Support or Equivalent Distributions) that it is the sole owner of or otherwise has the right to transfer all Eligible Credit Support, Equivalent Credit Support or Equivalent Distributions it transfers to the other party under this Annex, free and clear of any security interest, lien, encumbrance or other restriction (other than a lien routinely imposed on all securities in a relevant clearance system).

## Paragraph 8. Expenses

Each party will pay its own costs and expenses (including any stamp, transfer or similar transaction tax or duty payable on any transfer it is required to make under this Annex) in connection with performing its obligations under this Annex, and neither party will be liable for any such costs and expenses incurred by the other party.

## Paragraph 9. Miscellaneous

- (a) **Default Interest.** Other than in the case of an amount which is the subject of a dispute under Paragraph 4(a), if a Transferee fails to make, when due, any transfer of Equivalent Credit Support, Equivalent Distributions or the Interest Amount, it will be obliged to pay the Transferor (to the extent permitted under applicable law) an amount equal to interest at the Default Rate multiplied by the Value on the relevant Valuation Date of the items of property that were required to be transferred, from (and including) the date that the Equivalent Credit Support, Equivalent Distributions or Interest Amount were required to be transferred to (but excluding) the date of transfer of the Equivalent Credit Support, Equivalent Distributions or Interest Amount. This interest will be calculated on the basis of daily compounding and the actual number of days elapsed.
- (b) **Good Faith and Commercially Reasonable Manner.** Performance of all obligations under this Annex, including, but not limited to, all calculations, valuations and determinations made by either party, will be made in good faith and in a commercially reasonable manner.
- (c) **Demands and Notices.** All demands and notices given by a party under this Annex will be given as specified in Section 12 of this Agreement.
- (d) **Specifications of Certain Matters.** Anything referred to in this Annex as being specified in Paragraph 11 also may be specified in one or more Confirmations or other documents and this Annex will be construed accordingly.

## Paragraph 10. Definitions

As used in this Annex:

**"Base Currency"** means the currency specified as such in Paragraph 11(a)(i).

**"Base Currency Equivalent"** means, with respect to an amount on a Valuation Date, in the case of an amount denominated in the Base Currency, such Base Currency amount and, in the case of an amount denominated in a currency other than the Base Currency (the "Other Currency"), the amount of Base Currency required to purchase such amount of the Other Currency at the spot exchange rate determined by the Valuation Agent for value on such Valuation Date.

**"Credit Support Amount"** means, with respect to a Transferor on a Valuation Date, (i) the Transferee's Exposure plus (ii) all Independent Amounts applicable to the Transferor, if any, minus (iii) all Independent Amounts applicable to the Transferee, if any, minus (iv) the Transferor's Threshold; *provided, however,* that the Credit Support Amount will be deemed to be zero whenever the calculation of Credit Support Amount yields a number less than zero.

**"Credit Support Balance"** means, with respect to a Transferor on a Valuation Date, the aggregate of all Eligible Credit Support that has been transferred to or received by the Transferee under this Annex, together with any Distributions and all proceeds of any such Eligible Credit Support or Distributions, as reduced pursuant to Paragraph 2(b), 3(c)(ii) or 6. Any Equivalent Distributions or Interest Amount (or portion of either) not transferred pursuant to Paragraph 5(c)(i) or (ii) will form part of the Credit Support Balance.

**"Delivery Amount"** has the meaning specified in Paragraph 2(a).

**"Disputing Party"** has the meaning specified in Paragraph 4.

**"Distributions"** means, with respect to any Eligible Credit Support comprised in the Credit Support Balance consisting of securities, all principal, interest and other payments and distributions of cash or other property to which a holder of securities of the same type, nominal value, description and amount as such Eligible Credit Support would be entitled from time to time.

**"Distributions Date"** means, with respect to any Eligible Credit Support comprised in the Credit Support Balance other than cash, each date on which a holder of such Eligible Credit Support is entitled to receive Distributions or, if that date is not a Local Business Day, the next following Local Business Day.

**"Eligible Credit Support"** means, with respect to a party, the items, if any, specified as such for that party in Paragraph 11(b)(ii) including, in relation to any securities, if applicable, the proceeds of any redemption in whole or in part of such securities by the relevant issuer.

**"Eligible Currency"** means each currency specified as such in Paragraph 11(a)(ii), if such currency is freely available.

**"Equivalent Credit Support"** means, in relation to any Eligible Credit Support comprised in the Credit Support Balance, Eligible Credit Support of the same type, nominal value, description and amount as that Eligible Credit Support.

**"Equivalent Distributions"** has the meaning specified in Paragraph 5(c)(i).

**"Exchange Date"** has the meaning specified in Paragraph 11(d).



**"Exposure"** means, with respect to a party on a Valuation Date and subject to Paragraph 4 in the case of a dispute, the amount, if any, that would be payable to that party by the other party (expressed as a positive number) or by that party to the other party (expressed as a negative number) pursuant to Section 6(e)(ii)(1) of this Agreement if all Transactions (other than the Transaction constituted by this Annex) were being terminated as of the relevant Valuation Time, on the basis that (i) that party is not the Affected Party and (ii) the Base Currency is the Termination Currency; *provided* that Market Quotations will be determined by the Valuation Agent on behalf of that party using its estimates at mid-market of the amounts that would be paid for Replacement Transactions (as that term is defined in the definition of "Market Quotation").

**"Independent Amount"** means, with respect to a party, the Base Currency Equivalent of the amount specified as such for that party in Paragraph 11 (b)(iii)(A); if no amount is specified, zero .

**"Interest Amount"** means, with respect to an Interest Period, the aggregate sum of the Base Currency Equivalents of the amounts of interest determined for each relevant currency and calculated for each day in that Interest Period on the principal amount of the portion of the Credit Support Balance comprised of cash in such currency, determined by the Valuation Agent for each such day as follows:

- (x) the amount of cash in such currency on that day; multiplied by
- (y) the relevant Interest Rate in effect for that day; divided by
- (z) 360 (or, in the case of pounds sterling, 365).

**"Interest Period"** means the period from (and including) the last Local Business Day on which an Interest Amount was transferred (or, if no Interest Amount has yet been transferred, the Local Business Day on which Eligible Credit Support or Equivalent Credit Support in the form of cash was transferred to or received by the Transferee) to (but excluding) the Local Business Day on which the current Interest Amount is transferred.

**"Interest Rate"** means, with respect to an Eligible Currency, the rate specified in Paragraph 11(f)(i) for that currency.

**"Local Business Day"**, unless otherwise specified in Paragraph 11(h), means:

- (i) in relation to a transfer of cash or other property (other than securities) under this Annex, a day on which commercial banks are open for business (including dealings in foreign exchange and foreign currency deposits) in the place where the relevant account is located and, if different, in the principal financial centre, if any, of the currency of such payment;
- (ii) in relation to a transfer of securities under this Annex, a day on which the clearance system agreed between the parties for delivery of the securities is open for the acceptance and execution of settlement instructions or, if delivery of the securities is contemplated by other means, a day on which commercial banks are open for business (including dealings in foreign exchange and foreign currency deposits) in the place(s) agreed between the parties for this purpose;



(iii) in relation to a valuation under this Annex, a day on which commercial banks are open for business (including dealings in foreign exchange and foreign currency deposits) in the place of location of the Valuation Agent and in the place(s) agreed between the parties for this purpose; and

(iv) in relation to any notice or other communication under this Annex, a day on which commercial banks are open for business (including dealings in foreign exchange and foreign currency deposits) in the place specified in the address for notice most recently provided by the recipient.

**"Minimum Transfer Amount"** means, with respect to a party, the amount specified as such for that party in Paragraph 11(b)(iii)(C); if no amount is specified, zero.

**"New Credit Support"** has the meaning specified in Paragraph 3(c)(i).

**"Notification Time"** has the meaning specified in Paragraph 11(c)(iv).

**"Recalculation Date"** means the Valuation Date that gives rise to the dispute under Paragraph 4; provided, however, that if a subsequent Valuation Date occurs under Paragraph 2 prior to the resolution of the dispute, then the **"Recalculation Date"** means the most recent Valuation Date under Paragraph 2.

**"Resolution Time"** has the meaning specified in Paragraph 11(e)(i).

**"Return Amount"** has the meaning specified in Paragraph 2(b).

**"Settlement Day"** means, in relation to a date, (i) with respect to a transfer of cash or other property (other than securities), the next Local Business Day and (ii) with respect to a transfer of securities, the first Local Business Day after such date on which settlement of a trade in the relevant securities, if effected on such date, would have been settled in accordance with customary practice when settling through the clearance system agreed between the parties for delivery of such securities or, otherwise, on the market in which such securities are principally traded (or, in either case, if there is no such customary practice, on the first Local Business Day after such date on which it is reasonably practicable to deliver such securities).

**"Threshold"** means, with respect to a party, the Base Currency Equivalent of the amount specified as such for that party in Paragraph 11(b)(iii)(B); if no amount is specified, zero.

**"Transferee"** means, in relation to each Valuation Date, the party in respect of which Exposure is positive number and, in relation to a Credit Support Balance, the party which, subject to this Annex, owes such Credit Support Balance or, as the case may be, the Value of such Credit Support Balance to the other party. a

**"Transferor"** means, in relation to a Transferee, the other party.

**"Valuation Agent"** has the meaning specified in Paragraph 11(c)(i).

**"Valuation Date"** means each date specified in or otherwise determined pursuant to Paragraph 11(c)(ii).

**"Valuation Percentage"** means, for any item of Eligible Credit Support, the percentage specified in Paragraph 11(b)(ii).

**"Valuation Time"** has the meaning specified in Paragraph 11(c)(iii).

**"Value"** means, for any Valuation Date or other date for which Value is calculated, and subject to Paragraph 4 in the case of a dispute, with respect to:

- (i) Eligible Credit Support comprised in a Credit Support Balance that is:
  - (A) an amount of cash, the Base Currency Equivalent of such amount multiplied by the applicable Valuation Percentage, if any; and
  - (B) a security, the Base Currency Equivalent of the bid price obtained by the Valuation Agent multiplied by the applicable Valuation Percentage, if any; and
- (ii) items that are comprised in a Credit Support Balance and are not Eligible Credit Support, zero.

**CREDIT SUPPORT ANNEX**

to the

**SCHEDULE TO THE ISDA MASTER AGREEMENT**dated as of 11 November 2020

- (1) **LLOYDS BANK CORPORATE MARKETS PLC ("Party A");** and
- (2) **PARAGON MORTGAGES (NO.28) PLC ("Party B").**

**Paragraph 11. Elections and Variables****(a) Base Currency and Eligible Currency.**

- (i) **"Base Currency"** means Sterling.
- (ii) **"Eligible Currency"** means the Base Currency, US Dollars and Euro.

**(b) Credit Support Obligations.****(i) Delivery Amount, Return Amount and Credit Support Amount.**

- (A) **"Delivery Amount"** has the meaning specified in Paragraph 2(a), as amended (I) by deleting the words "upon a demand made by the Transferee on or promptly following a Valuation Date" and replacing the word "that" on the second line of Paragraph 2(a) with the word "a" and (II) by deleting in its entirety the sentence beginning "Unless otherwise specified in Paragraph 11(b)" and inserting in lieu thereof the following:

**"The "Delivery Amount"** applicable to the Transferor for any Valuation Date will equal the greater of:

- (1) the amount by which (a) the Fitch Credit Support Amount for such Valuation Date exceeds (b) the Value (determined using the applicable Fitch Valuation Percentages in Appendix A) as of such Valuation Date of the Transferor's Credit Support Balance (adjusted to include any prior Delivery Amount and to exclude any prior Return Amount, the transfer of which, in each case, has not yet been completed and for which the relevant Settlement Day falls on or after such Valuation Date); and
- (2) the amount by which (a) the Moody's Credit Support Amount for such Valuation Date exceeds (b) the Value (determined using the applicable Moody's Valuation Percentages in Appendix B) as of such Valuation Date of the Transferor's Credit Support Balance (adjusted to include any prior Delivery Amount and to exclude any prior Return Amount, the transfer of which, in each case, has not yet been completed and for which the relevant Settlement Day falls on or after such Valuation Date),

provided that if, in respect of any Valuation Date, the Delivery Amount equals or exceeds the Transferor's Minimum Transfer Amount, the Transferor will transfer to the Transferee sufficient Eligible Credit Support to ensure that, immediately following such transfer, the Delivery Amount calculated under (1) and (2) above shall be zero."

- (B) **"Return Amount"** has the meaning specified in Paragraph 2(b) as amended by deleting in its entirety the sentence beginning "Unless otherwise specified in Paragraph 11(b)" and inserting in lieu thereof the following:

"The "Return Amount" applicable to the Transferee for any Valuation Date will equal the lesser of:

- (1) the amount by which (a) the Value (determined using the applicable Fitch Valuation Percentages in Appendix A) as of such Valuation Date of the Transferor's Credit Support Balance (adjusted to include any prior Delivery Amount and to exclude any prior Return Amount, the transfer of which, in each case, has not yet been completed and for which the relevant Settlement Day falls on or after such Valuation Date) exceeds (b) the Fitch Credit Support Amount for such Valuation Date; and
- (2) the amount by which (a) the Value (determined using the Moody's Valuation Percentages in Appendix B) as of such Valuation Date of the Transferor's Credit Support Balance (adjusted to include any prior Delivery Amount and exclude any prior Return Amount, the transfer of which, in each case, has not yet been completed and for which the relevant Settlement Day falls on or after such Valuation Date) exceeds (b) the Moody's Credit Support Amount for such Valuation Date,

provided that, in respect of any Valuation Date, in no event shall the Transferee be required to transfer any Equivalent Credit Support under Paragraph 2(b) if, immediately following such transfer, the Delivery Amount would be greater than zero."

- (C) **"Credit Support Amount"** means the Moody's Credit Support Amount or Fitch Credit Support Amount as applicable.
- (ii) **Eligible Credit Support. The following items will qualify as "Eligible Credit Support" for Party A only:**
- (A) For the purposes of Fitch, cash in any Eligible Currency and the collateral specified in Appendix A will qualify as **"Eligible Credit Support"** for Party A and Valuation Percentages shall apply as set out in such table provided that in relation to types of Eligible Credit Support not listed in that table, the applicable Valuation Percentage shall be as agreed between Party A and Party B from time to time and as notified to Fitch unless Fitch advise that such Valuation Percentage will

adversely affect the then current rating assigned to the Relevant Notes by Fitch.

- (B) For the purpose of Moody's, the items listed in Appendix B will qualify as "Eligible Credit Support" for Party A and Valuation Percentages shall apply as set out therein.

As used herein, "Valuation Percentage" means the Fitch Valuation Percentage, or the Moody's Valuation Percentage, as the context requires.

(iii) **Thresholds**

- (A) **"Independent Amount"** means, with respect to Party A: zero.

**"Independent Amount"** means with respect to Party B: zero.

- (B) **"Threshold"** means with respect to Party A: infinity, provided that for so long as either:

- (1) the Fitch Threshold is zero; or
- (2) the Moody's Threshold is zero,

the Threshold with respect to Party A shall be zero.

**"Threshold"** means with respect to Party B: infinity.

**"Fitch Threshold"** means (A) for so long as an Initial Fitch Rating Event or a Subsequent Fitch Rating Event has occurred and is continuing and Party A has not taken alternative action as contemplated by paragraphs (g)(i)(B)(1), (g)(i)(B)(2), (g)(i)(B)(3) or (g)(ii)(A) of Part 5 of the Schedule to the Agreement, zero and (b) at any other time, infinity.

**"Moody's Threshold"** means, (A) so long as the Collateral Trigger Requirements apply and either (i) the Collateral Trigger Requirements have applied continuously since this Annex was executed or (ii) at least 30 Local Business Days have elapsed since the last time the Collateral Trigger Requirements did not apply, zero and (B) at any other time, infinity.

- (C) **"Minimum Transfer Amount"** with respect to a party on any Valuation Date, means GBP 50,000.
- (D) **"Rounding"**. The Delivery Amount will be rounded up and the Return Amount will be rounded down respectively to the nearest integer multiple of GBP 10,000.
- (E) **Zero Credit Support Amount**. Notwithstanding the provisions of (C) and (D) above, when Party A's Credit Support Amount is zero,

then the Minimum Transfer Amount with respect to Party B shall be zero, and Rounding will not apply.

- (iv) **"Exposure"** has the meaning specified in Paragraph 10, except that (1) after the word "Agreement" the words "(assuming, for this purpose only, that Part 5(p) (*Close-Out Calculations*) of the Schedule is deleted)" shall be inserted and (2) at the end of the definition of "Exposure", the words "without assuming that the terms of such Replacement Transactions are materially less beneficial for the Transferee than the terms of this Agreement" shall be added.
- (v) **Hedge Collateral Authorised Investments**

Any portion of the Credit Support Balance comprised of cash (the "**Cash Collateral**") may be invested in Hedge Collateral Authorised Investments in accordance with the terms of the Relevant Documents, provided, however, that (i) such Hedge Collateral Authorised Investments shall be made in the same currency in which the Cash Collateral was transferred to Party B by Party A and (ii) Party B must be able to withdraw all or part of the Cash Collateral from such Hedge Collateral Authorised Investments on the Local Business Day following a request to withdraw such Cash Collateral made by Party B without incurring any penalty, fee or other charge,

where:

**"Hedge Collateral Authorised Investment"** means overnight money market deposits, call deposits or accounts opened in the name of Party B on behalf of Party A with banks (a) whose (i) short-term issuer default rating is rated at least F1 by Fitch; and (ii)(x) long term issuer default rating is rated at least A by Fitch; and (y) long-term, unsecured and unsubordinated debt or counterparty obligations are rated A3 or above by Moody's or (b) which have any other ratings which would not adversely affect the ratings of the Notes (the "**Hedge Collateral Account Bank Required Rating**") and operated at all times in accordance with this paragraph 11(b)(v).

Party B agrees to use all reasonable endeavours to obtain the best rate of interest available on any Hedge Collateral Authorised Investment and (unless and to the extent that leaving the cash in the relevant Primary Hedge Collateral Cash Account would breach any large exposure limits which may apply to Paragon Banking Group plc and its subsidiaries or affiliates under applicable laws and regulations) such rate of interest shall be no lower than the rate of interest then applicable to the relevant Primary Hedge Collateral Cash Account.

(c) **Valuation and Timing.**

- (i) **"Valuation Agent"** means Party A.
- (ii) **"Valuation Date"** means either (i) the last Local Business Day of each week, provided that on such day the Threshold for Party A is zero; or (ii) the day on which Party A's Threshold has been changed from zero to infinity (or if such day is not a Local Business Day, the immediately following Local Business Day) or (iii) none, provided the Threshold for Party A is infinity.

- (iii) "**Valuation Time**" means the close of business on the Local Business Day immediately preceding the Valuation Date or date of calculation, as applicable; provided that the calculations of Value and Credit Support Amount will, as far as practicable, be made as of approximately the same time on the same date.
  - (iv) "**Notification Time**" means 1:00 p.m., London time on a Local Business Day.
  - (v) "**Calculations**". Paragraph 3(b) shall be amended by inserting the words, ", Moody's Credit Support Amount and Fitch Credit Support Amount," after the word "Value".
- (d) "**Exchange Date**" has the meaning specified in Paragraph 3(c)(ii).
- (e) **Dispute Resolution**
- (i) "**Resolution Time**" means 1:00 p.m., London time, on the Local Business Day following the date on which the notice is given that gives rise to a dispute under Paragraph 4.
  - (ii) **Value**. For the purpose of Paragraphs 4(a)(4)(i)(C) and 4(a)(4)(ii), on any date the Value of the outstanding Credit Support Balance or of any transfer of Eligible Credit Support or Equivalent Credit Support, as the case may be, will be calculated as follows:
    - (1) with respect to any Eligible Credit Support or Equivalent Credit Support comprising securities ("**Securities**") the Base Currency Equivalent of the sum of (a)(x) the bid price as at the Valuation Time on such date for such Securities on the principal national securities exchange on which such Securities are listed, multiplied by the applicable Valuation Percentage; or (y) where any Securities are not listed on a national securities exchange, the bid price for such Securities quoted as at the Valuation Time on such date by any principal market maker (which shall not be and shall be independent from the Valuation Agent) for such Securities chosen by the Valuation Agent, multiplied by the applicable Valuation Percentage; or (z) if no such bid price is listed or quoted for such date, the bid price listed or quoted (as the case may be), as at the Valuation Time as of the day next preceding such date on which such prices were available, multiplied by the applicable Valuation Percentage; and (b) the accrued interest where applicable on such Securities (except to the extent that such interest shall have been paid to the Transferor pursuant to Paragraph 5(c)(ii) or included in the applicable price referred to in subparagraph (a) above) as of such date; and
    - (2) with respect to any cash, the Base Currency Equivalent of the amount thereof multiplied by the applicable Valuation Percentage.
  - (iii) **Alternative**. The provisions of Paragraph 4 will apply.
- (f) **Distributions and Interest Amount**
- (i) **Interest Rate**

"**Interest Rate**" for US Dollars for any day means, the Federal Funds Overnight Rate. For the purposes hereof, "**Federal Funds Overnight Rate**" means the



reference rate in H.15(519) opposite the caption "Federal Funds (Effective)" on Reuters Page FEDFUNDS1 in respect of such day (or if Page FEDFUNDS1 ceases to exist or is not yet published in H.15(519), the rate for that day will be the rate set forth in H.15 Daily Update or such other recognised electronic source used for the purpose of displaying such rate for that day opposite the caption "Federal Funds (Effective)").

The Interest Rate for Euro, for any day, means the "EONIA" rate, being the reference rate equal to the overnight rate appearing on Reuters Page EONIA or as published by Bloomberg in respect of such day (or if such page ceases to exist, another equivalent page or reference, or if no such rate is published for such day, the rate for the next preceding day for which such a rate is published).

The Interest Rate for Sterling, for any day, means the "SONIA" rate, the Sterling Overnight Index Average Rate as provided by the administrator of SONIA to, and published by, authorised distributors of the rate in respect of such day or if no such rate is published for such day, the rate for the next preceding day for which such a rate is published).

Provided, that, if the relevant Interest Rate source is unavailable for any reason, then the Interest Rate shall be as published by such source on the preceding Local Business Day, unless Party A and Party B agree on an alternative source.

- (ii) **Transfer of Hedge Collateral Return Amount.** The Transfer of the Interest Amount together with any additional interest, distribution or other income in excess of the Interest Amount received by Party B or for Party B's account in respect of each Primary Hedge Collateral Cash Account and any Hedge Collateral Authorised Investments (together, the "**Hedge Collateral Return Amount**") will be made monthly in arrears on the second Local Business Day of each calendar month (each such date, a "**Hedge Collateral Interest Amount Payment Date**"), provided that Party B shall not be obliged to so transfer any Hedge Collateral Return Amount (i) unless and until it has earned and received such interest, distribution or other income (net of any deduction or withholding for or on account of Tax) and (ii) unless the Valuation Agent has confirmed that no Delivery Amount will be created or increased by the transfer.

If the Transferee is required to pay any negative interest or any other bank charges in relation to Cash Collateral to the provider of the relevant Hedge Collateral Account or on any Hedge Collateral Authorised Investment, the Transferor shall deliver an amount equal to the absolute value of such negative interest or bank charge, as applicable, to the Transferee on each relevant Hedge Collateral Interest Amount Payment Date *provided that* the Transferee shall give notice to the Transferor of the amount so payable, not later than the second Local Business Day prior to each relevant Hedge Collateral Interest Amount Payment Date.

- (iii) **Alternative to Interest Amount.** The provisions of Paragraph 5(c)(ii) will apply. For the purpose of calculating the Interest Amount, the amount of interest

calculated for each Interest Period shall, with respect to any Eligible Currency, be compounded daily.

(iv) **Distributions**

The definition of "Distributions" in Paragraph 10 shall be deleted and replaced with the following:

"**Distributions**" means, with respect to any Eligible Credit Support comprised in the Credit Support Balance consisting of securities, all principal, interest and other payments and distributions of cash or other property to which a holder (with the same tax residency as the Transferee) of securities of the same type, nominal value, description and amount as such Eligible Credit Support would have received (net of any deduction or withholding for or on account of any Tax) from time to time.

The definition of "**Distribution Date**" in Paragraph 10 shall be deleted and replaced with the following:

"**Distribution Date**" means, with respect to any Eligible Credit Support comprised in the Credit Support Balance other than cash, each date on which a holder (with the same tax residency as the Transferee) of such Eligible Credit Support would have received Distributions or, if that date is not a Valuation Date, the next following Valuation Date.

**Transfer of Distributions.** The Transferee shall only be obliged to transfer Equivalent Distributions under Paragraph 5(c)(i) if the Valuation Agent has confirmed in writing that no Delivery Amount would be created or increased by the transfer (and the date of calculation will be deemed a Valuation Date for this purpose).

(g) **Addresses for Transfers.**

Party A: As advised from time to time by Collateral Management Department:

Tel: +44 207 158 6533/0131 347 7549  
Fax: +44 207 158 3298/3299  
Email: CollateralOps@lloydsbanking.com  
Attention: Collateral Management Department

Party B: Address details as set out in Part 4(a).

Account details for collateral transfers to Party B:

Account number: 13246485  
IBAN: GB62CITI18500813246485

(h) **Other Provisions.**

(i) ***Transfer Timing***

The following words shall be inserted at the end of the final paragraph of Paragraph 3(a):

- (a) "Provided that any transfer of Eligible Credit Support by the Transferor pursuant to Paragraph 2(a) shall be made in accordance with subparagraph (i), (ii) or (iii) (as applicable) of this Paragraph 3(a) not later than the close of business on the relevant Valuation Date, regardless of whether any demand for transfer is received."
- (b) Paragraph 3(b) shall be amended by the deletion of the words "the Local Business Day following" in the fourth line thereof and the addition of the words "on the Local Business Day" before the word "following" in the fifth line thereof.

(ii) ***Early Termination***

The heading for Paragraph 6 shall be deleted and replaced with "Early Termination" and (1) the following shall be added after the word "party" in the second line of Paragraph 6, "or a Termination Event where all Transactions are Affected Transactions" and (2) the words "or an Affected Party, as relevant" shall be added after the words "Defaulting Party" in the bracketed text in the fourth line of Paragraph 6.

(iii) ***Exchange***

The Transferee shall only be obliged to transfer Equivalent Credit Support under Paragraph 3(c)(ii) if the Valuation Agent has confirmed in writing that no Delivery Amount would be created or increased by the transfer (and the date of calculation will be deemed a Valuation Date for this purpose).

(iv) ***Cumulative Rights***

The rights, powers and remedies of the Transferee under this Annex shall be in addition to all rights, powers and remedies given to the Transferee by the Agreement or by virtue of any statute or rule of law, all of which rights, powers and remedies shall be cumulative and may be exercised successively or concurrently without impairing the rights of the Transferee in the Credit Support Balance created pursuant to this Annex.

(v) **"Fitch Credit Support Amount"** shall mean with respect to a Transferor on a Valuation Date:

- (1) if the Fitch Threshold for Party A is infinity (irrespective of whether the Threshold is infinity or zero), zero;
- (2) If the Fitch Threshold for Party A is zero and if (i) an Initial Fitch Rating Event has occurred and is continuing but a Relevant Entity has at least one Fitch Formula 1 Rating and (ii) either such Initial

Fitch Rating Event has continued since this Credit Support Annex was executed or 14 or more calendar days have elapsed since such Initial Fitch Rating Event first occurred, an amount calculated in accordance with the following formula:

Max MV *plus* (LA *multiplied by* VC *multiplied by* 60% *multiplied by* N); 0

- (3) If the Fitch Threshold for Party A is zero and (i) no Relevant Entity has at least one Fitch Formula 1 Rating and (ii) either this has been the case since this Credit Support Annex was executed or 14 or more calendar days have elapsed since any Relevant Entity had at least one Fitch Formula 1 Rating, an amount calculated in accordance with the following formula:

Max MV *plus* (LA *multiplied by* VC *multiplied by* N); 0

where:

"**Fitch Formula 1 Rating**" shall mean the long-term IDR, the short-term IDR or, if assigned, DCR, from Fitch corresponding to the then current rating of the Relevant Notes as set out in the following table:

<b>Current rating of Relevant Notes</b>	<b>Fitch Formula 1 Ratings</b>
AAAsf	A- or F2
AAsf	BBB+ or F2
Asf	BBB- or F3
BBBsf	n.a.
BBsf	n.a.
Bsf	n.a.

"**Max**" means maximum;

"**MV**" means the Transferee's Exposure;

"**BLA**" means 0%

"**LA**" means  $(1 + \text{BLA}) * (1 + \text{Max}(0\%; 5\% * (\text{WAL} - 20)))$ ;

"**VC**" means the percentage specified in the relevant table below for a weighted average life that is equal to (or closest to) the remaining term of the Transaction;

**VCs for Cross Currency Swaps**

*Fixed/floating, fixed-fixed or floating-floating FX swaps at weighted average life (years) (%)*

Notes rating	<1	1-3	3-5	5-7	7-10	10-20	20-50
<b>'AA-sf' or higher</b>							
- Floating/floating	11.75	11.75	11.75	11.75	11.75	11.75	11.75
- Fixed/floating	11.75	12.5	13.0	13.5	14.0	15.0	16.0
- Fixed/fixed	12.0	13.5	14.75	15.75	16.75	18.75	20.75
<b>'Below AA-sf'</b>							
- Floating/floating	7.75	7.75	7.75	7.75	7.75	7.75	7.75
- Fixed/floating	7.75	8.25	8.75	9.00	9.25	9.75	10.25
- Fixed/fixed	8.00	9.00	10.00	10.50	11.00	12.00	13.00

*Note: the VCs for FX Options are reduced by 30%*

**VCs for Interest Rate Swaps, Caps, Floors and Collars**

*Fixed-floating, interest rate swaps, caps, floors and collars depending on the WAL (years) (%)*

Notes' Rating	Basis Swaps (%)	<1	1-3	3-5	5-7	7-10	10-20	20-50
<b>'AA-sf' or better</b>	0.75	0.75	2.25	3.50	4.50	5.50	7.50	9.50
<b>Below 'AA-sf'</b>	0.50	0.50	1.50	2.50	3.00	3.50	4.50	5.50

*Note: the VCs for Caps and Floors are reduced by 30%*

"WAL" means the weighted average life of the derivative (in years, rounded upwards to the next integer) determined on the basis of a constant prepayment rate (CPR) equal to the lower of: (i) 5%, (ii) the annualised CPR reported over the previous 6 months on the portfolio, and (iii) the counterparty's internal CPR assumption; alternatively, a zero prepayment assumption may be applied; and

"N" means the Notional Amount at that time.

(vi) **"Moody's Credit Support Amount"** shall mean with respect to a Transferor on a Valuation Date:

- (i) if the Moody's Threshold is infinity, zero;
- (ii) if the Moody's Threshold is zero, the greater of:
  - (A) zero; and
  - (B) the sum of (x) the Transferee's Exposure and (y) the aggregate of the Moody's Additional Amounts in respect of such Valuation

Date for all Transactions (other than the Transaction constituted by this Annex).

**"Moody's Additional Amount"** means, for any Valuation Date in respect of a particular Transaction, the lesser of:

- (i) the product of the Moody's Single Currency DV01 Multiplier and the Transaction Single Currency DV01 for such Transaction; and
- (ii) the product of the Moody's Single Currency Notional Amount Multiplier and the Transaction Notional Amount for such Transaction for the Calculation Period which includes such Valuation Date.

**"Moody's Single Currency DV01 Multiplier"** means 50.

**"Moody's Single Currency Notional Amount Multiplier"** means 0.08.

**"Transaction Single Currency DV01"** means, with respect to a Transaction and any date of determination, the estimated absolute change in the Base Currency Equivalent of the mid-market value with respect to such Transaction that would result from a one basis point change in the relevant swap curve on such date, as determined by the Valuation Agent in good faith and in a commercially reasonable manner in accordance with the relevant methodology customarily used by the Valuation Agent.

**"Transaction Notional Amount"** means in respect of a particular Transaction, the Base Currency Equivalent of the Notional Amount (as defined in the relevant Confirmation).

- (vii) Paragraph 10 is amended by adding the following Definitions:

**"Fitch"** means Fitch Ratings Ltd and includes any successors thereto;

**"Fitch Criteria"** means the criteria used by Fitch (as set out in Fitch's publication "Structured Finance and Covered Bonds Counterparty Rating Criteria" including the "Derivative Addendum" thereto, published by Fitch on 29 January 2020); and

**"Moody's"** means Moody's Investors Service Limited and includes any successors thereto.

- (viii) **Agreement as to Single Transferee Party and Transferor.** Party A and Party B agree that, notwithstanding anything to the contrary in this Annex:

- (A) the term **"Transferee"** as used in this Annex shall mean Party B only;
  - (B) the term **"Transferor"** as used in this Annex shall mean Party A only;
- and

(C) Party A only will be required to make transfers of Delivery Amounts and Party B only will be required to make transfers of Return Amounts hereunder.

(ix) **Demands and Notices.**

(A) in the case of Party A:

Address: Lloyds Bank Corporate Markets plc  
6th Floor  
33 Old Broad Street  
London  
EC2N 1HZ

Attention: Markets Operations

Telephone No: 020 7283 1000

Email Address: [notices@lloydsbanking.com](mailto:notices@lloydsbanking.com)

(B) in the case of Party B:

Address: Paragon Mortgages (No.28) plc  
51 Homer Road  
Solihull  
West Midlands B91 3QJ

Attention: Swaps Administration, Finance Department

Telephone No: +44(0) 121 712 2323

Email Address: [Company.Secretary@paragonbank.co.uk](mailto:Company.Secretary@paragonbank.co.uk)  
[securitisations@paragonbank.co.uk](mailto:securitisations@paragonbank.co.uk)  
[treasurybackoffice@paragonbank.co.uk](mailto:treasurybackoffice@paragonbank.co.uk)

(x) **Paragraph 6**

For the purposes of determining the Credit Support Balance pursuant to Paragraph 6, the definition of Value in Paragraph 10 shall be amended by deleting the words "multiplied by the applicable Valuation Percentage, if any" from sub-paragraphs (i)(A) and (i)(B).

(xi) **Calculations**

Paragraph 3(b) of this Annex shall be amended by inserting the words "and shall provide each party (or the other party, if the Valuation Agent is a party) with a description in reasonable detail of how such calculations were made, upon reasonable request" after the word "calculations" in the third line thereof.



(xii) **Expenses**

- (A) Notwithstanding paragraph 8, the Transferor will be responsible for, and will reimburse the Transferee for, all costs and expenses (including any stamp duty reserve tax, transfer or similar transaction tax or duty (other than United Kingdom stamp duty) payable on any transfer that is required to be made under this Annex) in connection with the performance of both its and the Transferee's obligations under this Annex, including but not limited to the transfer of Eligible Credit Support or Equivalent Credit Support either from the Transferor to the Transferee or from the Transferee to the Transferor hereto.
- (B) Party A shall pay any United Kingdom stamp duty which is payable on any agreement to transfer, or any instrument transferring, Eligible Credit Support or Equivalent Credit Support either from the Transferor to the Transferee or from the Transferee to the Transferor hereto together with any interest and/or penalties which may be required to be paid in consequence of the time at which any such duty is paid.

(xiii) **Hedge Collateral Accounts**

Party B hereby agrees to:

- (A) within 30 days of the signing of this Agreement, open a Primary Hedge Collateral Cash Account with a bank with at least the Hedge Collateral Account Bank Required Rating and arrange for the Hedge Collateral Ledger to be established in accordance with the Administration Agreement; and
- (B) open a Hedge Collateral Securities Account, within 90 days of the occurrence of an Initial Fitch Rating Event or a Subsequent Fitch Rating Event (which is continuing) or if the Collateral Trigger Requirements apply, upon request of Party A made in writing,

in each case, to enable Party A to transfer Eligible Credit Support in the form of cash or securities, as applicable, to Party B under the terms of this Annex and for the Hedge Collateral to be credited to the Hedge Collateral Ledger ***provided, however, that*** Party B shall ensure that each Hedge Collateral Cash Account at all times be maintained with a bank with at least the Hedge Collateral Account Bank Required Rating. If the bank, with which the Primary Hedge Collateral Cash Account is held, does not have at least the Hedge Collateral Account Bank Required Rating, Party B will, within 30 days or any such longer period as agreed with Party A, transfer the Primary Hedge Collateral Cash Account to another bank which has at least the Hedge Collateral Account Bank Required Rating.

For the avoidance of doubt, no Event of Default (or Potential Event of Default) shall occur with respect to Party A under Section 5(a)(i)(*Failure to Pay or Deliver*) and no Additional Termination Event shall occur with respect to Party A under Part 5(g)(v)(*Rating Event Implications*), sub-paragraphs (B), (C) and (D) of this Schedule, as a consequence of Party A failing to transfer Eligible

Credit Support in accordance with the terms of this Annex on a day on which neither a Hedge Collateral Securities Account nor a Hedge Collateral Cash Account is in place.

## Appendix A – Fitch Eligible Credit Support and Valuation Percentages

"Fitch Valuation Percentage" means, with respect to a Valuation Date (i) in respect of Cash in an Eligible Currency 100%, and (ii) in respect of each instrument in the following tables the corresponding percentage in the column reflecting the then current rating of the relevant note, in each case, if the Eligible Credit Support is not denominated in the Base Currency, multiplied by the relevant advance rate as set out below in respect of FX risk.

<b>Table 1- Advance Rates for Sovereign Bonds rated at least AA- and F1+</b>				
<b>Sovereign Bond Issuer</b>	<b>Sovereign Maturity</b>	<b>Bond</b>	<b>Highest rated note 'AA-sf' or higher (%)</b>	<b>Highest rated note 'A+sf' or lower (%)</b>
Australia and New Zealand	<1 year		98.5	99.0
Australia and New Zealand	1-3 years		97.0	98.0
Australia and New Zealand	3-5 years		94.5	96.0
Australia and New Zealand	5-7 years		92.0	94.5
Australia and New Zealand	7-10 years		89.0	93.0
Denmark and Sweden	<1 year		98.5	99.0
Denmark and Sweden	1-3 years		96.5	97.5
Denmark and Sweden	3-5 years		93.5	95.5
Denmark and Sweden	5-7 years		91.5	94.5
Denmark and Sweden	7-10 years		88.5	92.5
Eurozone	<1 year		98.5	99.0
Eurozone	1-3 years		96.5	97.5
Eurozone	3-5 years		93.5	96.0
Eurozone	5-7 years		91.5	94.5
Eurozone	7-10 years		89.5	93.0
Eurozone	10-30 years		75.0	82.5
Singapore	<1 year		97.5	98.0
Singapore	1-3 years		94.5	95.5
Singapore	3-5 years		91.5	93.0

**Table 1- Advance Rates for Sovereign Bonds rated at least AA- and F1+**

<b>Sovereign Bond Issuer</b>	<b>Sovereign Maturity</b>	<b>Bond</b>	<b>Highest rated note 'AA-sf' or higher (%)</b>	<b>Highest rated note 'A+sf' or lower (%)</b>
Singapore	5-7 years		87.0	89.0
Singapore	7-10 years		81.5	84.5
Switzerland	<1 year		98.5	99.0
Switzerland	1-3 years		97.5	98.0
Switzerland	3-5 years		95.5	97.0
Switzerland	5-7 years		94.5	96.0
Switzerland	7-10 years		93.5	95.5
UK	<1 year		98.5	99.0
UK	1-3 years		96.5	97.5
UK	3-5 years		92.0	94.5
UK	5-7 years		91.0	94.0
UK	7-10 years		89.5	93.0
UK	10-30 years		80.0	87.0
US and Canada	<1 year		97.5	98.0
US and Canada	1-3 years		96.0	97.0
US and Canada	3-5 years		93.5	94.5
US and Canada	5-7 years		93.0	94.0
US and Canada	7-10 years		91.0	92.5
US and Canada	10-30 years		80.0	87.0

<b>Sovereign Bond Issuer</b>	<b>Sovereign Maturity</b>	<b>Bond Highest rated note 'AA-sf' or higher</b>	<b>Highest rated note 'A+sf' or lower</b>
Eurozone	<1 year	95.0	96.5
Eurozone	1-3 years	88.0	92.0
Eurozone	3-5 years	83.0	88.5
Eurozone	5-7 years	78.0	85.5
Eurozone	7-10 years	78.0	85.5
Eurozone	10-30 years	77.5	85.0
Japan	<1 year	99.0	99.0
Japan	1-3 years	97.0	98.0
Japan	3-5 years	94.5	96.5
Japan	5-7 years	92.0	94.5
Japan	7-10 years	87.5	92.0
Japan	10-30 years	71.0	81.0

	<b>Highest rated note AA- or higher</b>	<b>Highest rated note A+ or lower</b>
Advance rate	86.0%	90.5

The FX advance rates (ARs) shown in Table 3 apply (in addition to those shown in Tables 1 and 2) whenever a currency mismatch is present between the currency of the collateral and the obligations of the counterparty. If foreign currency government bonds are provided, both the AR for FX risk and the security AR will be multiplied. The FX ARs are applicable for currency pairs within Australian dollars, Canadian dollars, Swiss francs, Czech koruna, Danish kroner, euros, UK pounds, Norwegian kroner, New Zealand dollars, Japanese yen, Korean won, Swedish kroner, Singapore dollars and US dollars.

## **Appendix B – Moody's Eligible Credit Support and Moody's Valuation Percentages**

"**Moody's Valuation Percentage**" means, in respect of each instrument in the table below, the corresponding percentage in the column headed "Valuation Percentage".

### **Moody's Eligible Credit Support Matrix**

<b>Instrument</b>	<b>Valuation Percentage</b>
Sterling Cash	100%
EURO Cash	97%
US Dollar Cash	95%
<b>US Dollar Denominated Fixed Rate Negotiable Debt issued by the US Treasury with Remaining Maturity</b>	
≤1 year	95%
>1 and ≤2	94%
>2 and ≤3	93%
>3 and ≤5	92%
>5 and ≤7	91%
>7 and ≤10	89%
>10 and ≤20	86%
>20	84%
<b>US Dollar Floating Rate Negotiable Debt issued by the US Treasury</b>	
All Maturities	94%
<b>US Dollar Denominated Fixed Rate US Agency Debentures with Remaining Maturity</b>	
≤1 year	94%
>1 and ≤2	94%
>2 and ≤3	93%
>3 and ≤5	91%
>5 and ≤7	90%
>7 and ≤10	88%
>10 and ≤20	85%
>20	83%
<b>US Dollar Floating Rate US Agency Debentures</b>	
All Maturities	93%
<b>EURO Denominated Fixed Rate Eurozone Government Bonds Rated Aa3 or Above by Moody's with Remaining Maturity</b>	
≤1 year	97%
>1 and ≤2	96%
>2 and ≤3	95%
>3 and ≤5	93%
>5 and ≤7	92%
>7 and ≤10	91%
>10 and ≤20	86%
>20	84%
<b>EURO Denominated Floating Rate Eurozone Government Bonds Rated Aa3 or Above by Moody's</b>	
All Maturities	96%
<b>Sterling Denominated Fixed Rated United Kingdom Gilts with Remaining Maturity with Remaining Maturity</b>	
≤1 year	99%
>1 and ≤2	98%
>2 and ≤3	97%
>3 and ≤5	96%
>5 and ≤7	95%
>7 and ≤10	94%
>10 and ≤20	90%
>20	88%
<b>Sterling Denominated Floating Rated United Kingdom Gilts</b>	
All Maturities	99%

**IN WITNESS WHEREOF,**

**Signed for and behalf of:**

**LLOYDS BANK CORPORATE MARKETS  
PLC**

By

Name:

Title: Authorised signatory

Date: 11 November 2020

By .....

Name:

Title: Authorised signatory

Date:

**Signed for and behalf of:**

**PARAGON MORTGAGES (NO.28) PLC**

By: .....

Name:

Title:

Date:



**IN WITNESS WHEREOF,**

**Signed for and behalf of:**

**LLOYDS BANK CORPORATE MARKETS  
PLC**

By .....

Name:

Title: Authorised signatory

Date:

By .....

Name:

Title: Authorised signatory

Date:

**Signed for and behalf of:**

**PARAGON MORTGAGES (NO.28) PLC**

By:



Name: Authorised Signatory of MaplesFS UK  
Title: Corporate Director No.1 Limited,  
as Director  
Date: 11 November 2020